



AMANAHRAYA ■ REIT

ANNUAL REPORT 2017



CON

RETAIL

- Selayang Mall

INDUSTRIAL

- AIC Factory, Shah Alam
- Silver Bird Factory, Shah Alam
- Gurun Automotive Warehouse
- Deluge Factory, Nusajaya

HOSPITALITY

- Holiday Villa, Alor Setar
- Holiday Villa, Langkawi

02	Corporate Directory
04	Property Profile
05	About AmanahRaya REIT
06	Salient Features of AmanahRaya REIT
07	Asset Under Management
08	Financial Highlights
09	Property Portfolio
14	AmanahRaya REIT Structure
15	Manager's Structure
15	Organisation Chart
18	Overview of 15 Properties Under AmanahRaya REIT
34	Profile of the Board of Directors
39	AmanahRaya REIT Investment Committee Members
42	Corporate Calendar 2017
44	Chairman's Statement
46	Profile of the Chief Executive Officer
47	The Management Team
48	Management Discussion and Analysis
58	Statement on Corporate Governance
66	Statement on Risk Management and Internal Control
68	Property Market Overview
78	Statutory Financial Statements
121	Unitholders Statistics
122	Analysis of Unitholdings
123	Additional Disclosure

TENTS

OFFICE

- Toshiba TEC, Glenmarie
- Block A & B, South City Plaza
- Dana 13, Petaling Jaya
- Wisma Comcorp, Glenmarie
- Contraves, Cyberjaya

HIGHER EDUCATION BUILDING

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

CORPORATE DIRECTORY



MANAGER

AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (856167-A)
(Incorporated in Malaysia)
(formerly known as AmanahRaya REIT Managers Sdn. Bhd.)

MANAGER'S REGISTERED OFFICE

Level 11, Wisma AmanahRaya
No. 2, Jalan Ampang
50508 Kuala Lumpur
Tel : 03 2055 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

Dato' Sri Ikmal Hisham bin Abdul Aziz (Chairman)
(Appointed on 19 January 2017)

Dato' Anthony @ Firdaus bin Bujang

Mahadzir bin Azizan

Dato' Haji Che Pee bin Samsudin
(Redesignated on 22 December 2017)

Non-Independent Non-Executive Directors

Ahmad Suhaimi bin Endut

Adenan bin Md Yusof

Akihiro Nakao
(Appointed on 13 March 2017)

Michio Izawa
(Appointed on 13 March 2017)

CORPORATE DIRECTORY

COMPANY SECRETARIES OF THE MANAGER

Leong Shiak Wan

Jerry Jesudian s/o Joseph Alexander

INVESTMENT COMMITTEE

Mahadzir bin Azizan (*Chairman*)

Syed Elias bin Abd. Rahman Alhabshi

Michio Izawa
(*Appointed on 13 March 2017*)

Adenan bin Md Yusof
(*Appointed on 31 March 2017*)

AUDIT COMMITTEE

Mahadzir bin Azizan (*Chairman*)
(*Redesignated as Chairman on 19 January 2017*)

Akihiro Nakao
(*Appointed on 13 March 2017*)

Dato' Haji Che Pee bin Samsudin
(*Redesignated as Independent member on 22 December 2017*)

MANAGEMENT TEAM

Noorbaizura binti Hermeyney
Chief Executive Officer
(*Appointed on 6 April 2017*)
(*Resigning on 1 March 2018*)

Kusuma Dewi binti Abd Aziz
Head of Investment

Isyam bin Ishak
Accountant

Jerry Jesudian s/o Joseph Alexander
Joint Company Secretary

Mahathir bin Mohamad Supian
Head of Property Management
(*Appointed on 1 June 2017*)

Firdaus bin Musa
Head of Legal & Compliance
(*Appointed on 2 May 2017*)

PROPERTY MANAGERS

Nawawi Tie Leung Property Consultants
Sdn. Bhd. (579078-V)
Suite 34.01, Level 34
Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

Hartamas Asset Management Sdn. Bhd.
(905055-U)
Unit 13-08, Level 13,
Block A, Menara Prima, Jalan PJU 1/37,
Dataran Prima, 47301 Petaling Jaya,
Selangor

Operon Asset Advisory Sdn. Bhd.
(1030148-U)
901-2, Level 9, Tower 1
Wisma Amfirst, Jalan SS7/15, Jalan
Stadium, 47301 Petaling Jaya, Selangor

REGISTRAR AND TRANSFER OFFICE

Symphony Share Registrars Sdn. Bhd.
(378993-D)
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

TRUSTEE

CIMB Islamic Trustee Berhad
Level 13 Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

FINANCIERS

Affin Bank Berhad (25046-T)
Menara Affin
80, Jalan Raja Chulan
50200 Kuala Lumpur

Public Bank Berhad (6463-H)
Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur

AUDITOR

KPMG PLT
Level 10, KPMG Tower
8 First Avenue Bandar Utama
47800 Petaling Jaya Selangor

BURSA MALAYSIA STOCK CODE

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

PROPERTY PROFILE

1. **Contraves**, Cyberjaya
2. **Deluge Factory**, Nusajaya
3. **Toshiba TEC Malaysia**, Shah Alam
4. **Wisma Comcorp**, Shah Alam
5. **SEGi University**, Kota Damansara
6. **SEGi College**, Subang Jaya
7. **HELP University**, Jalan Semantan
8. **Selayang Mall**, Selayang



9. **Holiday Villa**, Alor Setar
10. **Holiday Villa**, Langkawi
11. **Dana 13**, Petaling Jaya
12. **Block A & B, South City Plaza**,
Seri Kembangan
13. **Silver Bird Factory**, Shah Alam
14. **Gurun Automotive Warehouse**, Gurun
15. **AIC Factory**, Shah Alam

ABOUT AMANAHRAYA-REIT

ABOUT AMANAHRAYA-REIT

AmanahRaya Real Estate Investment Trust (“AmanahRaya REIT”) was established on 10 October 2006 pursuant to the Trust Deed dated 10 October 2006 between the Manager, AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) (“Manager”) and the Trustee, CIMB Islamic Trustee Berhad (“Trustee”). It is classified as a real estate investment fund and was listed on the Main Board of Bursa Malaysia Securities Berhad on 26 February 2007. As at 31 December 2017, the portfolio of AmanahRaya REIT includes 15 properties with a total assets value of RM1.527 billion.

ABOUT AMANAHRAYA-KENEDIX REIT MANAGER SDN BHD

(formerly known as AmanahRaya REIT Managers Sdn. Bhd.)

AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (“Manager”), (license No: CMSL/A0309/2013) 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 AmanahRaya REIT from the former Manager AmanahRaya – JMF Asset Management Sdn. Bhd. (presently known as AmanahRaya Investment Management Sdn. Bhd.), on 27 August 2009. As at 31 December 2017, the authorised share capital of the Manager is RM5 million and the paid-up share capital is RM1.5 million.

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 AmanahRaya REIT. KDA Capital also bought 49% of the shares of the Manager at RM7 per share with Amanah Raya Berhad maintaining the controlling stake of 51% of the shares of the Manager.

The Manager is principally responsible for the management of AmanahRaya REIT’s investment strategies to meet its investment objectives. Its primary investment objective is to provide and administer AmanahRaya REIT on behalf of the unit holders in accordance with the Trust Deed dated 10 October 2006 (as supplemented by the Supplemental Trust Deed dated 4 January 2007 and the Second Supplemental Deed dated 27 August 2009) 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 AmanahRaya REIT unitholders.



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"> Quarterly income distribution Distribution of at least 95% (or such other percentage as determined by the Manager in its absolute discretion)
Revaluation Policy	The investment properties shall be revalued annually by registered independent valuer
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

ASSET UNDER MANAGEMENT

Real Estate(s)	Location	Type of Building	Cost of Acquisition (Asset & Enhancement) (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								
Holiday Villa Alor Setar	Alor Setar, Kedah	Hotel	31,000	4,900	100%	0.50 yrs	35,900	2.35%
Holiday Villa Langkawi	Langkawi, Kedah	Resort Hotel	57,161	23,839	100%	8.50 yrs	81,000	5.31%
Higher Education Building								
SEGi College, Subang Jaya	Subang Jaya, Selangor	Higher Education Building	52,500	17,500	100%	3.40 yrs	70,000	4.59%
SEGi University Kota Damansara	Petaling Jaya, Selangor	Higher Education Building	145,000	34,000	100%	10.00 yrs	179,000	11.73%
HELP University, Jalan Semantan	Damansara Heights, Kuala Lumpur	Higher Education Building	53,946	21,054	100%	21.70 yrs	75,000	4.91%
Office Building								
Block A & B, South City Plaza	Plaza Seri Kembangan, Selangor	Office Building	18,300	(2,300)	50%	2.00 yrs	16,000	1.05%
Toshiba TEC	Glenmarie, Shah Alam	Office Building	32,000	0	100%	3.20 yrs	32,000	2.10%
Wisma Comcorp	Glenmarie, Shah Alam	Office Building	30,000	5,800	100%	11.90 yrs	35,800	2.35%
Dana13, Dana 1 Commercial Centre	Ara Damansara, Petaling Jaya, Selangor	Office Building	99,120	18,880	100%	1.70 yrs	118,000	7.73%
Contraves	Cyberjaya, Selangor	Office Building	40,000	0	100%	6.90 yrs	40,000	2.62%
Industrial								
Deluge Factory	Nusajaya, Johor	Industrial Factory	24,000	1,000	100%	7.60 yrs	25,000	1.64%
AIC Factory	Shah Alam, Selangor	Industrial Factory	19,200	16,800	59%	1.70 yrs	36,000	2.36%
* Silver Bird Factory	Shah Alam, Selangor	Industrial Complex	92,000	10,000	Vacant	0 yrs	102,000	6.68%
** Gurun Automotive Warehouse	Gurun, Kedah	Industrial Warehouse	23,970	(3,970)	100%	0 yrs	20,000	1.31%
Retail								
Selayang Mall	Selayang, Selangor	Retail Mall	130,585	34,415	100%	2.40 yrs	165,000	10.81%
Average Occupancy Rate					96%			
Weighted Average Lease Expiry ("WALE")					5.21 yrs			
Real Estate Related Assets							1,030,700	67.54%
Other non-current Asset							275,000	18.00%
Cash and security deposits							217,920	14.27%
Others (Trade and Other Receivables)							2,997	0.19%
Total Asset Value (RM'000)(b)							1,526,617	100.00%

* Property held for sale pursuant to SPA signed on 14 December 2017 pending completion

** Lease expires on 31 December 2017

FINANCIAL HIGHLIGHTS

Snapshot of AmanahRaya REIT as at 31 December 2017

Total Asset Value

RM1.527
BILLION

Sector

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

Total Units Issued

573,219,858

Gearing Ratio

49.99%

Total No Of Properties

15
PROPERTIES

Net Asset Value ("NAV")
Per Unit

1.271

Price As At
31 December 2017

RM0.91
PER UNIT

Trading Volume (Units)
(Oct-Dec 2017)

36,123

Lowest Price (2017)

RM0.91
PER UNIT

Highest Price (2017)

RM0.97
PER UNIT

DPU (Actual) For 2017

5.503 SEN
PER UNIT

Total Number Of
Unitholders

4,264

Market
Capitalization

RM521,630,071

Substantial Unitholders

47.31%

AMANAH RAYA BERHAD FOR
KUMPULAN WANG BERSAMA

15.00%

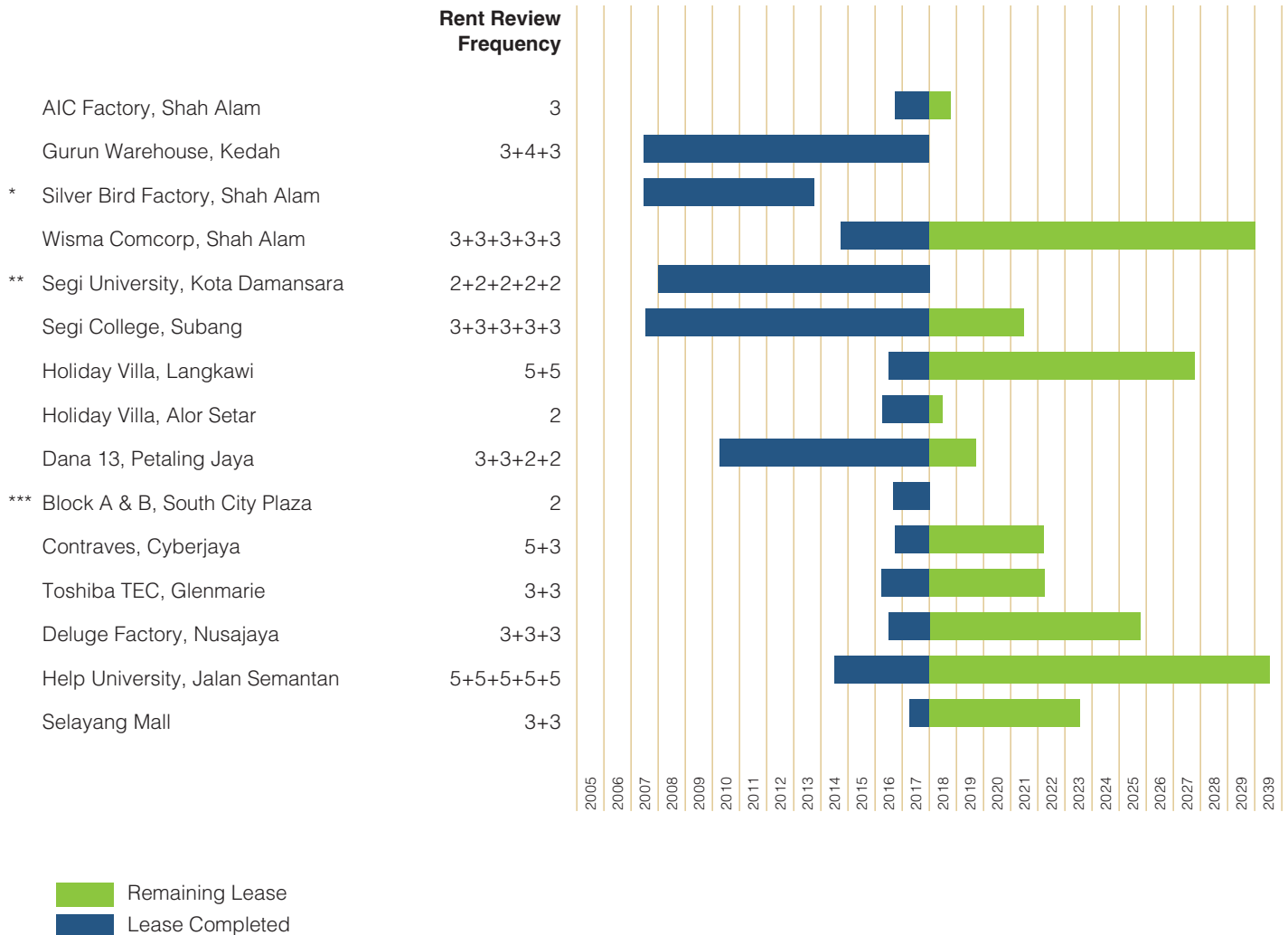
KDA CAPITAL MALAYSIA
SDN. BHD.

5.65%

PERBADANAN KEMAJUAN
NEGERI SELANGOR

PROPERTY PORTFOLIO

a) Well Structured Lease Profile



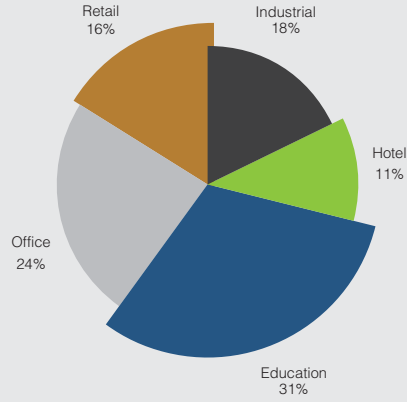
* The property currently is vacant and held for sale pursuant to the SPA signed on 14 December 2017 pending completion

** Letter of Offer dated 4 December 2017 was signed by both AmanahRaya REIT and the Lessee to continue the lease for another 5+5 years commencing 3 January 2018.

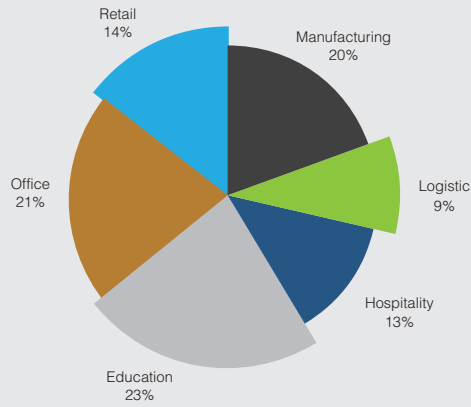
*** Block A is currently vacant whilst Block B is occupied by Paramount Vintage Sdn. Bhd. Paramount Vintage Sdn. Bhd. has been on a month to month tenancy since 1 October 2016 until 31 December 2017. Letter of Offer has been signed and currently, both parties are in the midst of finalising the Tenancy Agreement for tenancy with effect from 1 January 2018.

Property Portfolio (Cont'd)

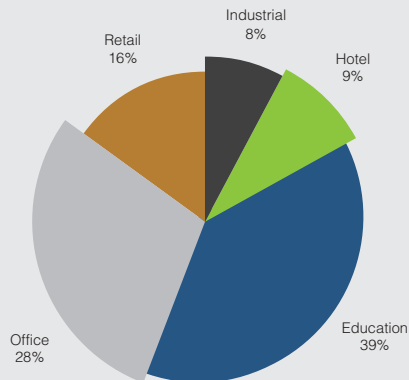
b) Asset Value Based on Property Sector



c) Usage of Lettable Area by Lessee's Business Sector

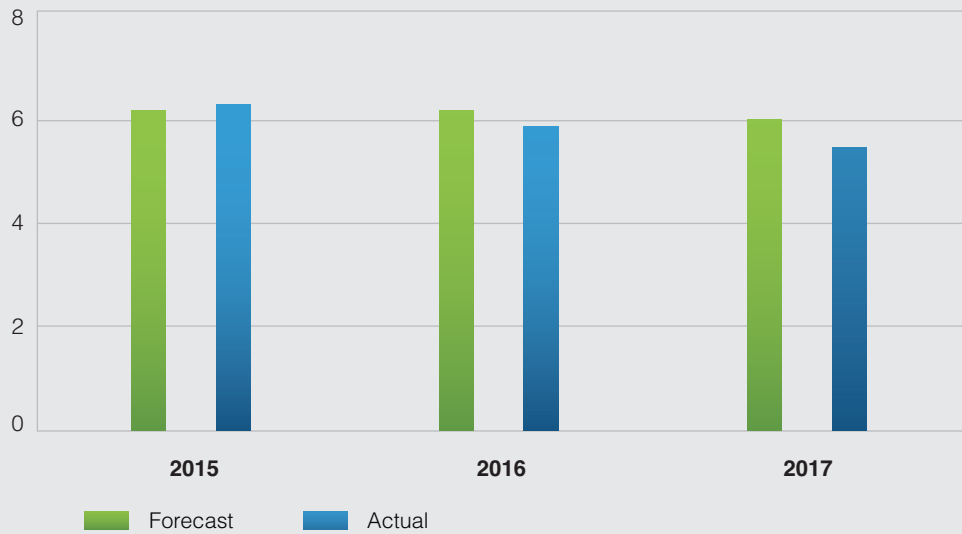


d) Gross Income on Property Sector

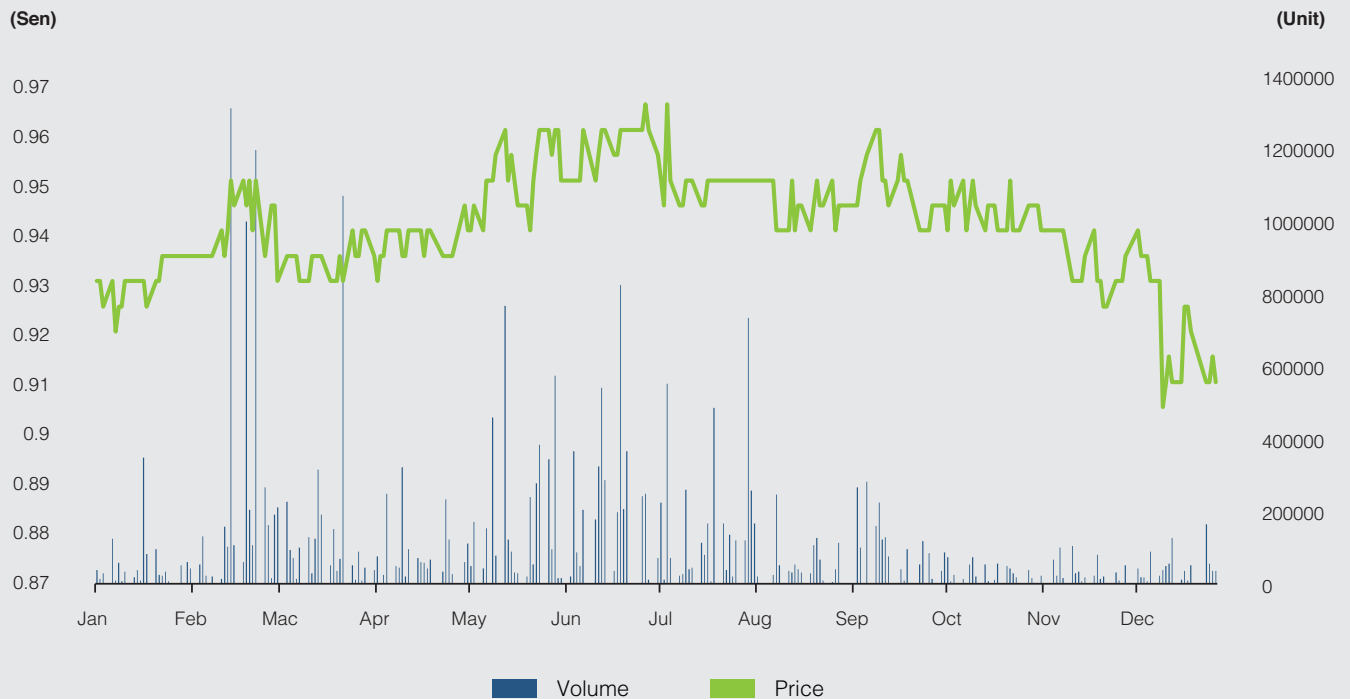


Property Portfolio (Cont'd)

e) Distribution Per Unit (sen)

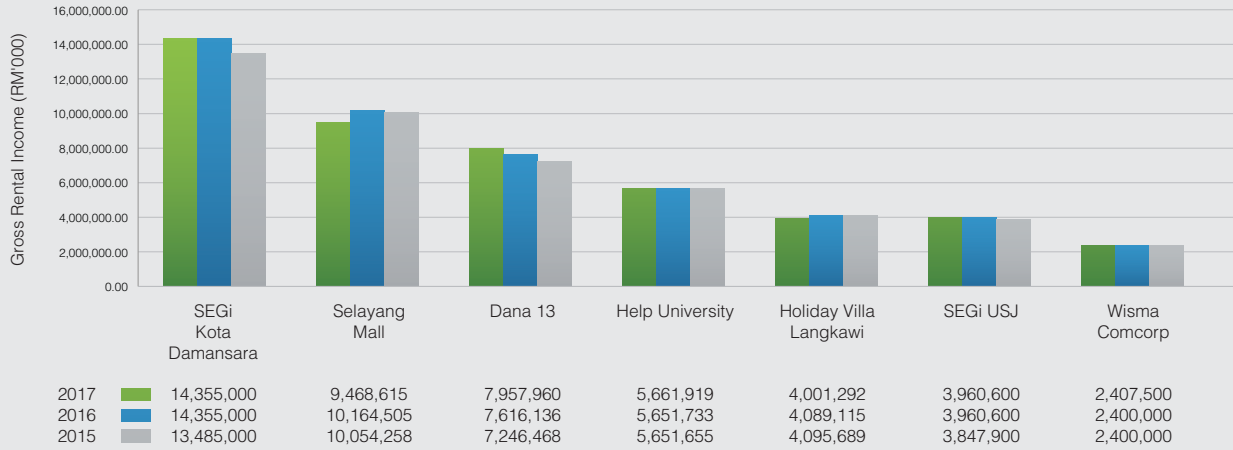


f) AmanahRaya REIT Volume and Share Price Analysis for 2017

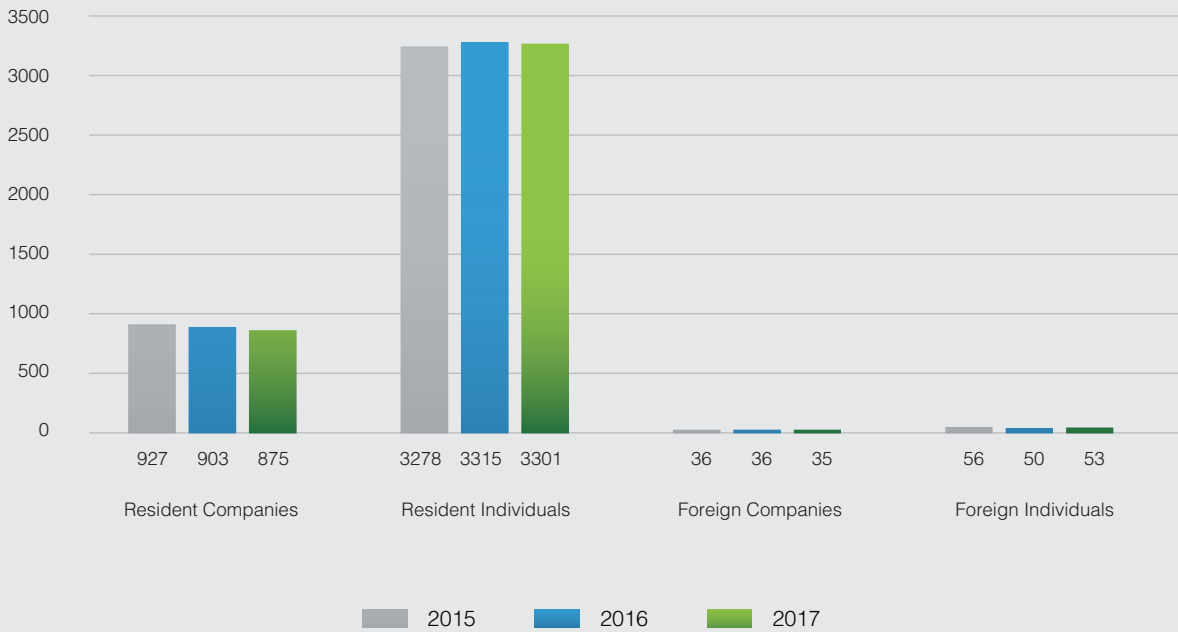


Property Portfolio (Cont'd)

g) AmanahRaya REIT: Top Tenants

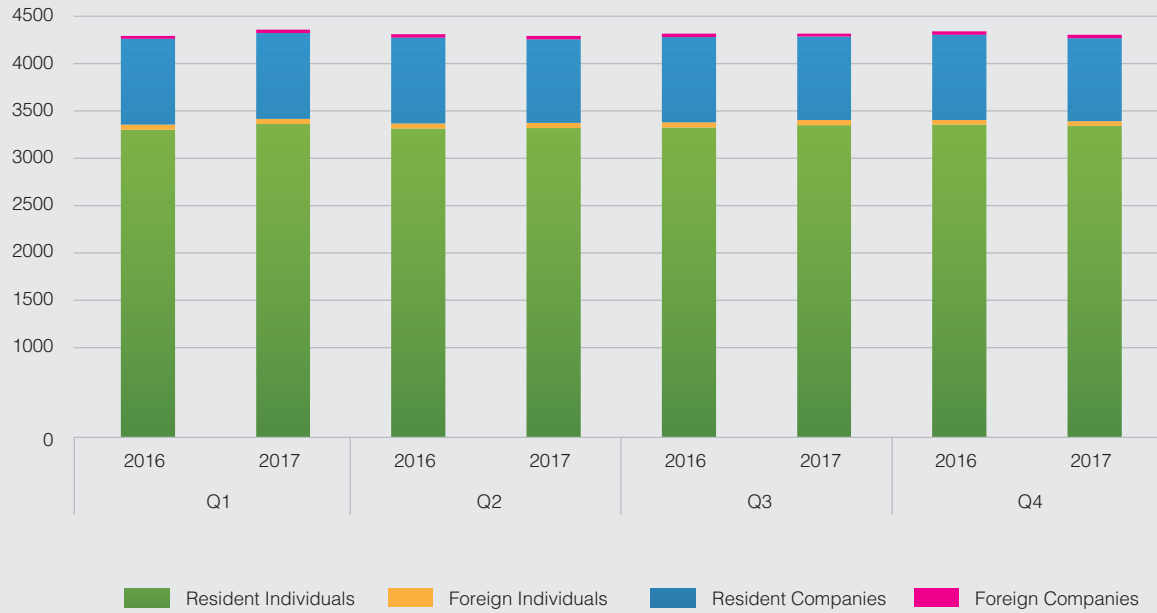


h) AmanahRaya REIT Unitholders

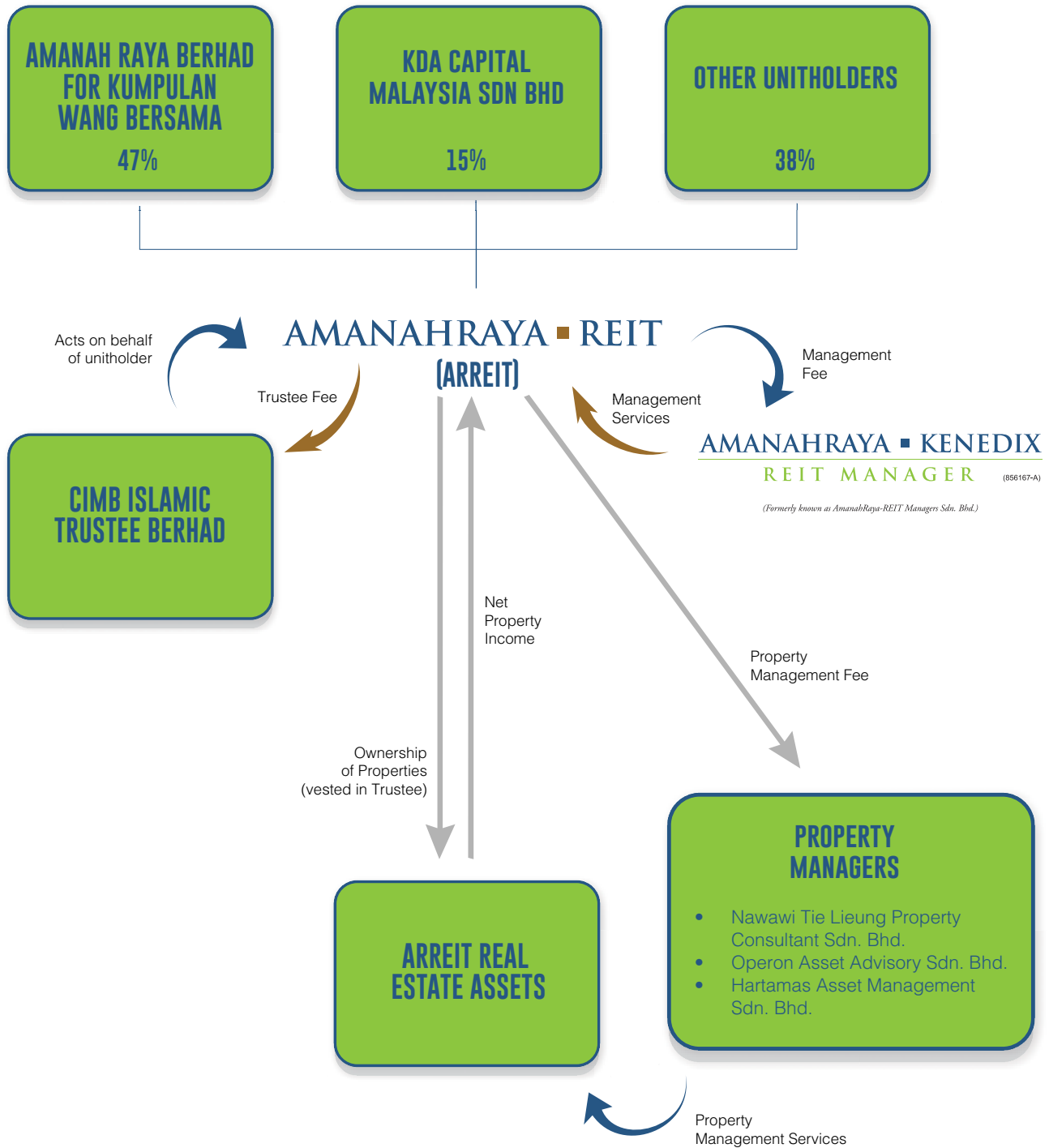


Property Portfolio (Cont'd)

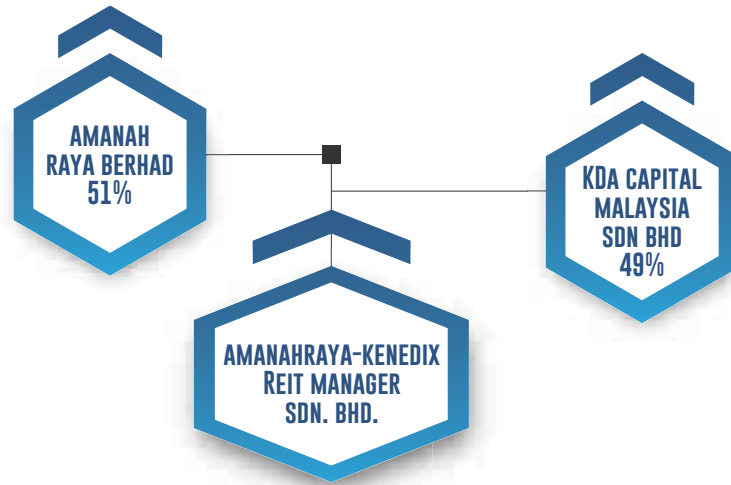
i) AmanahRaya REIT Quarterly Movement of Unitholders



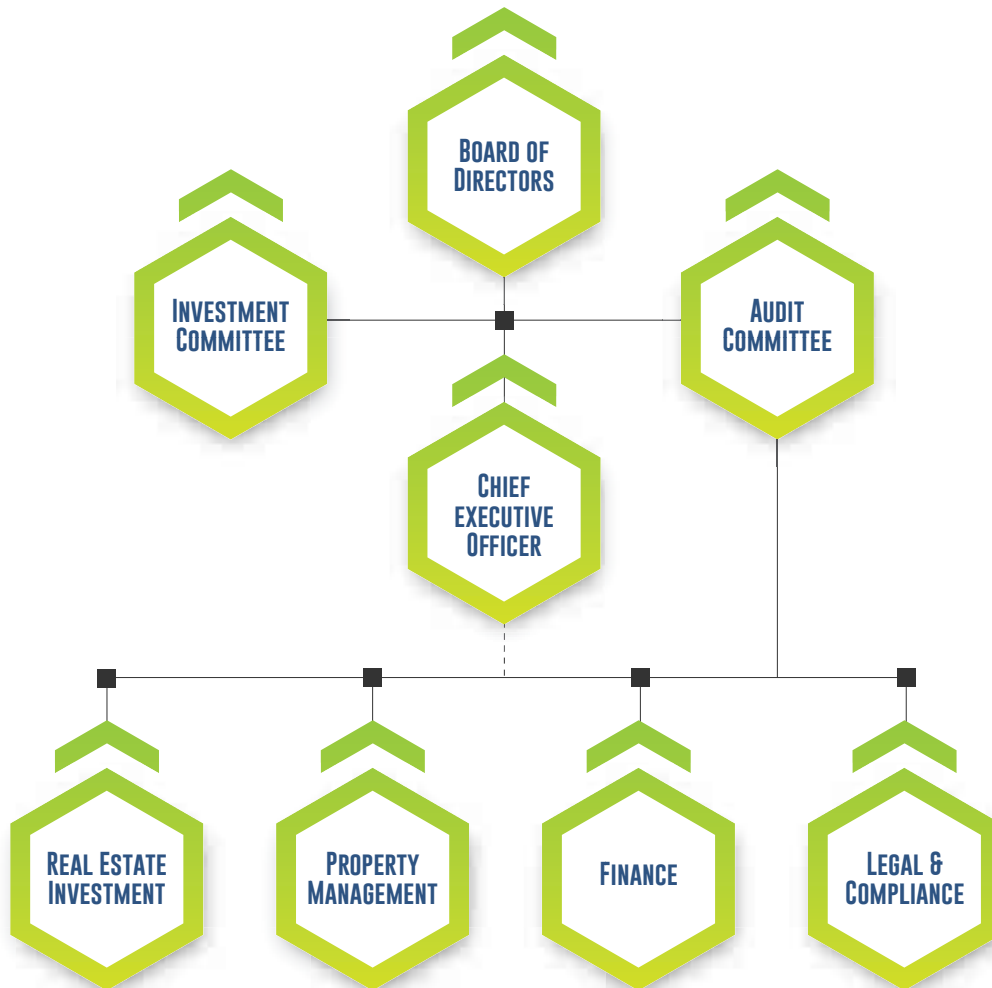
AMANAHRAYA REIT STRUCTURE



MANAGER'S STRUCTURE



ORGANISATION CHART







OVERVIEW OF

15 PROPERTIES

Overview of 15 Properties Under AmanahRaya REIT

HOLIDAY VILLA, ALOR SETAR



Address

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

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.

Title details

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

Property type

Hotel

Description

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

Age of property

Approximately 22 years

Tenure of Master Title

Leasehold for 99 years

Unexpired lease

Approximately 90 years (Master Title)

Tenancy period

2 years commencing from June 2016

Gross Floor Area

150,000 sq.ft

Existing use

A hotel under the brand name of Hotel Holiday Villa

Date of acquisition

26th February 2007

Cost of acquisition

RM31,000,000.00

Valuation as at December 2017

RM35,900,000.00

Valuer

First Pacific Valuers Property Consultants

Carrying Amount

RM35,900,000.00

Master Lessee

Alor Setar Holiday Villa Sdn. Bhd.

Occupancy rates

100%

Net rental (per month)

RM142,083.33

Property Manager

Hartamas Asset Management Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

HOLIDAY VILLA, LANGKAWI



Address

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

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.

Title details

H.S. (M) 286, P.T. 344, Mukim of Kedawang, H.S. (M) 667, P.T. 107, Town of Padang Mat Sirat, H.S. (M) 668, P.T. 108, Town of Padang Mat Sirat, all in District of Langkawi, Kedah Darul Aman

Property type

Resort Hotel

Description

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

Age of property

Approximately 26 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.

Existing use

A hotel under the brand name of Hotel Holiday Villa

Parking spaces

55 parking bays

Date of acquisition

26th February 2007

Cost of acquisition

RM55,000,000.00

Valuation as at December 2017

RM81,000,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Carrying Amount

RM81,000,000.00

Master Lessee

Langkawi Holiday Villa Sdn. Bhd.

Occupancy rates

100%

Net rental (per month)

RM333,441.00

Property Manager

Hartamas Asset Management Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)



SEGI COLLEGE, SUBANG JAYA

Address	Location
SEGi College, Persiaran Kewajipan USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan.	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 15 kilometres to south-west of Kuala Lumpur city centre.

Title details

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

Property type

Higher education building

Description

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

Age of property

Approximately 11 years

Tenure

Freehold

Lease period

15 years commencing from May 2006

Land Area

61,042 sq.ft.

Gross Floor Area

280,575 sq.ft.

Net lettable area

131, 387 sq.ft.

Existing use

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

Parking spaces

206 parking bays and 400 motorcycle parking bays

Date of acquisition

26th February 2007

Cost of acquisition

RM52,500,000.00

Valuation as at December 2017

RM70,000,000.00

Valuer

First Pacific Valuers Property Consultants

Carrying Amount

RM70,000,000.00

Master Lessee

SEG International Berhad

Occupancy rates

100%

Net rental (per month)

RM330,050.00

Property Manager

Hartamas Asset Management Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

BLOCK A & B, SOUTH CITY PLAZA, SERI KEMBANGAN



Address

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

Location

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

Title details

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

Property type

Office building.

Description

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

Age of property

Approximately 12 years

Tenure of Master Title

Leasehold for 99 years

Unexpired lease

76 years

Tenancy period

Block B - 2 years commencing from January 2018.

Paramount Vintage Sdn. Bhd. has been on a month to month tenancy since 1 October 2016 until 31 December 2017.

(Subject to finalisation of the tenancy agreement)

Net lettable area

66,606 sq.ft.

Existing use

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

Parking spaces

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

Date of acquisition

26th February 2007

Cost of acquisition

RM18,300,000.00

Valuation as at December 2017

RM16,000,000.00

Valuer

First Pacific Valuers Property Consultants

Net Book Value

RM16,000,000.00

Master Lessee

Block A - Vacant

Block B - Paramount Vintage Sdn. Bhd.

* Subject to finalisation of the tenancy agreement

Occupancy rates

50%

Net rental (per month)

RM48,514.55

Property Manager

Hartamas Asset Management Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

HELP UNIVERSITY, JALAN SEMANTAN



Address

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

Location

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

Title details

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

Property type

Office building

Description

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

Age of property

Approximately 18 years

Tenure

Leasehold for 99 years

Unexpired lease

- 1) HSD 83465 - 55 years
- 2) PN 46441 - 55 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 2017

RM75,000,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Carrying Amount

RM75,000,000.00

Master Lessee

Help University Sdn. Bhd.

Occupancy rates

100%

Net rental (per month)

RM450,759.10 (including car park)

Property Manager

Operon Asset Advisory Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

AIC FACTORY, SHAH ALAM



Address

Wisma AIC, Lot 1&3,
Persiaran Kemajuan, Seksyen 16,
40200 Shah Alam,
Selangor Darul Ehsan

Location

Wisma AIC is located in the industrial zone of Section 16 of Shah Alam. Shah Alam is the capital city of Selangor State and located about 30 kilometres to the south-west of Kuala Lumpur city centre.

Title details

Lot No. P.T. 611 held under H.S. (D) No. 97328, Seksyen 16 and Lot No. P.T. 612 held under H.S. (D) No. 97329, both in Town of Shah Alam, District of Petaling, State of Selangor

Property type

Industrial factory

Description

An industrial complex comprising a 3-storey office block annexed with a double storey factory and a single storey factory with canteen and a guard house

Age of property

Approximately 25 years

Tenure

Leasehold for 99 years

Unexpired lease

77 years

Tenancy period

3 years commencing from September 2016

Total Land Area

206,854 sq.ft.

Total Gross Built Up Area

129,447 sq.ft.

Existing use

A factory manufacturing electronic products and auto parts

Parking spaces

Available within the compound of the property

Date of acquisition

28th December 2007

Cost of acquisition

RM19,200,000.00

Total Valuation as at December 2017

RM36,000,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Carrying Amount

RM36,000,000.00

Master Lessee

Lot 1 - Vacant since September 2016
Lot 3 - GFB Automotive Sdn. Bhd. (Formerly known as Autov Systems Sdn. Bhd.)

Occupancy rates

59%

Net rental (per month)

RM67,079.29

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

SILVER BIRD FACTORY, SHAH ALAM



Address

Silver Bird Complex, Lot 72,
Persiaran Jubli Perak, Seksyen 21,
40000 Shah Alam,
Selangor Darul Ehsan

Location

SilverBird Complex is located in the industrial zone of section 21, Shah Alam. The immediate surrounding comprises of prominent factories and warehouses such as Nippon Electrics Glass (M) Sdn. Bhd., Panasonic, JVC Malaysia, DHL and TNT Logistics (M) Sdn. Bhd.

Section 21 is located about 4 kilometres from Shah Alam city centre and about 30 kilometres to the south-west of Kuala Lumpur city centre.

Title details

Lot No. 62048, held under Title No. GRN 285748, Pekan Baru Hicom, District of Petaling, State of Selangor

Property type

Industrial Complex

Description

A factory complex comprising a 2-storey office block annexed to a single storey factory together with single storey canteen, archives, gallery, security houses and others

Age of property

Approximately 24 years

Tenure

Freehold

Total Land Area

638,687 sq.ft.

Gross Built Up Area

280,028 sq.ft.

Existing use

Industrial Complex

Parking spaces

Available within the compound of the property

Date of acquisition

28th December 2007

Cost of acquisition

RM92,000,000.00

Valuation as at December 2017

RM102,000,000.00

Valuer

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

Carrying Amount

RM102,000,000.00

Occupancy rates

Untenanted

Net rental (per month)

Nil

Property Manager

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

* Property held for sale pursuant to SPA signed on 14 December 2017 pending completion

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

GURUN AUTOMOTIVE WAREHOUSE, GURUN



Address

Lot 61B,
Kawasan Perindustrian Gurun,
08800 Gurun, Kedah Darul Aman

Location

The warehouse is located within the Gurun Industrial Estate. Among the prominent companies in the area are Petronas Urea Fertilizer Plant, NAZA Automotive Manufacturing and Assembly Plant, Sapura Automotive Industries Sdn. Bhd., KIA Auto Accessories Sdn. Bhd. and ACE Polymers (M) Sdn. Bhd.

Title details

Lot No. P.T. 633 held under Title No. H.S. (D) 115340, Town of Gurun, District of Kuala Muda, State of Kedah Darul Aman

Land Area

658,972 sq. ft.

Valuer

First Pacific Valuers Property Consultants

Property type

Industrial Warehouse

Gross Built-up Area

240,610 sq. ft.

Carrying Amount

RM20,000,000.00

Description

An Industrial complex, comprising a single-storey warehouse and single storey office building

Existing use

Warehouse storing motor parts

Master Lessee

Teras Globalmas Sdn. Bhd.

Age of property

Approximately 10 years

Parking spaces

Available within the compound of the property

Occupancy rates

100%

Tenure of Master Title

Leasehold for 99 years

Date of acquisition

28th December 2007

Net rental (per month)

RM179,775.00

Cost of acquisition

RM23,970,000.00

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Unexpired lease

87 years

Valuation as at December 2017

RM20,000,000.00

Lease period

10 years commencing from December 2007

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

SEGI UNIVERSITY, KOTA DAMANSARA



Address

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

Location

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

Title details

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

Property type

Institutional building

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 11 years

Tenure

Leasehold for 99 years

Unexpired lease

91 years

Lease period

10 years commencing from January 2008 (Lease to be renewed for 5+5 years commencing January 2018)

Land Area

425,389 sq. ft.

Gross Floor Area

577,031 sq.ft.

Net lettable area

337,710 sq.ft.

Existing use

A college campus under the brandname of SEGi College

Parking spaces

334 car parking bays and 1,031 motorcycle parking bays

Date of acquisition

28th December 2007

Cost of acquisition

RM145,000,000.00

Valuation as at December 2017

RM179,000,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Carrying Amount

RM179,000,000.00

Master Lessee

SEG International Bhd

Occupancy rates

100%

Net rental (per month)

RM1,196,250.00

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

SELAYANG MALL, SELAYANG



Address

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

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

Title details

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

Land Area

175,742 sq.ft.

Valuation as at December 2017

RM165,000,000.00

Property type

Shopping Mall

Gross Floor Area

868,305 sq.ft

Valuer

First Pacific Valuers Property Consultants

Description

4-storey retail space with 6-storey car park

Net lettable area

371,413 sq.ft

Net Book Value

RM 165,000,000.00

Age of property

Approximately 21 years

Existing use

A shopping complex under the brand name
of Selayang Mall

Master Lessee

Seal Management Sdn. Bhd.

Tenure

Leasehold for 99 years

Parking spaces

900 parking bays

Occupancy rates

100%

Unexpired lease

62 years

Date of acquisition

7th May 2010

Net rental (per month)

RM747,629.17

Tenancy period

3+3+3 years commencing from June 2017

Cost of acquisition

RM128,165,000.00

Property Manager

Nawawi Tie Leung Property Consultants
Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

DANA 13, PETALING JAYA



Address

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

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.

Title details

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

Gross Floor Area

333,439 sq.ft

Carrying Amount

RM118,000,000.00

Net lettable area

268,850 sq.ft

Master Lessee

Symphony House Bhd

Property type

Office building

Existing use

Office block with MSC status

Occupancy rates

100%

Description

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

Parking spaces

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

Net rental (per month)

RM699,010.02

Age of property

Approximately 8 years

Date of acquisition

7th May 2010

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Tenure

Leasehold for 99 years

Cost of acquisition

RM99,120,000.00

Unexpired lease period

80 years

Valuation as at December 2017

RM118,000,000.00

Lease period

10 years commencing from September 2009

Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

WISMA COMCORP, SHAH ALAM



Address

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

Location

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

Title details

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

Property type

Office building

Description

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

Age of property

Approximately 12 years

Tenure

Freehold

Lease period

15 years commencing from November
2014

Total Land Area

55,090 sq.ft.

Gross Built-up Area

116,473 sq.ft.

Net lettable area

74,550 sq.ft.

Existing use

Workshop cum office

Parking spaces

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

Date of acquisition

23rd April 2014

Cost of acquisition

RM30,000,000.00

Valuation as at December 2017

RM35,800,000.00

Valuer

First Pacific Valuers Property Consultants

Carrying Amount

RM35,800,000.00

Master Lessee

Comintel Sdn. Bhd.

Occupancy rates

100%

Net rental (per month)

RM206,250.00

Property Manager

Hartamas Asset Management Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

TOSHIBA TEC, SHAH ALAM



Address

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

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.

Title details

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

Property type

Office building

Description

A four story office building cum warehouse.

Age of property

Approximately 13 years

Tenure

Freehold

Lease period

6 years commencing from May 2016

Total Land Area

67,371 sq.ft.

Gross Built-up Area

76,186 sq.ft.

Net lettable area

62,474 sq ft.

Existing use

Office

Parking spaces

Available within the compound of the property.

Date of acquisition

25th March 2016

Cost of acquisition

RM32,000,000.00

Valuation as at December 2017

RM32,000,000.00

Valuer

First Pacific Valuers Property Consultants

Carrying Amount

RM32,000,000.00

Master Lessee

Toshiba TEC Malaysia Sdn. Bhd.

Occupancy rates

100%

Net rental (per month)

RM173,333.33

Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

DELUGE FACTORY, NUSAJAYA



Address

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

Location

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

Title details

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

Property type

Industrial Factory

Description

A single storey factory annexed with three storey office building

Age of property

Approximately 5 years

Tenure

Freehold

Lease period

6+3 years commencing from August 2016

Total Land Area

130,724 sq.ft.

Gross Built-up Area

107,666 sq. ft.

Net lettable area

95,035 sq ft.

Existing use

Factory

Parking spaces

Available within the compound of the property.

Date of acquisition

20th April 2016

Cost of acquisition

RM24,000,000.00

Valuation as at December 2017

RM25,000,000.00

Valuer

First Pacific Valuers Property Consultants

Carrying Amount

RM25,000,000.00

Master Lessee

Pipeline Distribution (M) Sdn. Bhd.

Occupancy rates

100%

Net rental (per month)

RM135,000.00

Property Manager

Hartamas Asset Management Sdn. Bhd.

Overview of 15 Properties Under AmanahRaya REIT (Cont'd)

CONTRAVES BUILDING, CYBERJAYA



Address

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

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.

Title details

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

Property type

Office building

Description

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

Age of property

Approximately 17 years

Tenure

Freehold

Tenancy period

3+3 years commencing from December 2016

Total Land Area

89,470 sq.ft.

Gross Built-up Area

93,804 sq.ft.

Net lettable area

75,014 sq ft.

Existing use

Office Building

Parking spaces

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

Date of acquisition

16th June 2016

Cost of acquisition

RM40,000,000.00

Valuation as at December 2017

RM40,000,000.00

Valuer

Jones Lang Wootton

Carrying Amount

RM40,000,000.00

Master Lessee

Contraves Sdn. Bhd.

Occupancy rates

100%

Net rental (per month)

RM314,500.00

Property Manager

Operon Asset Advisory Sdn. Bhd.

PROFILE OF THE BOARD OF DIRECTORS



Profile of the Board of Directors

YB DATO' SRI IKMAL HISHAM BIN ABDUL AZIZ

Chairman (Independent, Non-Executive)

YB Dato' Sri Ikmal Hisham bin Abdul Aziz, a Malaysian male, aged 53 was appointed to the Board of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) on 19 January 2017. He graduated from the University of Tennessee, USA with a Bachelor of Science in Civil Engineering.

YB Dato' Sri Ikmal Hisham is currently the Chairman of MARA Incorporated Sdn. Bhd., a subsidiary of MARA. He is also the Managing Director of Noble Twin (M) Sdn. Bhd. and TJM Sdn. Bhd. YB Dato' Sri Ikmal Hisham bin Abdul Aziz is also a Commission Member of Suruhanjaya Syarikat Malaysia. Previously, he acted as an independent Director of Taiping Super Berhad and OSK Property Holdings Berhad, and as the Chairman of the Audit Committee of OSK Property Holdings Bhd for more than four (4) years.

YB Dato' Sri Ikmal Hisham is currently the Member of Parliament for Tanah Merah since 2013.



Profile of the Board of Directors (Cont'd)

ADENAN BIN MD YUSOF

(Non-Independent, Non-Executive)

Adenan bin Md Yusof, a Malaysian male, aged 54, was appointed to the Board of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) on 30 September 2016.

Upon obtaining his Bachelor of Architecture from Illinois Institute of Technology Chicago, Illinois, USA, Adenan worked for two 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 currently holds a Capital Market Services Representative's License and was the Vice Chairman of the Malaysian REIT Managers Association and a member of its Regulatory Committee.

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

DATO' HAJI CHE PEE BIN SAMSUDIN

(Independent, Non-Executive)

Dato' Haji Che Pee bin Samsudin, a Malaysian male, aged 61, was appointed to the Board of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) on 23 August 2011 as a Non-Independent, Non-Executive Director. He was later redesignated as an Independent, Non-Executive Director on 22 December 2017. He is also a Director of AmanahRaya Berhad since March 2011.

Dato' Haji Che Pee holds a Bachelor in Accounting (Hons.) and is a member of the Chartered Accountant (CA) of the Malaysian Institute of Accountants (MIA). He is also a member of Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA), and Chartered Institute of Public Finance & Accountancy (CIPFA).

He 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 years.

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



ADENAN BIN MD YUSOF

DATO' HAJI CHE PEE BIN SAMSUDIN

Profile of the Board of Directors (Cont'd)

DATO' ANTHONY @ FIRDAUZ BIN BUJANG

(Independent, Non Executive)

Dato' Anthony @ Firdauz bin Bujang, a Malaysian male, aged 59, was appointed to the Board of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) on 26 May 2014. Dato' Anthony holds a Degree in Economics, Business Administration from University of Malaya.

He started his career in 1983 as an Accountant in Bank Utama Malaysia Berhad, Kuching Branch. Subsequently, he joined Shell Malaysia Bhd, Sarawak in year 1988 and held various positions such as Secretary and Advisor to Major Tender Board and Head of General Contracts, Commercial Services. He continued his career with Shell Gabon, Republic of Gabon and West Africa as Head, Strategy and Planning, Commercial Services Unit in 1994 for a period of 2 years. In 1996, he joined Eastbourne Services Sdn. Bhd. as chief executive officer. He then joined TV3 in 2000 and served in various capacities including director of operations during his tenure there. Subsequently, he was appointed as chief executive officer of NTV7 in 2008. Prior to joining Petra Energy Berhad in 2012, he was the Group CEO of NSTP Bhd.

He sits on the board of One Medicare Sdn. Bhd., Amanah Raya Berhad, all subsidiaries of Petra Energy Berhad and is also a director of an associate company of Petra Energy Berhad.

He is currently the Executive Director and Group Chief Executive Officer of Petra Energy Berhad.

AHMAD SUHAIMI BIN ENDUT

(Non-Independent, Non-Executive)

Ahmad Suhaimi bin Endut, a Malaysian male, aged 50, was appointed to the Board of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) on 20 October 2014 as Non-Independent and Non-Executive Director.

Ahmad Suhaimi holds a Bachelor of Science in Business Administration from University of Missouri St. Louis, United States of America. He is also a Master holder in Business Administration from University of Sheffield, United Kingdom.

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

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



DATO' ANTHONY @ FIRDAUZ BIN BUJANG

AHMAD SUHAIMI BIN ENDUT

Profile of the Board of Directors (Cont'd)

MAHADZIR BIN AZIZAN

(Independent, Non-Executive)

Mahadzir bin Azizan, a Malaysian male, aged 69, was appointed to the Board of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) on 5 April 2016.

He is a Barrister-at-Law from the Honourable Society of Lincoln's Inn, London, United Kingdom and was called to the English Bar in 1978.

Mahadzir has more than 25 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 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, Libra Invest Berhad, Syarikat Takaful Malaysia Berhad and RCE Capital Berhad.

AKIHIRO NAKAO

(Non-Independent, Non Executive)

Akihiro Nakao, a Japanese male, aged 46 was appointed to the Board of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) on 13 March 2017 as a Non-Independent Non-Executive Director.

Akihiro Nakao has been the President of Kenedix Asia Pte. Ltd since June 2015. Akihiro Nakao served as Executive Officer at Kenedix, Inc. from April 2015 to June 2015. Akihiro Nakao served as the Head of Planning Department for Residential REIT Division at Kenedix Real Estate Fund Management, Inc. After joining Kenedix, Inc. in June 2007, Akihiro Nakao was assigned to the Corporate Planning Department where he was involved with corporate strategy planning, fund raising, capital restructuring, investor relations and other activities. In August 2011, he joined the project team for the establishment of Kenedix Residential Investment Corporation. He played a key role in the growth of this new J-REIT by overseeing operations involving capital markets activities. In June 2015, Akihiro Nakao was appointed to oversee operations for Kenedix Asia Pte. Ltd. Before joining Kenedix, Inc., Akihiro Nakao worked in the investment banking divisions of SMBC Nikko Securities and Citigroup Global Markets Japan. He has considerable experience with large fund procurement activities, mergers and acquisitions, and other investment banking activities. Bachelor of Law, Hitotsubashi University.



MAHADZIR BIN AZIZAN

AKIHIRO NAKAO

Profile of the Board of Directors (Cont'd)

MICHIO IZAWA

(Non-Independent, Non Executive)

Michio Izawa, a Japanese male, aged 46 was appointed to the Board of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) on 13 March 2017 as a Non-Independent Non-Executive Director.

He has been serving as Chief Investment Officer and Director of Kenedix Asia Pte. Ltd. since May 2015. Michio Izawa 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. He is a Chartered Member of the Securities Analysts Association of Japan ("CMA"). He has received a B.A. in Economics from the Keio University, Tokyo, Japan.



MICHIO IZAWA

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.

Akihiro Nakao and Michio Izawa are Director and Corporate Representative of Kenedix Asia Pte Ltd.

Convictions for Offences

None of the Directors have been convicted for offences within the past five (5) years.

Attendance at Board of Director's Meetings

The Board currently 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 eight (8) times, three (3) 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
Dato' Sri Ikmal Hisham bin Abdul Aziz (Appointed with effect from 19 January 2017)	8	7
Dato' Anthony @ Firdauz Bin Bujang	8	7
Dato' Haji Che Pee bin Samsudin (Redesignated as Independent, Non Executive Director with effect from 22 December 2017)	8	3
Mahadzir bin Azizan	8	8
Adenan bin Md Yusof	8	8
Ahmad Suhaimi Bin Endut	8	7
Akihiro Nakao (Appointed with effect from 13 March 2017)	7	6
Michio Izawa (Appointed with effect from 13 March 2017)	7	7

AMANAHRAYA REIT INVESTMENT COMMITTEE MEMBERS

MAHADZIR BIN AZIZAN

(Chairman)

Mahadzir bin Azizan, a Malaysian male, aged 69, was appointed as an Independent Investment Committee Member on 27 December 2006.

He has held key positions both in 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. Subsequently, he ventured into the private sector and served Malaysian International Shipping Corporation (MISC) as Assistant Company Secretary & Legal Adviser. He then was a Director of Corporate Affairs, Island & Peninsular Berhad; the property arm of Permodalan Nasional Berhad (PNB) for 23 years.

Mahadzir currently serves on the Board of ECM Libra Financial Group Berhad, Libra Invest Berhad, Syarikat Takaful Malaysia Berhad and RCE Capital Berhad.

Mahadzir is a Barrister-at-Law from the Honourable Society of Lincoln's Inn, London.



MAHADZIR BIN AZIZAN

AmanahRaya REIT Investment Committee Members (Cont'd)

MICHIO IZAWA

Michio Izawa, a Japanese male, aged 46, was appointed as an Investment Committee Member on 13 March 2017.

He has been serving as Chief Investment Officer and Director of Kenedix Asia Pte. Ltd. since May 2015. Michio Izawa 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. He is a Chartered Member of the Securities Analysts Association of Japan ("CMA"). He has received a B.A. in Economics from the Keio University, Tokyo, Japan.

ADENAN BIN MD YUSOF

Adenan bin Md Yusof, a Malaysian male, aged 54, was appointed as an Investment Committee Member on 31 March 2017.

Upon obtaining his Bachelor of Architecture from Illinois Institute of Technology Chicago, Illinois, USA, Adenan worked for two 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 currently holds a Capital Market Services Representative's License and was the Vice Chairman of the Malaysian REIT Managers Association and a member of its Regulatory Committee.

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



MICHIO IZAWA

ADENAN BIN MD YUSOF

AmanahRaya REIT Investment Committee Members (Cont'd)

SYED ELIAS BIN ABD. RAHMAN ALHABSHI

Syed Elias Abd Rahman Alhabshi, a Malaysian male, aged 74, was appointed as an Independent Investment Committee Member on 30 July 2008.

As a seasoned banker, Syed Elias has vast experience in banking industry and has served both local and international banking institutions including Bank Bumiputra Malaysia Berhad, ASEAN Finance Corporation, Merrill Lynch & Co. and Hong Leong Group.

Currently he is the Director of Express Rail Link Sendirian Berhad, Fieldstone Capital Services Sdn. Bhd., a member of the Investment Panel for Lembaga Tabung Haji and Chairman/Senior Advisor of Threadneedle Asset Management Malaysia Berhad.

Syed Elias holds a Master of Management (with distinction) from Asian Institute of Management, Philippines.



SYED ELIAS BIN ABD. RAHMAN ALHABSHI

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 a General Managing Director of Amanah Raya Berhad.

Michio Izawa is a Director and Corporate Representative of Kenedix Asia Pte. Ltd.

Convictions for Offences

None of the Investment Committee Members have been convicted for offences within the past five (5) years.

Attendance at Investment Committee Meetings

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

During the financial year, the Investment Committee met two (2) times. The number of meetings attended by each current Member is as follows:-

Investment Committee Members	Number of Investment Committee meetings held during the Members' tenure in office	Number of meetings attended by Members
Mahadzir bin Azizan	2	2
Syed Elias bin Abd. Rahman Alhabshi	2	2
Adenan bin Md Yusof (Appointed with effect from 31 March 2017)	2	2
Michio Izawa (Appointed with effect from 13 March 2017)	2	2

CORPORATE CALENDAR 2017



AGM 2017

The Annual General Meeting of AmanahRaya REIT was held on 18.4.2017 at Sheraton Imperial Hotel, Jalan Sultan Ismail, Kuala Lumpur. During the AGM, the Management presented the achievements of AmanahRaya REIT for the year 2016 to all of the Unitholders.

INVEST FAIR 2017

Invest Fair Malaysia is ShareInvestor's annual flagship event in Kuala Lumpur for investors and traders alike. The event aims to enhance investor knowledge and raise the level of financial literacy in Malaysia. The event was held at Mid Valley Exhibition Centre on the 26th and 27th August 2017.



ACQUISITION OF VISTA TOWER

On 7 September 2017, CIMB Islamic Trustee Berhad, the trustee of AmanahRaya REIT entered into a Sale and Purchase Agreement with The Intermark Sdn. Bhd. for the acquisition of Vista Tower.



Corporate Calendar 2017

JAKEL CHARITY RUN FOR ROHINGYA KUALA LUMPUR 2017

The run was divided into two categories - the 10km open category and 5km fun run, was flagged off at 7am on 10.12.2017 and saw a participation of 7,000 people which included celebrities and local artists. The event's total proceeds from the registration fees of the run were for the Rohingya community.



EGM 2017

The Extraordinary General Meeting ("EGM") of AmanahRaya REIT was held on Tuesday, 12.12.2017 at Sheraton Imperial Hotel, Jalan Sultan Ismail, Kuala Lumpur. During the EGM the Management of the Manager presented the proposed acquisition of Vista Tower, The Intermark, No.348, Jalan Tun Razak, 50400 Kuala Lumpur together with 280 accessory parcels for a purchase consideration of RM455 Million.

DISPOSAL OF SILVER BIRD FACTORY

On 14 December 2017, CIMB Islamic Trustee Berhad, the trustee of AmanahRaya REIT entered into a Sale and Purchase Agreement with Nippon Express (M) Sdn. Bhd. for the disposal of Silver Bird Factory.



CHAIRMAN'S STATEMENT

YB DATO' SRI IKMAL HISHAM BIN ABDUL AZIZ

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 my pleasure to present the Annual Report and Audited Financial Statement for the year ended 31 December 2017.

For the last 12 months, the economic and property market environment faced various challenges and several uncertainties. In Malaysia, AmanahRaya REIT had to ensure that we remain relevant and simultaneously maintain sustainable financial performance under effortful and competitive market condition. We experienced headwinds mainly arising from oversupply issues particularly from office and retail sectors.

Nevertheless, amid increasingly challenging property market climate, ARREIT continues to record a higher top line revenue of RM60.42 million which increased by 5.3% as compared to year 2016. ARREIT also has registered a higher total Asset Under Management ("AUM") value of RM1.527 billion, noting an increase of 46.7% as compared to the preceding financial year. The overall realised bottom line has marginally reduced to RM31.65 million mainly due to several major refurbishment expenses incurred for several assets such as Help University and Selayang Mall.

ARREIT came through a difficult year to deliver sustainable financial performance mainly due to challenging economic climate and soft property market. As always, the Board remains committed to ensure sustainable performance, with good governance, effective engagement with stakeholders, adherence to compliance requirements and sound operational strengths, being the key pillars that underpin the long-term growth of ARREIT.

2018 PROPERTY AND ECONOMIC OVERVIEW

The Malaysian economy continued to show steady growth mainly fuelled by private sector spending and an increase in exports in 2017 amidst the weakened ringgit, rising inflation and low crude oil prices.

The property market remained generally soft but stable even as large supplies entered the market especially in the retail and office sectors. The office sector which experienced relatively slower growth, continued to be resilient with a demand for strategically located office buildings. The retail sector however went through a challenging time due to oversupply with many new malls entering the market. While this resulted in some downward pressure on rental rates, the overall occupancy rate remained at a healthy average of above 90%.

The industrial sector witnessed a moderate trend. In light of the lesser transactions shown in recent years, the trend is expected to remain steady during the year, although the average value is expected to be slightly higher. Nevertheless, the Manager believes that this sector will stabilise in years to come with no oversupply situation currently. The yield has also stabilised over the last few years.

Chairman's Statement (Cont'd)

KEY MILESTONES

In March 2017, signifies a key development for both the Fund and the Manager, as KDA Capital Malaysia Sdn. Bhd. ("KDA Capital") a wholly owned subsidiary of Kenedix Asia Pte. Ltd. ("Kenedix Asia"), completed both its acquisition of 15% units in circulation and 49% of the issued share capital in both ARREIT and AKRM respectively. This transaction marks the formation of strategic partnership with Kenedix Inc., a prominent asset manager listed in Tokyo Stock Exchange, which is part of the Manager's continued effort to enhance the unitholders value of ARREIT.

In tandem with our investment objective to continuously provide sustainable returns to Unitholders and nurture quality growth of portfolio by making value and yield accretive investments, the Manager has carried out its inaugural acquisition of iconic office building known as Vista Tower following the formation of strategic partnership with subsidiary of Kenedix Asia, KDA Capital. The acquisition was both yield and value accretive as the purchase consideration of RM455 million was 13% below current market value of RM523 million. The acquisition which currently reflects occupancy rate of 69% that is expected to generate an estimated yield of 7.06% per annum. The transaction was duly completed on 16 January 2018.

Pursuant to the iconic acquisition of Vista Tower, the purchase consideration was financed via issuance of unrated Medium-Term Note of RM450 million, this has consequently increased the gearing ratio to 49.99%.

Following the above, in December 2017, the Manager divested one of its properties known as Silver Bird Factory which completion is expected to take place in Q2 2018, to Nippon Express (M) Sdn. Bhd. for RM105 million, above its Current Market Value of RM102 million. Upon completion ARREIT will register realised gross gain of RM13 million.

PERFORMANCE AND DISTRIBUTIONS

During the year under review, the Manager declared a DPU of 5.5 sen which was marginally lower than the preceding financial year. Rental revenue for 2017 increased by 5.3% to RM 60.42 million as compared to RM57.39 million in 2016. The higher rental revenue was derived by rental income generated from Contraves Building, Cyberjaya, Deluge Factory, Johor and Toshiba TEC, Shah Alam.

MOVING FORWARD

The economy is indicating towards positive direction in the year 2018 whereby there is evidence emerging that suggests the economy is on the right course to become a high-income nation by 2020.

The World Bank, based on simulations, has predicted that Malaysia is on track to achieve the target. In fact, according to Malaysian Institute of Economic Research (MIER) analysis, the nation may even achieve high-income status as early as the first quarter of 2018.

The consensus forecast for Malaysian economic growth in 2018 is within the range of 5.5 to 5.8 per cent, with the prospect of stable inflation and low unemployment. The International Monetary Fund (IMF) similarly anticipates the Malaysia economy to grow at a pace of between 5% and 5.5% in 2018 and inflation is expected to rise at a slower pace.

In Klang Valley, office vacancy rate reported by NAPIC is 23.6% as at Q1 2017 and with incoming supply of 38 million square feet, vacancy rate could climb to 32% by 2021. The government has also expressed its concern over the 140 new shopping complexes targeted for completion by 2021. This will significantly increase existing supply in the Klang Valley, Penang and Iskandar Malaysia. A temporary freeze on office and retail developments has also been recommended by the government to address the oversupply risk.

Nevertheless, notwithstanding these external headwinds, the Board is optimistic that AKRM will be able to contend these challenges with continuous implementation of relevant strategies and subsequently continues to deliver satisfactory financial result to the Unitholders.

CHANGES IN BOARDROOM, AUDIT & INVESTMENT COMMITTEE

Dato' Haji Che Pee bin Samsudin was previously a Non-Independent Director and currently an Independent Director effective 22 December 2017. Akihiro Nakao and Michio Izawa were both appointed as Non-Independent Non-Executive Directors on 13 March 2017.

Adenan bin Md Yusof was appointed as an Investment Committee Member on 31 March 2017 and Michio Izawa was appointed as an Investment Committee Member on 13 March 2017.

Mahadzir bin Azizan was redesignated as Chairman of the Audit Committee on 19 January 2017 and Akihiro Nakao was appointed as an Audit Committee member on 13 March 2017.

APPRECIATION

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

Last but not least, may I also extend my sincere appreciation to all unitholders, stakeholders, employees and business associates for your unwavering support and confidence in 2017 and look forward to another successful year ahead.

PROFILE OF THE CHIEF EXECUTIVE OFFICER

NOORBAIZURA HERMEYNEY

Chief Executive Officer



Noorbaizura, a Malaysian female, aged 38, joined AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) (“AKRM”) in December 2011. Noorbaizura was previously the Head of Investment Department of AKRM whereby in June 2015, she was appointed as the Acting Principal Officer of AKRM upon the resignation of the previous Chief Operating Officer. She currently holds the Capital Market Services Representative’s License under the Capital Markets and Services Act 2007 since June 2015.

On 7 January 2016, she was promoted and formally appointed as the Chief Operating Officer of AKRM. She was then appointed as Chief Executive Officer in April 2017. Noorbaizura is in principal responsible for all day to day operational matters including finance, legal and compliance, and other related functions of AKRM. She has also been invited as key speakers in several seminars and conferences for private and government related organizations.

Noorbaizura has been the key person responsible for securing new lease with HELP University for an irrevocable period of 25 years. During her tenure as Chief Operating Officer and Chief Executive Officer of AKRM, she has carried out new investments with total investment value of RM551 million that generates minimum of 6.5% net yield. In 2017, she has also successfully led the management team of AKRM for the issuance of unrated Medium Term Notes pursuant to a medium term notes programme of up to RM950.0 million in nominal value.

Noorbaizura graduated with a Bachelor of Accountancy (Hons) from University Teknologi Mara in 2002. Subsequently in August 2003, she completed her Association of Chartered Certified Accountants (“ACCA”) examinations. Noorbaizura always had keen interest in the real estate sector, having involved and garnered experience in this industry since the starting of her career.

Prior to joining AKRM, she was attached with Naza Group in which her last designation was Corporate Finance & Business Development Manager. She was primarily involved in various investment activities focusing on diversified sectors including automotive, real estate, parking management, education as well as food and beverage.

She started her career as an audit associate in Ernst & Young where she spent approximately 4 years with the firm in which her last designation was as Assistant Manager. During her tenure at Ernst & Young, she was primarily in charge of statutory audits in various industries that include investment properties, construction, property development, telecommunication, manufacturing, and water concessionaries.

In early 2008, Noorbaizura joined KLCC Property Holdings Berhad, which is the listed property arm of PETRONAS Group. In KLCC, she was one of the integral personnel responsible in setting up the inaugural risk management framework for the Group and she was also part of the team engaged on Investor Relation matters. Noorbaizura was also tasked to monitor and oversee the performances of all hotels, retail and facility management companies under the Group’s portfolio. She was also primarily involved in developing the budget and business plans for a few subsidiaries in KLCC Group.

THE MANAGEMENT TEAM

- 1. Mahathir Mohamad Supian**
Head of Property Management
(Appointed on 1 June 2017)
- 2. Isyam Ishak**
Accountant
- 3. Firdaus Musa**
Head of Legal & Compliance
(Appointed on 2 May 2017)
- 4. Kusuma Dewi Abd Aziz**
Head of Investment
- 5. Jerry Jesudian s/o Joseph Alexander**
Joint Company Secretary



MANAGEMENT DISCUSSION AND ANALYSIS

MESSAGE FROM CEO

2017 was yet another challenging year as we experienced a soft property market environment with continued global uncertainties and low oil prices.

Despite this, I am also delighted to highlight the fund has shown a positive growth in Net Asset Value from RM1.197 per unit in 2016 to RM1.271 per unit in 2017, noting a 6.2% increase. ARREIT's rental revenue also registered an increase of 5.3% in 2017. While total comprehensive income for the year increased from RM40.54 million to RM74.2 million due to increase in fair value of investment properties.

The Manager strives to maintain a good financial performance in 2017 and at the same time we saw a number of key developments took place during the year under review.

Formation of Strategic Partnership with KDA Capital Malaysia Sdn. Bhd. (“KDA Capital”)

On 28 February 2017, approval was received from the Securities Commission for the disposal of RM735,000 worth of ordinary shares valued at RM1 each which represented a 49% stake in AKRM, by ARB to KDA Capital, a wholly owned subsidiary of Kenedix Asia. KDA Capital also acquired 15% of the unit of AmanahRaya REIT. Pursuant to the above, the management company of AmanahRaya REIT i.e. AmanahRaya REIT Managers Sdn. Bhd. changed its name to AmanahRaya-Kenedix REIT Manager Sdn. Bhd. on 29 March 2017.

Acquisition of Vista Tower, The Intermark

On 7 September 2017, ARREIT entered into a Conditional Sale and Purchase Agreement with The Intermark Sdn. Bhd. for the proposed acquisition of Vista Tower for a consideration of RM455 million. On 12 December, the unitholders of AmanahRaya REIT gave their consent to proceed with the transaction resulting in the Sale and Purchase Agreement becoming unconditional with conditions precedents being satisfied. The transaction was completed on 16 January 2018.

Renewal of Lease for Selayang Mall

On 19 October 2017, ARREIT entered into a tenancy agreement with Seal Management Sdn. Bhd., a wholly owned subsidiary of Seal Incorporated Bhd for a period of 3 years with an option to renew for a further 2 terms of 3 years.

Proposed Disposal of Silver Bird Factory

Another Sale and Purchase Agreement was entered into on 14 December 2017, for the proposed disposal of Silver Bird Factory with Nippon Express (M) Sdn. Bhd. for RM105 million, which is above the current market value of RM102 million.

With current market conditions expected to prevail in 2018, ARREIT will continue to adapt to new challenges that the year brings while fine tuning strategies with the aim of maintaining a steady growth trajectory to enable us to deliver an even stronger performance this year.

AMANAHRAYA REIT AND THE MANAGER

AKRM as the Manager of AmanahRaya REIT acts in accordance with the Trust Deed dated 10 October 2006 (as supplemented by the Supplemental Deed dated 4 January 2007 and the Second Supplemental Deed dated 27 August 2009) 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 Chief Executive 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 AmanahRaya REIT.

Management Discussion and Analysis (Cont'd)

INVESTMENT STRATEGIES AND POLICIES

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

Location

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

Purchase Consideration and Rental Yield

Rental yields in relation to the value is a key criteria. 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 as well as focus on acquisitions that are able to deliver accretive yields and capital growth that translate to strong and sustainable returns to unitholders.

Quality Assets

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

Diversified Portfolio

AmanahRaya REIT's strength is the diversity of its portfolio. Diversification allows the Manager to cushion the impact of any adverse condition in a particular sector or locality. AmanahRaya REIT will continue to diversify its portfolio and focus more on three main commercial sectors namely industrial, retail and office.

Covenant Strength

Covenant strength which mainly focuses on tenant profiling is important to mitigate the risk of rental default especially in a single tenancy arrangement. In addition, the Manager will conduct a due diligence exercise on the financial strength of the prospective tenants and its operation. To date, the tenants of AmanahRaya REIT mainly consists of multi-nationals and public listed companies.

Management Discussion and Analysis (Cont'd)

For the Year of 2017, the financial highlights are as follows:

Net Income	Recorded an increase in net income from RM60.59 million in the previous year to RM97.16 million for the year 2017. The increase was mainly due to increase in fair value from revaluation of RM37.40 million.
Distribution Per Unit	5.503 sen
Annual Distribution Yield	6.05%
Asset Under Management	The total asset increased from RM1.04 billion in 2016 to RM1.53 billion for the year 2017. The increase in total assets was mainly attributed to partial recognition of Vista Tower's acquisition pending its completion in January 2018.
Fair Value of Investment Properties	The Manager also conducted full revaluation exercise on all properties under AmanahRaya REIT portfolio to fulfil the requirement set by Securities Commission's Guidelines on Real Estate Investment Trusts as well as Financial Reporting Standard. Following the revaluation exercise, total investment properties at 31 December 2017 increased to RM42.60 million from RM5.21 million in the previous year.
Gearing Ratio	Gearing increased to 49.99% in 2017 from 30.29% in 2016 due to increased borrowing following Vista Tower's acquisition.

FINANCIAL REVIEW

Review of Performance

	2017	2016	2015	2014	2013
Total Asset Value (RM)	1,526,616,881	1,040,293,296	1,101,373,044	1,077,296,710	1,010,203,315
Total Net Asset Value (RM)	728,290,587	686,061,728	681,539,846	657,951,197	587,596,171
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)	1.271	1.197	1.189	1.148	1.025
Highest Net Asset Value Per Unit (RM)	1.271	1.197	1.189	1.148	1.059
Lowest Net Asset Value Per Unit (RM)	1.197	1.187	1.140	1.018	1.024
Market Value per unit (RM) as at 31 December	0.91	0.92	0.87	0.83	1.00
Highest Traded Price for the Twelve Months Period (RM)	0.97	0.97	0.93	1.01	1.04
Lowest Traded Price for the Twelve Months Period (RM)	0.91	0.86	0.79	0.77	0.91

Management Discussion and Analysis (Cont'd)

Results of AmanahRaya REIT's Performance

	2017	2016	2015	2014	2013
Total Gross Rental Income	60,417,996	57,385,743	61,607,065	55,232,076	64,268,575
Total Property Expenses	(7,236,581)	(4,083,964)	(3,805,673)	(3,233,930)	(2,082,602)
Net Rental Income	53,181,415	53,301,779	57,801,392	51,998,146	62,185,973
Interest and Other Income	1,379,529	2,083,066	3,137,275	3,307,289	2,023,552
Total Non-Property Expenses	(22,910,639)	(20,051,656)	(24,315,689)	(23,372,873)	(21,959,359)
Realised Earnings Before Taxation	31,650,305	35,333,189	36,622,978	31,932,562	42,250,166
Changes in Fair Value of Investment Properties	42,603,621	5,207,986	23,059,600	75,316,699	(18,000,000)
Earnings Before Taxation	74,253,926	40,541,175	59,682,578	107,249,261	24,250,166
Taxation*	NIL	NIL	NIL	NIL	NIL
Earnings After Taxation	74,253,926	40,541,175	59,682,578	107,249,261	24,250,166
Earnings Per Unit (EPU) after Taxation (sen) (Realised + Unrealised)	12.95	7.07	10.41	18.71	4.23
EPU Yield (%) (Based on Closing Market Price)	14.23	7.68	11.97	22.54	4.23
Distribution Per Unit (DPU) (sen)	5.503	5.899	6.305	6.500	7.265
Distribution Yield (%)	6.05	6.41	7.25	7.83	7.26
MER (%)	1.10	1.07	1.08	0.97	0.85
Annual Total Return (%)**	5.81	6.46	7.24	7.22	7.83
Average Total Return (3 years) (%)	6.50	6.97	7.43	8.05	9.68

* AmanahRaya REIT 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 Income Tax Act, 1967 under the Finance Act, 2006.

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

Note:

The net asset value per unit of AmanahRaya REIT 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

FUND'S PERFORMANCE

In 2017, AmanahRaya REIT recorded a total income of RM97.16 million against RM60.59 million in the previous year. The increase was mainly contributed by the increase in fair value of the investment properties amounting to RM37.40 million following a revaluation exercise in 2017. In terms of realised revenue, the Trust recorded RM60.42 million, an increase of 5% as compared to the previous year. Total property expenses increased to RM7.24 million from RM4.08 million in 2016 mainly due to higher major repair and maintenance costs incurred as a result of an increase in investments. Trust Expenses increased by 14.26% due largely to higher management fees following a change of base fee from 0.75% to 0.85% of Net Asset Value of ARREIT as well as additional term loan interest from Public Bank. Consequently, the overall net realised income for distribution decreased to RM31.65 million from RM 35.33 million previously.

INCOME DISTRIBUTION

During the period under review, AmanahRaya REIT made the following income distributions:

First Interim	Second Interim	Third Interim	Fourth Final	Total
1.4266	1.3365	1.3992	1.3404	5.5027

For 2017, AmanahRaya REIT distributed a total income of RM31.54 million or 5.50 sen, a slight drop from 2016 income distribution of 5.90 sen. The fourth and final income distribution of RM7.68 million has been declared at 1.34 sen per unit payable on 6 April 2018. Analysis of income distribution:

Management Discussion and Analysis (Cont'd)

	2017	2016	2015	2014	2013
Income distribution per unit (sen)					
- First interim income distribution	1.4266	1.5643	1.400	1.700	1.884
- Second interim income distribution	1.3365	1.4863	1.590	1.300	1.830
- Third interim income distribution	1.3992	1.4245	1.507	1.700	1.815
- Proposed Fourth and final income distribution	1.3404	1.4243	1.808	1.800	1.736
	5.5027	5.899	6.305	6.500	7.265

NET ASSET VALUE

Net Asset Value (NAV) as at 31 December 2017 stood at RM1.271 per unit.

The net asset value of AmanahRaya REIT since 2013 is tabulated as follows:

	2017	2016	2015	2014	2013
Total net asset value ("NAV") RM:					
- before provision for income distributions	1.271	1.197	1.189	1.148	1.025
- after provision for income distributions	1.257	1.183	1.156	1.130	1.008

* With the completion of Vista Tower's acquisition on 16 January 2018, the NAV increases to RM1.392.

UNITS IN ISSUE

As at 31 December 2017, the total number of units issued was 573,219,858.

As at 31 December 2017, AmanahRaya REIT's total debt was RM763.13 million with a gearing ratio of 49.99%.

GEARING

As at 31 December 2017, AmanahRaya REIT's total debt is RM763.13 million with gearing ratio of 49.99%.

	2017	2016	2015	2014	2013
Gearing ratio (%)	49.99	30.29	33.07	33.80	36.02

* With the completion of Vista Tower's acquisition on 16 January 2018, the gearing reduces to 47.77%. Gearing is expected to further reduced to 44.00% following completion of Silver Bird Factory's disposal in 2018.

RELATED PERFORMANCE INDICATORS AND BENCHMARKS

	2017	2016	2015	2014	2013
Total return (%)*	5.81	6.46	7.24	7.22	7.83
Asset Portfolio Turnover (times)**	-	0.03	0.05	0.05	0.12

* Total returns is calculated based on the actual gross income distribution and the net change in the weighted average market price for the financial year, over the weighted average market price of the AmanahRaya REIT for the respective year.

** Asset Portfolio Turnover is based on the average of total acquisitions and total disposals of investment in AmanahRaya REIT for the financial year ended 31 December 2017 to the average net asset value for the financial year calculated on a daily basis.

Management Discussion and Analysis (Cont'd)

BENCHMARK RELEVANT TO AMANAHRAYA REIT

	2017	2016	2015	2014	2013
Management Expense Ratio ("MER") %*	1.10	1.07	1.08	0.97	0.85

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

Acquisition

During the year the Manager has actively sought out investment opportunities despite the softening property market. For the financial year under review, the Trustee entered into a Sale and Purchase Agreement with The Intermark Sdn. Bhd. to acquire Vista Tower at the acquisition price of RM455 million. Vista Tower is strategically located in an established prime office area within the vicinity of Kuala Lumpur city centre. It is easily accessible via the main roads, Jalan Tun Razak and Jalan Ampang, and is conveniently located adjacent to the Ampang Park LRT station and a soon to be built MRT station. Vista Tower is Grade-A and MSC compliant office building equipped with advanced features including computerised building automation, advanced security and comprehensive fire protection systems.

As at 31 December 2017, the occupancy rate was 69%. It is multi-tenanted with a diverse tenant mix comprising 38 tenancies. Key tenants include international and domestic companies such as UOB Bank Group, Petronas Refinery & Petrochemical Corporation, Sherwin Williams and BNP Paribas.

The Purchase Consideration was funded via an unrated medium-term note programme solely subscribed by Public Bank Berhad pursuant to which RM450.0 million notes were issued and internally generated funds of RM5.0 million.

The acquisition is a Related Party Transaction and unitholders' approval was obtained via an Extraordinary General Meeting held on 12 December 2017. The transaction was completed on 16 January 2018.

Disposal

The Trustee entered into a Sale and Purchase Agreement with Nippon Express (Malaysia) Sdn. Bhd. to dispose the former Silver Bird Factory located in Section 21 Shah Alam for a disposal consideration of RM105 million. The proceeds shall be partly utilised to pare down the existing borrowings from Affin Bank Berhad. The transaction is expected to be completed in Q2 2018.

PROPERTY MANAGEMENT

Property Expenses

The Managers' Property Management is responsible to preserve the values of all properties and this is carried through planned and scheduled Asset Enhancement Initiatives (AEI) activities. Periodical and scheduled inspections are carried out on a quarterly basis by the Property Managers. In addition, refurbishment projects are also done when necessary to preserve the values of the properties.

In 2017, total property expenses totalled approximately RM7.24 million mainly comprising statutory payments (quit rent and assessment), insurances, general repairs, maintenance and refurbishments.

Enhancing Property Values

Through planned AEI activities, the value of properties were enhanced. In 2017, these major refurbishment projects were undertaken by the Fund with a total contact sum of approximately RM2.28 million. These included sewerage treatment plant upgrading work at Help University involving the replacement of all faulty parts such as pump motor, piping and blower. The upgrading work which costs RM105,000, was completed in August 2017 which was necessary to accommodate increased usage at the property. During the year, the fund has also refurbished 22 units of washrooms located in Selayang Mall. The refurbishment was necessary to enhance the shopping experience and comfort for the mall's patrons. The project which costs RM1 million was completed in December 2017.

Management Discussion and Analysis (Cont'd)

Rental Review

During the financial year under review, rental of the following properties recorded upward revision:

No.	Property	Previous Monthly Rental (RM)	Current Monthly Rental (RM)	% Increase	Date Of Review
1.	Dana 13	645,240.00	699,010.00	8.3%	Sep 2017
2.	Wisma Comcorp	200,000.00	206,250.00	3.1%	Nov 2017

Tenancy Renewals

During the financial year under review, only Selayang Mall's lease agreement was due for renewal. With the new tenancy agreement, the yield was maintained at 7% per annum. At the same time, the management is in the midst of finalising tenancy for Block B, South City Plaza.

Weighted Average Lease Expiry ("WALE")

AmanahRaya REIT's portfolio comprised of short to long term leases. As at year end, the overall portfolio's WALE was about 5.21 years. As such, unitholders can look forward to income sustainability and resilience amidst market volatility.

The following table sets out information on the lease expiry profile for all properties in ARREIT's portfolio as at 31 December 2017:

Tenant	Start	End	Lettable Area (sf)	WALE (Years)
1 Contraves Building	30-Dec-16	30-Nov-24	75,014	0.23
2 Deluge Factory	11-Aug-16	10-Aug-25	95,035	0.31
3 Toshiba Tec	1-Apr-15	30-Mar-21	62,474	0.09
4 Wisma Comcorp	26-Nov-14	26-Nov-29	74,550	0.39
5 SEGI University	3-Jan-18	2-Jan-28	337,710	1.47
6 SEGI College	22-May-06	21-May-21	131,387	0.19
7 Dana 13, Dana 1 Commercial Centre	1-Sep-09	31-Aug-19	268,850	0.19
8 Selayang Mall	1-Jun-17	31-May-20	371,413	0.39
9 Holiday Villa Alor Setar	23-Jun-16	22-Jun-18	150,000	0.03
10 Holiday Villa Langkawi	13-Jul-16	12-Jul-26	183,190	0.65
11 HELP University	3-Sep-14	2-Sep-39	125,227	1.18
12 Block A, South City Plaza			33,020	0.00
Block B, South City Plaza	1-Oct-14	31-Dec-19	33,586	0.03
13 Gurun Automotive Warehouse	31-Dec-07	30-Dec-17	240,610	0.00
14 AIC Factory (Lot 1)			52,871	0.00
AIC Factory (Lot 3)	13-Sep-16	12-Sep-19	76,576	0.06
			2,311,513	5.21

Note:

- Silver Bird Factory is excluded as it is held for sale as at 31 December 2017.

Management Discussion and Analysis (Cont'd)

Occupancy Rate

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

Usage Of Lettable Area By Lessee's Business Sector

Industrial	NLA	Occupancy Rate (%)
AIC Factory	129,447	59
Gurun Automotive Warehouse	240,610	100
Deluge Factory	95,035	100
Total	465,092	
Hotel		
Holiday Villa Langkawi	183,190	100
Holiday Villa Alor Setar	150,000	100
Total	333,190	
Education		
SEGi College	131,387	100
HELP University	125,227	100
SEGi University	337,710	100
Total	594,324	
Office		
Toshiba TEC	62,474	100
Block A & B, South City Plaza	66,606	50
Dana 13, Dana 1 Commercial Centre	268,850	100
Wisma Comcorp	74,550	100
Contraves Building	75,014	100
Total	547,494	
Retail		
Selayang Mall	371,413	100
Total	371,413	
	2,311,513	96%

Management Discussion and Analysis (Cont'd)

CAPITAL MANAGEMENT

The Manager has adopted prudent capital management strategies in managing AmanahRaya REIT portfolio. In addition to the above, the Manager also complied with the provisions of the Deed and all applicable rules and guidelines prescribed by the Securities Commission relating to the financing of AmanahRaya REIT. As at 31 December 2017, AmanahRaya REIT achieved a debt level of 49.99% of the total asset level as compared to 30.29% in the previous year. The increase was due to the acquisition of Vista Tower which was 99% financed by Medium Term Note.

Debt instruments according to type / expiry:

Type	Financier	Amount	Rate	Expiry
Term Loan	Affin Bank Berhad	RM256.23	COF + 0.5%	May 2020
Medium Term Note	Public Bank Berhad	RM450 million	COF + 0.5%	December 2025
Term Loan	Public Bank Berhad	RM33.92 million	COF + 0.5%	December 2021

* With the completion of Vista Tower's acquisition on 16 January 2018, the gearing reduces to 47.77%

* Upon completion of Silver Bird Factory's disposal, the gearing is expected to further reduce to 44.00%

RISK MANAGEMENT

We are mindful of the many risk factors that could impact our operating and financial performance. As such, we have instituted several initiatives to mitigate these risk factors as outlined below.

Acquisition and Investment Risk

This relates to assets or investments being non-yield accretive which can impact the overall performance of the Fund. As such, the Manager has to thoroughly assess proposed investments prior to presenting to the Board for approval.

Operational Risk

Mitigating this risk involves having standard operating procedures applicable to all properties under the fund that are reviewed and updated periodically. Having developed an operations manual outlining the structure and framework in managing the overall operations of the Manager, AKRM will continue to ensure that staff are aware, updated and adhere to existing policies and guidelines.

Tenancy Risk

This relates to properties experiencing less than full occupancy which requires the Manager to be prepared for any eventuality while marketing the property.

Financial Process Risk

Policy development initiatives have been instituted to mitigate the risk of the lack of or inadequate policies and procedures that manage and control departmental functions like asset management, procurement and cash and treasury management.

Alternate Site/ Disaster Recovery Centre ("DRC")

AKRM has adopted AmanahRaya Berhad's Business Continuity Management policy in compliance with the Securities Commission's requirement for DRC. A service agreement for the DRC was formalised between AmanahRaya Berhad and Heitech Padu Berhad on 15 September 2015.

Compliance Risk

To mitigate this, it is the responsibility of the Compliance Officer to ensure that the relevant laws and regulations are duly complied with and compliance reviews incorporated within operational procedures.

Interest Rate Risk

Interest rate risk affects pre-income tax and financial performance as it relates to possible adverse movements in the floating interest rate. The Manager will need to closely monitor the floating rate and institute an interest rate cap in the event of negative rate movements caused by economic changes.

Market Risk

This risk is associated with the property's drop in revenue as a result of poor market and profit conditions.

Human Capital Risk

This involves the inability to retain skilled staff and the recruitment of suitable new personnel. Steps to mitigate this include regular training to upgrade skills and career development, a talent succession plan and an attractive incentive and appraisal system.

Authority Limit

AmanahRaya REIT 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.

Certain threshold limits will require the approval of the Board and Trustee while those below may be approved by other Board committees under the Chief Executive Office. Provision has also been made for alternate authorised personnel to approve and release payments for transactions with prior approval as per the authority limits.

Audits

While Internal Audit services come under the Manager's holding company, AmanahRaya Berhad, the Board, Audit Committee and management meet regularly to monitor, independently assess and address significant risks faced by AmanahRaya REIT.

Management Discussion and Analysis (Cont'd)

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 AmanahRaya REIT.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year ended 31 December 2017 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 AmanahRaya REIT, the Manager took reasonable steps:

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

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

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 misleading amount stated in the financial statements.

The Manager opines:

- a. that the results of the operations of AmanahRaya REIT 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 transactions or events 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.

MOVING FORWARD

Acquisition

The Manager will continue to focus on expanding the portfolio through acquisitions to ensure growth in terms of dividend and capital values. The challenge is to find properties that are able to provide accretive yields to AmanahRaya REIT.

Leasing

The Manager will also focus on finding new tenants for vacant properties.

Financial Performance

The future poses a challenge for AmanahRaya REIT as the overall property market is expected to soften. In view of this, the Manager is expected to deliver DPU in the region of 6.0 sen per unit. In order to cushion the impact of lower DPU, acquisition is necessary and it will be the main focus of the Manager in 2018.

Capital Management

The Manager will seek to adopt a more flexible financing strategy with more efficient borrowing while minimizing borrowing cost and gearing ratio.

AUDITORS

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

This concludes the Manager's Report.

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

Dato' Sri Ikmal Hisham bin Abdul Aziz

Kuala Lumpur

15 February 2018

STATEMENT ON CORPORATE GOVERNANCE

Effective corporate governance has always been a priority to the Board of Directors of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.) (“AKRM” or “the Manager”) as the Manager of AmanahRaya REIT. We ensure that a high standard of corporate governance is practised throughout the company for the best interest of our unitholders.

In ensuring the implementation and operation of proper corporate governance, AKRM is guided by the measures recommended by the Securities Commission’s Guidelines on Real Estate Investment Trusts (“REIT Guidelines”), the Malaysian Code on Corporate Governance (Revised 2017), the Capital Markets & Services Act 2007 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

THE MANAGER OF AMANAHRAYA REIT

AmanahRaya REIT is managed by AKRM. All Directors and employees of the Manager are remunerated by the Manager and not by AmanahRaya REIT. The Manager’s primary role is to ensure good and sustainable return to the unitholders by managing the properties under AmanahRaya REIT’s portfolio in accordance with AmanahRaya REIT’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 AmanahRaya REIT;
- providing recommendations on the acquisition, divestment and/or enhancement of AmanahRaya REIT’s assets to the Trustee;
- monitoring compliance with all applicable legislations, rules and guidelines as well as AmanahRaya REIT’s Deed;
- ensuring appropriate record keeping;
- formulating proper risk management policies;
- supervising and overseeing the appointed Property Managers on the management of AmanahRaya REIT’s properties; and
- formulating plans for equity and debt financing for AmanahRaya REIT’s capital requirements as well as managing its finances.

DIRECTORS OF THE MANAGER

The Board

The Board of Directors of the Manager (the “Board”) is responsible for the effective management and control of the Manager.

The responsibilities of the Board, at minimum, include:

- setting up the objectives and goals of the Manager and AmanahRaya REIT;
- 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;

Statement on Corporate Governance (Cont'd)

- 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

The Board currently has eight (8) members, consisting of four (4) Independent Non-Executive directors and four (4) Non-Independent Non-Executive directors. This is in compliance with the requirement of at least two or one-third of the Board is independent. The Manager's Articles of Association provides that the number of directors shall be not less than two (2) and not more than nine (9).

The Chairman leads the Board and is responsible for the vision and strategic direction of the Manager. The composition of the Board is reviewed regularly to ensure that it has an appropriate mix of experience and expertise.

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 AmanahRaya REIT.

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 2017, eight (8) Board meetings were held, three (3) of which were Special Board meetings.

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 relevant 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 AmanahRaya REIT and management's recommendations and proposals.

All directors have access to the advices and services of the Audit Committee, Legal & Compliance Department, Group Internal Audit Department, Company Secretary as well as to external independent professional advisers whenever deemed necessary, at the expense of the Manager.

Appointment to the Board

All new nominations are assessed and approved by the entire Board; 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 AmanahRaya REIT and the Manager and the relevant experience and expertise of the candidates as well as their potential contributions.

Reviews on the performance of the Board members are done informally. The renewal or replacement of Board members do not necessarily reflect their level of contributions but will most of the times be determined by the need to align and structure the Board in accordance with the goals and directions of AmanahRaya REIT 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 AmanahRaya REIT and/or the Manager.

Statement on Corporate Governance (Cont'd)

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.

All the Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad for directors of a listed issuer.

During the financial year ended 31 December 2017, the Directors have attended the trainings as indicated below:-

Names of Directors	Trainings Attended
Dato' Sri Ikmal Hisham bin Abdul Aziz	- Mandatory Accreditation Program ("MAP") held on 6 – 7 November 2017 by International Centre for Leadership in Finance ("ICLIF")
Dato' Haji Che Pee bin Samsudin	- Anti-Money Laundering, Anti-Terrorism Financing And Proceeds of Unlawful Activities Act 2001 & Cyber Risk Management held on 14 – 15 November 2017 by Securities Industry Development Corporation ("SIDC")
Dato' Anthony @ Firdaus bin Bujang	- Boards & C-Level Executives : Balancing Trust & Tension held on 17 January 2017 by Malaysian Institute of Corporate Governance ("MICG") - Corporate Disclosure: What Every Director Needs to Know held on 31 March 2017 by Bursatra Sdn. Bhd. - International Directors Summit 2017 held on 21 – 22 August 2017 by Malaysian Directors Academy ("MINDA") - Transformation Workshop (Internal Training) held on 16 – 17 October 2017 by Petra Resources Sdn. Bhd. - Advocacy Session On Corporate Disclosure for Director and Principal Officer held on 24 August 2017 by Bursa Malaysia Securities Berhad - Anti-Money Laundering, Anti-Terrorism Financing And Proceeds of Unlawful Activities Act 2001 & Cyber Risk Management held on 14 – 15 November 2017 by Securities Industry Development Corporation ("SIDC")
Ahmad Suhaimi bin Endut	- Induction Training (Pos Malaysia) held on 6 April 2017 by Pos Malaysia Berhad - Lawatan Kerja Malaysia Rail Link ke China held on 10 – 15 May 2017 by Malaysia Rail Link - National Seminar on Malaysian Code on Corporate Governance (New) "An Overview" III held on 10 August 2017 by Aram Global Sdn. Bhd.
Mahadzir bin Azizan	- MCCG 2017 Directors' Training held on 21 September 2017 by Amcorp Berhad - Anti-Money Laundering, Anti-Terrorism Financing And Proceeds of Unlawful Activities Act 2001 & Cyber Risk Management held on 14 November 2017 by Securities Industry Development Corporation ("SIDC") - Ensuring Effective Compliance for Directors held on 15 November 2017 by Securities Industry Development Corporation ("SIDC")

Statement on Corporate Governance (Cont'd)

Names of Directors	Trainings Attended
Adenan bin Md Yusof	<ul style="list-style-type: none"> - Nomura Expert Series - 'ETP - Growing the Economy Responsibly & Sustainably' by Dato' Seri Idris Jala held on 12 January 2017 - 19th Malaysia Strategic Outlook Conference 2017 held on 24 January 2017 by Asian Strategy & Leadership Institute ("ASLI") - Capital Markets Directors Programme held on 20 - 22 March 2017 by Securities Industry Development Corporation ("SIDC") - EPF International Social Security Conference 2017 held on 2 - 3 August 2017 by Employee Provident Fund ("EPF") - Seminar REIT Conference & Award Presentation held on 4 August 2017 by Damansara REIT Managers Sdn. Bhd. - National Seminar on Malaysian Code on Corporate Governance (New) "An Overview" III held on 10 August 2017 by Aram Global Sdn. Bhd. - Anti-Money Laundering, Anti-Terrorism Financing And Proceeds of Unlawful Activities Act 2001 & Cyber Risk Management held on 14 – 15 November 2017 by Securities Industry Development Corporation ("SIDC")
Akihiro Nakao	<ul style="list-style-type: none"> - Mandatory Accreditation Program ("MAP") held on 6 – 7 April 2017 by International Centre for Leadership in Finance ("ICLIF") - Anti-Money Laundering, Anti-Terrorism Financing And Proceeds of Unlawful Activities Act 2001 & Cyber Risk Management held on 14 – 15 November 2017 by Securities Industry Development Corporation ("SIDC")
Akihiro Nakao	<ul style="list-style-type: none"> - Mandatory Accreditation Program ("MAP") held on 6 – 7 April 2017 by International Centre for Leadership in Finance ("ICLIF") - Anti-Money Laundering, Anti-Terrorism Financing And Proceeds of Unlawful Activities Act 2001 & Cyber Risk Management held on 14 – 15 November 2017 by Securities Industry Development Corporation ("SIDC")

Committees under the Board

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

- The Audit Committee; and
- The Investment Committee.

AUDIT COMMITTEE

The Audit Committee ("AC") was formed on 9 June 2009. It operates under the delegated authority from the Board and in line with the *Malaysian Code on Corporate Governance (Revised 2017)*. The AC consists of three (3) Non-Executive Directors, with two (2) Independent Director and one (1) Non-Independent Director.

The AC operates based on a set of terms of reference outlining its scope of authority which includes:

- Reviewing all internal and external reports on the operations of AmanahRaya REIT 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;

Statement on Corporate Governance (Cont'd)

- 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 AmanahRaya REIT and the Manager;
- Discussing and highlighting any problems arising from the audit exercise and/or any other matters raised by external auditors;
- Reviewing external auditors' letters and reports and response from the management;
- Reviewing the audit report prepared by external auditors;
- 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;
- Ensuring that the policy, strategy and operations of AmanahRaya REIT and the Manager are in compliance with all relevant laws and regulations; and
- Performing any other operational functions as may be agreed by the Board.

Meetings and Attendance

The AC meetings are scheduled at least once every quarter. Four (4) AC meetings were held throughout 2017. The details of attendance of the AC members are as follows:

Name of Committee Member	Number of Meetings Attended
Mahadzir bin Azizan (Chairman)	4/4
Dato' Haji Che Pee bin Samsudin	3/4
Akihiro Nakao	3/4

Statement on Corporate Governance (Cont'd)

INVESTMENT COMMITTEE

The Investment Committee ("IC") was formed 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. Presently, the IC has four (4) members of which two (2) are Independent members and two (2) are Non-Independent 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 AmanahRaya REIT 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 AmanahRaya REIT to the Board and Trustee for final approval;
- Reviewing and deliberating the following reports;
 - Property Market and Outlook Report
 - AmanahRaya REIT's Performance Report
- Ensuring that AmanahRaya REIT 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 AmanahRaya REIT 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 IC meetings are scheduled at least once every quarter and two (2) IC meetings were held throughout 2017.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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)

Relationship with External Auditors

An External Auditor, independent of the Manager and the Trustee has been appointed for AmanahRaya REIT. The appointment has been nominated by the Manager and approved by the Trustee. The remuneration of the Auditor is approved by the Trustee.

Via the AC, the Board maintains an active, transparent and professional relationship with the External Auditor.

Compliance Officer

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

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 the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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;
- AmanahRaya REIT'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 AmanahRaya REIT; and
- all real estate investment and divestment transactions must be consented by the Trustee, consistent with the investment objective and strategy of AmanahRaya REIT and transacted at a price which is in accordance to the relevant guidelines.

RISK ASSESSMENT AND 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 AmanahRaya REIT 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.

Statement on Corporate Governance (Cont'd)

COMMUNICATION WITH UNITHOLDERS

The Board acknowledges the importance of regular communication with unitholders and investors via annual reports, circulars, and quarterly financial reports. The Manager has made various announcements that are released to Bursa Malaysia Securities Berhad via Bursa LINK during the period, through which unitholders and investors are able to obtain an overview of AmanahRaya REIT's performance and operations. An investor relations page is also systematically maintained in AmanahRaya REIT's website, allowing the unitholders to keep abreast with the development of AmanahRaya REIT at all times. Additionally, the Chief Executive Officer regularly meets up with analysts, institutional unitholders and investors to provide insights on significant development of AmanahRaya REIT and its strategies.

CONCLUSION

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON INTERNAL CONTROL

Being a Real Estate Investment Trust, AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT") is not subjected to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Nevertheless, the Board of Directors ("the Board") of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (formerly known as AmanahRaya REIT Managers Sdn. Bhd.), the management company of AmanahRaya REIT ("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.

INTERNAL CONTROL SYSTEM

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

- An operational manual has been established to outline the structure and framework in managing the overall operations of the Manager. The operational manual includes inter-alia policies and procedures on acquisition and disposal of properties, property management processes, financial and operational reporting as well as continuing listing and compliance obligations. The operational manual is subject to periodical review and will be updated as and when necessary;
- Authority limits have been specified for the operations of AmanahRaya REIT including but not limited to approvals on investments and divestments, banking facilities, capital and operating expenditure as well as engagement of services from external parties. Approvals from the Trustee and the Board are required for matters of certain threshold limits whereas those which do not exceed the threshold limits are delegated to other Board committees or the Chief Executive Officer to facilitate operational efficiency. A set of other authorised personnel have also been identified to approve and release payments for transactions with prior approval in accordance with the authority limits;
- The Manager has adopted a group wide Integrity Plan and Code of Business Ethics towards recognising and resolving ethical issues that may be encountered in conducting its daily operations. The Code of Business Ethics addresses among others, issues on conflict of interest, whistle blowing policy, ethics and responsibility to stakeholders;
- An Enterprise Risk Management Policy which sets out the approaches and expectations in relation to risk management has also been adopted by the Manager. Via the policy, the Board recognises that risk management is an integral part of good management and corporate governance practice. The policy has been in place for the year under review and up to date of approval of this statement;
- Internal Audit services are outsourced to the Manager's holding company, Amanah Raya Berhad. The cost incurred by the Manager for the outsourced Internal Audit Function in respect of the financial year ended 2017 amounted to RM6,306. Finding obtained from internal audit activities are reported directly to the Audit Committee ("AC") and are independent from the management team of the Manager;
- Scheduled regular meetings of the Board, AC and Investment Committee ("IC") with representation from the management provide the key to systematic monitoring of AmanahRaya REIT's activities and for identifying, evaluating and managing the significant risks faced by AmanahRaya REIT. The Chief Executive Officer is entrusted to manage the daily operations of the Manager and AmanahRaya REIT and holds the responsibility of leading the respective heads of departments towards achieving the identified objectives;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

- In order to maintain quality and efficiency, the Manager's personnel across all functions are given the opportunity to attend relevant trainings. A systematic staff performance appraisal mechanism has also been adopted to ensure adequate and sufficient rewards are awarded to well deserving personnel;
- The AC conducts reviews on issues relating to the effectiveness of the internal control system raised by internal and external auditors, regulatory authorities and the 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 AmanahRaya REIT is managed in accordance with its objectives. The IC also holds the responsibility of actively monitoring the performance of the Manager and AmanahRaya REIT; and
- All recommendations endorsed by the AC and IC shall be presented for review and approval by the Board.

CONCLUSION

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

PROPERTY MARKET OVERVIEW

ECONOMY

Regional financial market began stabilizing in early 2017 after the volatility in 2016, which also saw emerging economies in Asia benefitting from the favourable macroeconomic conditions. Following the strong improvement in the first and second quarters of the year, the Malaysian economy expanded at a better-than-expected pace of 6.2% in the Q3 2017, the best since Q2 2014. The strong growth continued to be fuelled by the private sector spending, as well as exports which grew at a faster pace of 11.8% (Q2 2017: 9.6%). On a q-o-q seasonally-adjusted basis, the economy grew by 1.8% as opposed to 1.3% in prior quarter.

On the supply side, continued expansions across all sectors have collectively driven growth. The services and manufacturing sector remain as key drivers of the Malaysian economy, which make up 55% and 23% of total Gross Domestic Products (GDP) respectively. Between Q1 and Q3 2017, the mining and quarrying sector increased by 2%, compared to the same period a year ago. This was largely driven by higher natural gas production, particularly in West Malaysia.

Hiring remained moderate and the unemployment rate stabilized at 3.4% in Q3 2017, in tandem with the country's stabilising state of economic activities.

Figure 1.1: Key Economic Indicators

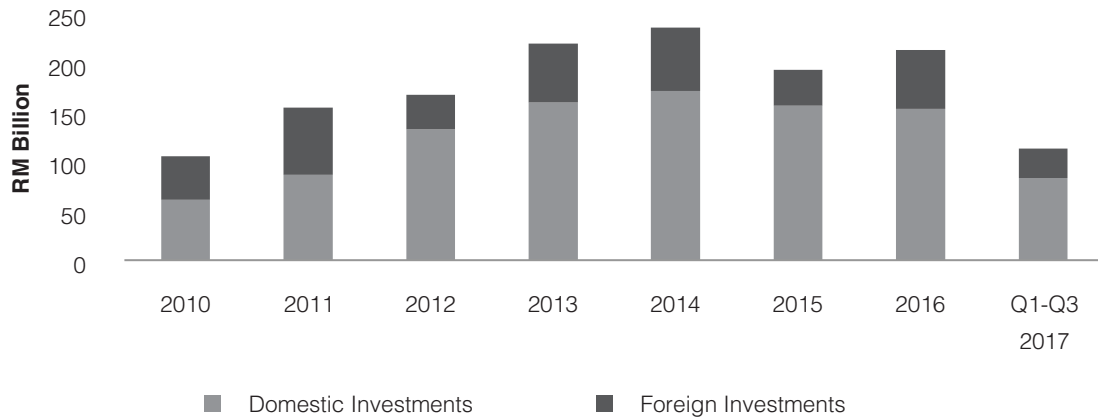


Source: Department of Statistics, Bank Negara Malaysia

Between January and September 2017, Malaysia recorded RM118.5 billion worth of new investments, a decline of 21.4%, as opposed to RM150.77 billion for the same period last year. This is driven by the decline in service and manufacturing sectors, which offset the higher investment in the primary sector. The slip in services sector is partly due to substantial drop in its real estate sub-sector, which has been the largest contributor, amid the period of adjustment to changing consumer demands and policy reviews. The World Economic Forum ranked Malaysia as the 23rd most competitive economy in the world in its Global Competitiveness Report 2017 – 2018, up two spots from previous year.

Property Market Overview (Cont'd)

Figure 1.2: Approved Investments, 2010 - Q3 2017

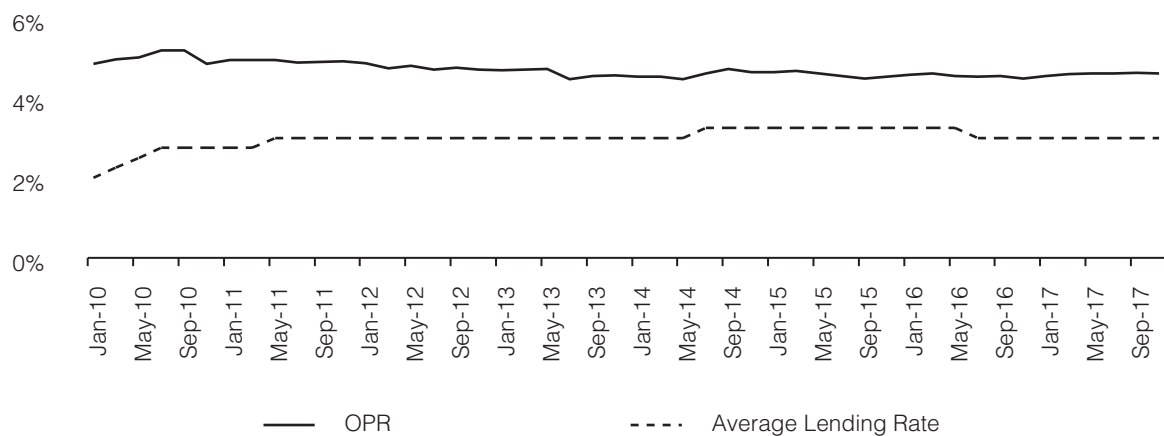


Source: Malaysia Investment Development Authority

Headline inflation, as measured by the annual percentage change in Consumer Price Index, decreased marginally to 3.8% in the Q3 2017 (Q2 2017: 4.0%), due mainly to lower transport inflation at 11.7% (Q2 2017: 13.4%) as domestic oil price was reported slightly lower than previous quarter. Notwithstanding, global oil prices has been escalating and improved over twofold to USD62 per barrel in November, from the year-low of USD26.55 per barrel, in January. In light of the rising global oil price, Bank Negara Malaysia (BNM) expects the full-year headline inflation to be at the upper end of its projected range of 3% - 4%.

Overnight Policy Rate (OPR) remains unchanged at 3%, since the reduction of 25 basis points made in July 2016. Whilst the economic condition is improving, the central bank would eventually, though progressively, normalize policy from an accommodative stance with a revision expected in early 2018.

Figure 1.3: Overnight Policy Rate



Source: Bank Negara Malaysia

Property Market Overview (Cont'd)

The synchronized global economic recoveries in addition to improving oil prices have benefited trade-dependent countries, including Malaysia. Ringgit rose over 9% against US dollar in lieu of its dire state since the past year. For the entire year, growth is expected at about 5.5%. Moving forward, the country's economy is projected to grow at a rate of between 5.0% and 5.5% as key economic indicators are showing signs of optimism.

OFFICE

Despite stronger economic growth and an improvement in oil price for the year, the office market continued to deteriorate as new completion overtake net absorption. Total new completion registered 2.4 million sq ft, against 4.3 million sq ft in 2016, a drop of 44%. Notwithstanding the yearly drop, pipeline supply remains high over the next 3 years, with 13 million sq ft still under construction for completion to year 2020. Major completions during the year include offices at KL Gateway, KL Ecocity, Menara Public Bank 2 and JKG Tower. Notwithstanding, the absorption drops from 3.9 million sq ft to a negative decline of 45,000 sq ft y-o-y, resulting in the average vacancy rate moving upward to 19.6%, up from 17.6% y-o-y.

The new international financial hub at TRX is gaining momentum, with the announcements that HSBC and Prudential will be relocating to new purposed built offices there. The Exchange 106, the signature tower of 2.6 million sq ft is now scheduled for completion in 2018.

Table 2.1: Selected Office Developments in Klang Valley

Office Buildings	Location	Net Lettable Area (sq ft)	Expected Completion
Bangsar Trade Centre	Bangsar	112,000	2018
3 Towers	Jalan Ampang	290,000	2018
South Point	Mid Valley	375,000	2018
KL Eco City (COT 2)	Jalan Bangsar	300,000	2018
Etiqa Bangsar	Jalan Bangsar	756,000	2018
Equatorial Plaza	Jalan Sultan Ismail	852,000	2018
The Exchange 106	Tun Razak Exchange	2,650,000	2018
KL Eco City (COT 1)	Jalan Bangsar	300,000	2019
Menara Felcra	Jalan Semarak	1,121,000	2020
Sapura Tower	Jalan Kia Peng	1,180,000	2020
Cititower	Jalan Ampang	1,700,000	2020
Merdeka PNB 118	Jalan Hang Jebat	2,200,000	2020
TOTAL		11,836,000	

Given the rising concern from Bank Negara on the risks and contagion effects of a potential prolonged property downturn, the Government announced an indefinite freeze on new approvals including office, retail and high end residential sector in Q4. Hopefully this will moderate any adverse effect of a market glut pending a market adjustment over the medium term.

The emergence of co-working space and how this will impact office demand in general, challenging established commercial locations and its design form, only time will tell. This will be driven by millennials and new businesses driven and centred on the theme of collaboration of work, live and play.

Rental rate continued to be stable despite downward pressure. Prime rental is at a range of RM7 - RM13 per sq ft. However, attractive tenant incentives are readily available for major space users, especially at newly completed buildings.

Property Market Overview (Cont'd)

Table 2.2: Occupancy and Rental Rates of Selected PBOs

No.	Name of Building	Location	Asking Rental Rate (RM psf)	Occupancy Rate (%)
1.	Menara Citibank	Jalan Ampang	6.5-8	79%
2.	Menara Maxis	Jalan Ampang	8.5-22.5	92%
3.	Wisma Selangor Dredging	Jalan Ampang	5.8-8	90%
4.	Sunway Tower	Jalan Ampang	4.5	27%
5.	Menara Safuan	Jalan Ampang	4-4.5	90%
6.	Bangunan Am Finance	Jalan Ampang	5.5-5.8	98%
7.	Menara IMC	Jalan Ampang	7.5	88%
8.	Plaza Osk	Jalan Ampang	5.5	97%
9.	Menara Great Eastern	Jalan Ampang	5.5-6	95%
10.	Vista Tower	Jalan Tun Razak	7.5-9	74%
11.	The Icon	Jalan Tun Razak	5	91%
12.	Gtower	Jalan Tun Razak	8.5	82%
13.	Menara Manulife	Damansara Height	4.5-5.2	95%
14.	Menara Milenium	Damansara Height	6	97%
15.	Menara HP	Damansara Height	4.2	71%
16.	Bangunan Malaysia RE	Damansara Height	4.6	75%
17.	Wisma Chase Perdana	Damansara Height	3.6	100%
18.	Wisma UOA Damansara 1	Damansara Height	4.6	95%
19.	Wisma UOA Damansara 2	Damansara Height	4.8-5.1	90%
20.	The Icon	Jalan Tun Razak	5	91%

Capital value is holding well and shows no sign of selling pressure. Major benchmark sales during the year include Menara Prudential @ RM759 per sq ft, Vista Tower @ RM824 per sq ft and Wisma Selangor Dredging @ RM1,323 per sq ft, possibly due to potential development opportunity and proximity to KLCC. Part of this stability is due to the support of domestic institutional funds, and trusts that continued to invest in quality and well-located assets, and the supportive interest rate environment. Yield hovers around 6%, and is likely to lower due to pressure on rental and occupancy relative to capital value, notwithstanding the risk of interest rate hike in the near future. Prime strata office projects continued to be launched with prices ranging from RM898 to RM2,000 per sq ft, and selective good sale responses reported, including the Oxley Towers, Bukit Bintang City Centre (BBCC), and The Met 8 at KL Metropolis.

Table 2.3: Major Office Transactions

Office Buildings	Location	Net Lettable Area (sq ft)	Transacted Price (RM per sq ft)
Menara Prudential	Jalan Sultan Ismail	164,706	759
Vista Tower	Jalan Tun Razak	551,851	824
Wisma Selangor Dredging	Jalan Ampang	362,782	1,323

Moving forward, 2018 will remain challenging for landlords until the market finds its equilibrium. Adding to these uncertainties, 2018 will be an election year, and with a potential change in administration, businesses will likely to take a more cautious approach and prefer a continuum of the existing status quo.

Property Market Overview (Cont'd)

HOTEL

For the first three quarters of 2017, there is a drop of 1.5% in tourist arrivals. During this period, Malaysia hosted 19.436 million tourists, as opposed to 19.730 million for the corresponding period in the preceding year despite hosting SEA Games 2017. Total tourist arrivals was earlier targeted at 31 million for the full year 2017, with a corresponding receipt of RM114 billion.

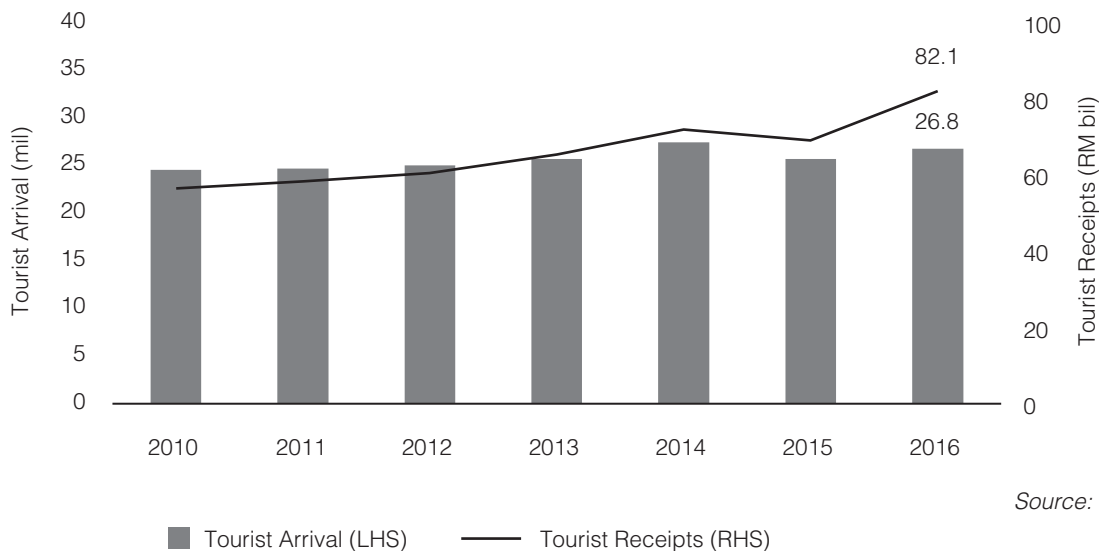
Tourist arrivals from January to September were largely driven by increased tourism initiatives and collaborative efforts by Tourism Malaysia-Brunei (TM Brunei) and Royal Brunei Airlines in providing outbound tour packages to Malaysia for Bruneian tourists. The outcome of this saw Bruneian travellers into Malaysia increased from 980,447 in 2016 to 1,701,207 in 2017, reaching a 32.3% increase that was considerably higher than the influx from Chinese travellers.

In early 2016, the government announced visa-free entry from Mac to Dec 2016 for Chinese tourists which subsequently, saw 1.8 million arrivals, an increase of 25% as compared to 1.4 million, during the same review period in 2015. In view of continued growth and strategic importance of Chinese tourist arrivals to the country, the visa-free entry was extended to Dec 2017 and over 2 million Chinese tourists were expected this year and as up to end September, about 1.7 million arrivals were recorded.

Another effort made by the government to boost the tourism industry in 2017 includes the ease of visa procedure for tourists from India. Following the introduction of the e-visa facility that enables issuance of single-entry visas within 24 to 48 hours, the government eyed for an ambitious 1 million tourist arrivals in 2017, succeeding the 638 thousands tourists recorded in 2016. However, the recent September statistics of a mere 396 thousands arrivals recorded suggests that the total visitors from India for full year 2017 will fall far short from the target.

Revenue per available room (RevPAR) in Malaysia had generally increased by 21.1% y-o-y to RM289 as of July 2017. This is in line with other indicators such as average daily rate (ADR) that rose 8.0% to RM392 and occupancy rate which has improved to 73.7%. During the period, hotels industry had capitalized on several occasions including Chinese New Year, Langkawi International Maritime and Aerospace (LIMA) Exhibition, and SEA Games.

Figure 3.1: Tourist Arrivals and Receipts



Source: Tourism Malaysia

Property Market Overview (Cont'd)

In Kedah, Langkawi Island remains as the key tourism destination for both domestic and foreign tourists. The archipelago of some 100 islands continues to attract more tourists and fuel the state's tourism industry with over 3.6 million tourist arrivals in 2016. As of October 2017, Langkawi has recorded 2.9 million visitors, a marginal increase of 1.0% compared to the same period in 2016, and aim to reach 3.8 million arrivals for the full year 2017. In view of the consistently increasing numbers, Langkawi International Airport is currently undergoing expansion, to cater for more passengers and the ever-growing chartered flights into the island. Upon completion by Q3 2018, the airport would have the capacity to cater up to 5 million passengers from the current 1.5 million per annum. The expansion is rather an early preparation to reaching Langkawi's target of 5 million tourist arrivals by 2020, as arrivals via flights are still sustainable thus far.

Subsequent to the rising number of tourists, Average Occupancy Rate (AOR) of hotels in Kedah has increased significantly to nearly 60% in 2016 (2015: 55%), despite the emergence of other mode of accommodation such as AirBnb. This is partly attributed by limited number of hotel completions in the state. After St. Regis opened its door in mid-2016, Ritz Carlton made its debut in the growing luxury accommodation of Langkawi, with 90 hotel suites and 29 pool villas. The demand for high-end segment catering discerning travellers remains strong due to its limited new supply, and low number of rooms. Parkroyal Langkawi extended its completion date to 2018 in lieu of an earlier target of 2017.

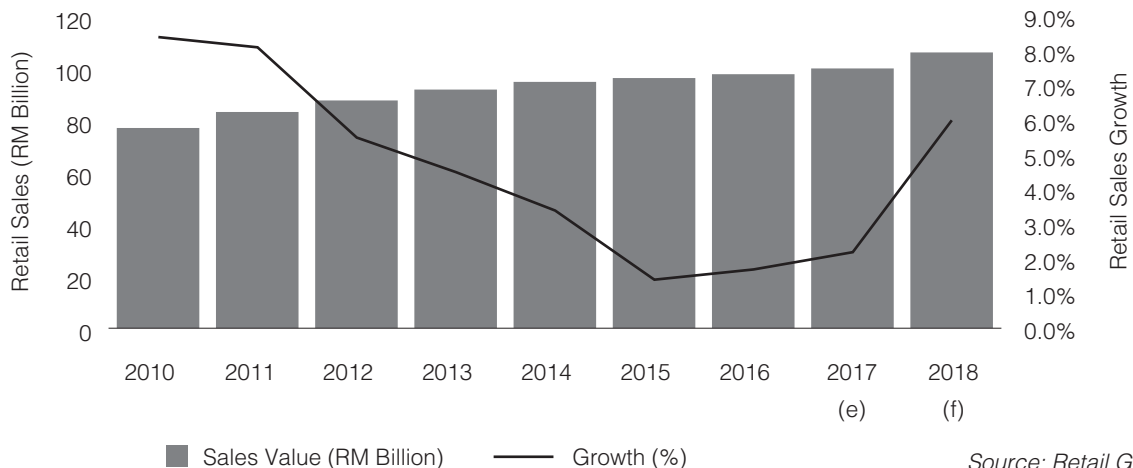
Moving forward, whilst the implementation of tourism tax of RM10 that came into effect in September 2017 has yet to see its impact upon tourist arrivals and receipts, many are positive that it will not be a deterring factor for foreign tourists. The government has also declared 2020, as Visit Malaysia Year and will also be playing host to series of major events such as APEC Summit, World Congress of Information Technology (WCIT) and Commonwealth Head of Governments Meeting (CHOGM). Some incentives were announced, including tax incentives to promote high-end segment tourists, Small and Medium Enterprises receive RM2 billion funds with continued tax incentives and expansion of eVisa regional hub to capture a larger market share.

Government efforts in attracting multinational corporations and foreign investors, paired with a competitive Ringgit, is expected to maintain Malaysia as a prime and attractive regional destination for both leisure and business travelers.

RETAIL

Retail sector faced another challenging year, with retail turnover much lower than initially forecasted. Retail Group Malaysia cut its projection twice this year from an initial 5% to a current figure of 2.2% growth on the back of poor consumer sentiment. In tandem with stronger economic growth, the Consumer Sentiment Index climbed marginally in the first half of the year but faltered by Q3, and remained low at 77.1 points. There seem to be a misnomer between the stronger than expected GDP growth and the objective reality at the households' level. In fact, various analysts' reports (BNM, Khazanah Research Institute, etc) revealed that household finances are vulnerable with increasing financial stress and underfunded retirement, affecting even the M40 middle class segment of the population. The barometer of household debt to GDP ratio remains high at 85.6 (2016: 88.4), largely due to the rapidly rising cost of living and the impact of depreciation of the Ringgit.

Figure 4.1: Retail Sales Volume and Growth



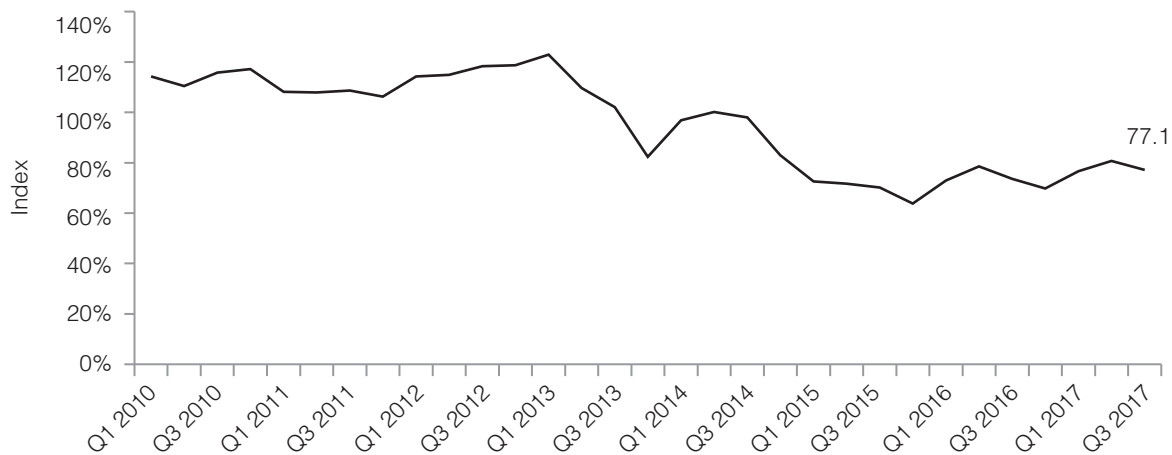
Source: Retail Group Malaysia

Property Market Overview (Cont'd)

On the positive side, if somewhat paradoxically, the latest household income data for 2016 revealed that between 2014-2016, national median and mean monthly household income increased by 6.6% and 6.2% per annum, to RM5,228 and RM6,958 respectively, with even a decline in the Gini Coefficient registered. Budget 2018 also provides more financial support to the most venerable households, with increased BR1M contributions totalling RM6.8 billion, other financial aids and a lower income tax rate for those earning below RM70,000 per annum.

Consumer Sentiment Index (CSI), as recorded by MIER, has been in three-year rally of below threshold level of 100. In the third quarter, the index fell to 77.1 from the year-high of 80.7 in previous quarter. Recovery in Q2 failed to sustain as the slid in retail sales coincided with the eroding sentiment.

Figure 4.2: Consumer Sentiment Index



Source: Malaysia Institute of Economic Research (MIER)

The year also witnessed some major store consolidation and closures, a sign of more challenging time for both retailers and shopping centres' landlords. These include Aeon, a popular supermarket cum general merchandise store and Giant (involving 5 stores) have closed and restructured stores during the year, whilst True Fitness, and a popular Korean café chain, Tous le Jour have unexpectedly shuttered down. Whilst such activities are not unusual, with the rise of online commerce, and the current surplus of mall space, the pressure has and will intensify in the coming years. On a different note, city dwellers had finally bid farewell to the iconic Ampang Park Shopping Centre, to make way for the development of station for a new Mass Rapid Transit line.

Mall completions over the KL Metropolitan area during the year which collectively have a total net lettable area of about 3.2 million sq ft include major malls such as Mytown and Melawati Mall, and a new factory outlet, Genting Premium Outlet at Genting Highland. New malls especially will likely to struggle to build up occupancy and foot traffic given the current caution of retailers for expansion, and the diluted market share. The spot light on this will be on Empire City, a regional mall of 2.5 million sq ft at Sungai Penchala which the developer is struggling to complete and open for business, in a neighbourhood that already has several established major competitor malls. Another mall by WCT at Bukit Jalil is being postponed indefinitely after the company come under control of a common shareholder who is also developing the nearby Pavilion 2 of 1.8 million sq ft. Notwithstanding the freeze on new malls and with 13 million sq ft in the pipelines over the next three years, the "horses had already bolted out of the stable" is likely to hold true, and any potential benefits projected from this policy change will not be felt in the short term.

MREITs continued to be active in deals, with Pavilion Elite being injected into a REIT at RM2,526 per sq ft, whilst Empire Gallery, a very successful suburban mall at Subang Jaya was sold to PHB at RM1,629 per sq ft with option to buy back within the next five years. Recent valuation placed Pavilion Mall, MidValley and The Gardens Mall at RM3,317 per sq ft, RM1,981 per sq ft and RM1,477 per sq ft respectively. Benchmark indicative gross revenue at RM26.00, RM16.00 are RM15.00 per sq ft per month. A review of the MREITs data reveals that average prime rental is hovering around RM16.00 per sq ft per month.

Property Market Overview (Cont'd)

Fundamentally, the retail market needs to work out this current excess space in the midst of structural, technological and social changes that are gaining pace both domestically as well as internationally. This is not a short-term issue of market disequilibrium. Whilst the more prime centres will still have a place in the brick and mortar world, their evolving roles need to be quickly adapted with the changing environment and the consumers that they serve. As seen in the not too distance past, what was considered prime can quickly be overtaken by events. This will and may involve a combination of capex, retro fit, adaptive reuse and re-jig of tenancy mixes to survive in the still evolving new retail environment.

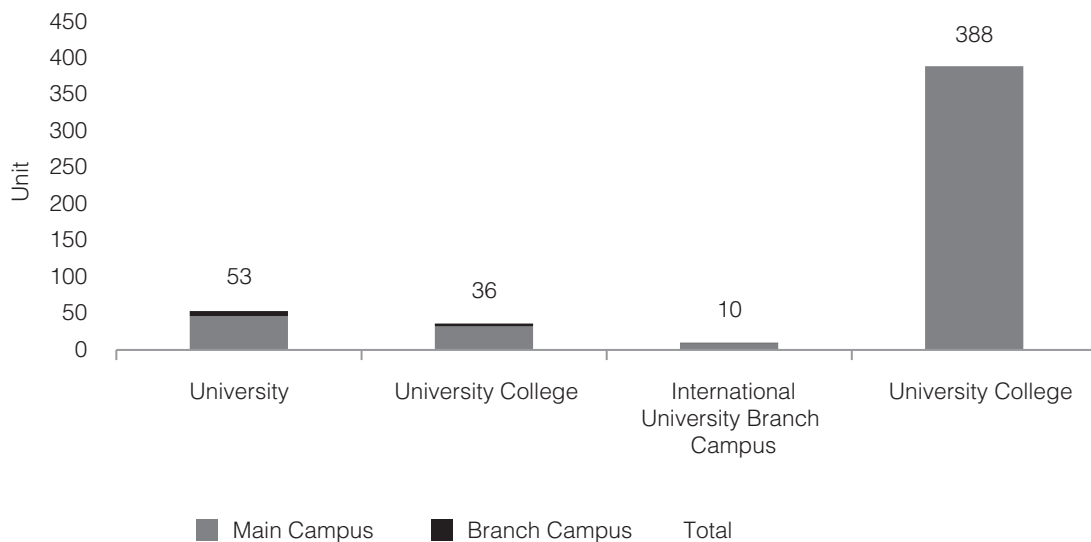
EDUCATION

The Ministry of Higher Education had recently extended the moratorium on approvals of new private higher education institutions (IPTS) until year-end 2020 following its effort to strengthen the quality of nation's IPTS. 'Highly-ranked' foreign education institutions, however, will be given a due deliberation. The move is essentially a proactive measure to weed out insignificant IPTS from flocking the higher education landscape and ensures that only those of eminence standard are allowed to operate.

The ministry had also asserted to exercise greater control in regulating IPTS soon, via the newly-amended Private Higher Education Act (Act 555). The act enforcement would require every private college to provide information and data to the ministry, which was optional prior to the amendment, and subsequently promote transparency.

With the mushrooming growth of IPTS prior to the freeze, many IPTS and new entrants particularly of small scale were struggling to sustain, not to mention making profits. Consequently, 33 sub-par colleges were shuttered in 2017 for failing to comply with the ministry's requirements, compared to the total of 46 colleges closed between 2012 and 2016. While some even voluntarily asked to cease operation, other major issues were poor management and quality due to financial problem, as well as lacking in number of students and qualified lecturers. With the closures, total IPTS as of 2017 stood at 487, as per the following breakdown:

Figure 5.1: Number of Private Higher Education Institutions



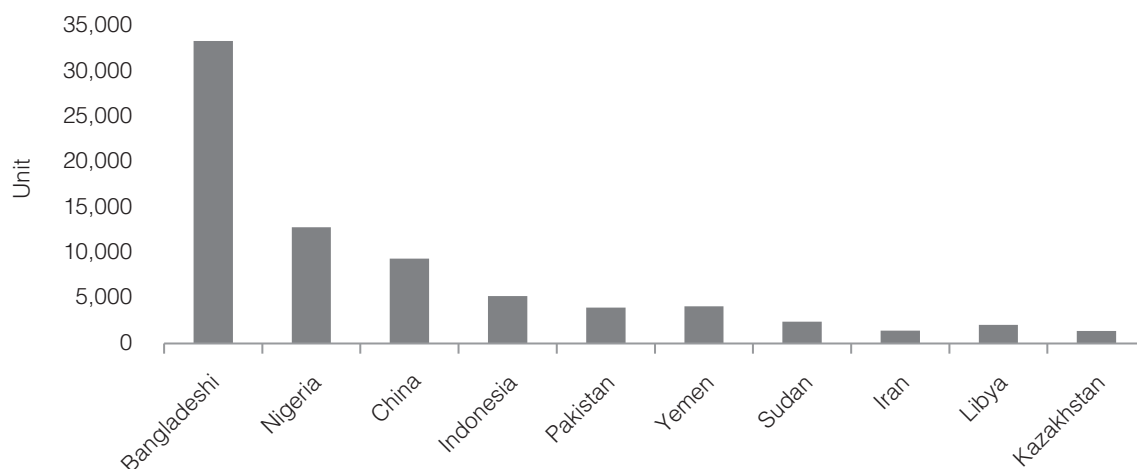
Source: Ministry of Higher Education (MOHE)

As of 2016, total number of students enrolled in IPTS nationwide was recorded at 532,049, a marginal drop of 1.6% from 2015, whereas the number of foreign students, which accounted for nearly 15% of the total, stood at 99,697 and decreased by 17.6%. Foreign students in Malaysia continued to be dominated by Bangladeshi, and followed by Nigeria, China, Indonesia, and Middle-eastern countries. Overall, total enrolment in 2016 across all types of higher education institutes nationwide has also decreased slightly to 1,277,075 from 1,236,164.

Property Market Overview (Cont'd)

As of 2016, total number of students enrolled in IPTS nationwide was recorded at 532,049, a marginal drop of 1.6% from 2015, whereas number of foreign students, which accounted for nearly 15% of the total, stood at 99,697 and decreased 17.6%. Foreign students in Malaysia continued to be dominated by Bangladeshi, and followed by Nigeria, China, Indonesia, and Middle-eastern countries. Overall, total enrolment in 2016 also slightly decreased to 1,277,075 from 1,236,164.

Figure 5.2: Top 10 Number of Foreign Students in IPTS, 2016



Source: MOHE

With the weakening number of enrolment in local institutions coupled with rising Malaysians studying abroad, the tightening move by the ministry is rather crucial for the betterment of the nation's higher education system. As Malaysia is aiming to become the regional education hub by 2020 with a target of 200,000 foreign students, this restructuring is much desired within the next couple of years to enhance the industry so it can provide quality education and output that meet global standards.

INDUSTRIAL

Second to Services, Manufacturing sector has continued to be the main stimulus to the nation's economy. The sector grew by 7.0% in Q3 2017 (Q3 2016: 4.2%), leading other sectors towards achieving the 6.2% economic expansion within the same quarter. This was largely backed by Electrical, Electronic & Optical Products, and Petroleum, Chemical, Rubber & Plastics Products, which grew by 8.7% and 5.0% respectively.

Industrial properties that are mainly centred in Selangor recorded a total of 111,792 existing units nationwide, inclusive of the newly completed units of 1,116. The new supplies, however, were concentrated in Johor, particularly Johor Bahru, with a share of 37%. Currently, there are an incoming total of 6,064 units and dominated by semi-detached, to enter the market within the next three years.

While strong interest remains in Shah Alam, which offers proximity to the capital city as well as to the port, increasing supply in Johor is supported by rising demand of well-managed industrial park. As an outcome, the birth of multiple industrial parks such as iPark, InnoParc, Nusajaya Tech Park, and Eco Business Park, among others, was seen since 2016.

Property Market Overview (Cont'd)

Table 6.1: Price of Relevant Industrial Properties

No.	District	Location	Type	Median Price(RM psf)
1.	Shah Alam	Glenmarie Industrial Park	Detached	306
2.	Shah Alam	Glenmarie Industrial Park	Semi Detached	870
3.	Shah Alam	Glenmarie Industrial Park	Terraced	547
4.	Shah Alam	Temasya Industrial Park	Terraced	390
5.	Shah Alam	Seksyen 26	Detached	159
6.	Shah Alam	Seksyen 26	Semi-Detached	409
7.	Shah Alam	Seksyen 26	Terraced	405
8.	Johor Bahru	Nusa Cemerlang Industrial Park	Semi-Detached	750
9.	Johor Bahru	Taman Universiti	Semi Detached	470
10.	Johor Bahru	Taman Universiti	Terraced	336
11.	Johor Bahru	SILC Nusajaya	Detached	1,500

The year 2017 witnessed the emergence of e-commerce in Malaysia. Spearheaded by China, the e-commerce sector in Asia-Pacific was set to boom with an anticipated growth of 30% in the same year. Southeast Asia is seen as the next frontier for e-commerce in the region, given the rising middle class and brisk expansion of internet access. Earlier in 2017, Malaysia and Alibaba Group, a China's e-commerce conglomerate, had launched world's first Digital Free Trade Zone (DFTZ), which would help SMEs to seize the opportunity from the exponential growth of the internet economy. The outcome of this has thrust logistics sector into the limelight as Alibaba will set up its first eFulfillment Hub at KLIA Aeropolis by the end of 2019 in collaboration with other e-commerce giants and logistics industry players. While our trade-dependent and export-oriented economy has led to logistics industry playing a fundamental role, the emergence of the e-commerce sector will only fortify this and more logistics-focused players are expected to surface in the foreseeable future.



Statutory

FINA



- 80 Statement by the Manager
- 81 Statutory Declaration
- 82 Trustee's Report to the Unitholders
- 83 Independent Auditors' Report to the Unitholders
- 86 Statement of Financial Position
- 87 Statement of Profit or Loss and Other Comprehensive Income
- 90 Statement of Changes in Net Asset Value
- 91 Statement of Cash Flows
- 92 Notes to the Financial Statements

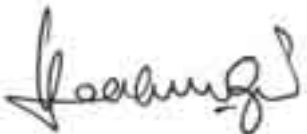
FINANCIAL STATEMENTS

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 86 to 120 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 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be referred to as "the Trust Deed"), Securities Commission's Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings, and Malaysian Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of AmanahRaya Real Estate Investment Trust at 31 December 2017 and of its financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors of the Manager, the information set out in the statement of changes in net asset value issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

For and on behalf of the Manager,
AmanahRaya-Kenedix REIT Manager Sdn. Bhd.
(formerly known as AmanahRaya-REIT Managers Sdn. Bhd.),
Signed in accordance with a resolution of the Directors of the Manager:



.....
Mahadzir bin Azizan

Kuala Lumpur,

15 February 2018

STATUTORY DECLARATION

I, **Noorbaizura Hermeyney**, 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 86 to 120 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, Noorbaizura Hermeyney, (I/C No. 800306-10-5354), in Kuala Lumpur on 15 February 2018.



.....
Noorbaizura Hermeyney

Before me:



Lot 1.05, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 010-6680745

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

We, CIMB Islamic Trustee Berhad, have acted as Trustee of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT" or "the Trust") for the financial year ended 31 December 2017. In our opinion and to the best of our knowledge:

- (a) AmanahRaya-Kenedix REIT Manager Sdn. Bhd (formerly known as AmanahRaya-REIT Managers 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 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be referred to as "the Trust Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 31 December 2017; 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 2017 are in line with and are reflective of the objectives of AmanahRaya REIT. Four distributions have been declared for the financial year ended 31 December 2017 as follows:

- 1) 1st interim income of 1.4266 sen per unit paid on 14 July 2017
- 2) 2nd interim income of 1.3365 sen per unit paid on 13 October 2017
- 3) 3rd interim income of 1.3992 sen per unit paid on 12 January 2018
- 4) Final income distribution of 1.3404 sen per unit payable on 6 April 2018

For and on behalf of the Trustee,
CIMB Islamic Trustee Berhad
(Company No.: 167913 M)



.....
Lee Kooi Yoke
Chief Operating Officer

Kuala Lumpur,

15 February 2018

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

(ESTABLISHED IN MALAYSIA)

Opinion

We have audited the financial statements of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT"), which comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in net asset value and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 86 to 120.

In our opinion, the financial statements give a true and fair view of the financial position of AmanahRaya REIT as of 31 December 2017 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' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of AmanahRaya REIT for the current financial 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 4 to the financial statements.

The key audit matter

AmanahRaya REIT owns a portfolio of 15 investment properties comprising office/industrial buildings, hotels, campuses and a shopping complex located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position, at RM928,700,000 as at 31 December 2017.

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

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

How the matter was addressed in our audit

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

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

Independent Auditors' Report to the Unitholders of Amanahraya Real Estate Investment Trust (Cont'd)

(ESTABLISHED IN MALAYSIA)

How the matter was addressed in our audit (continued)

We assessed the appropriateness of the valuation methodologies used by considering their respective merits based on the occupancy status and/or condition of each property. We tested the appropriateness of the projected cash flows used in the valuation to supporting lease agreements and title deeds. We challenged the capitalisation rates used in the valuation by comparing them against historical rates and available industry data. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Manager for the Financial Statements of AmanahRaya REIT

The Manager is responsible for the preparation of the financial statements of AmanahRaya REIT so as to give a true and fair view in accordance with the Trust Deed dated 10 October 2006, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws, 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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of AmanahRaya REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control.

**Independent Auditors' Report to the Unitholders
of AmanahRaya Real Estate Investment Trust (Cont'd)**
(ESTABLISHED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements of AmanahRaya REIT (continued)

- 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.

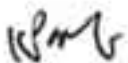
We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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,

15 February 2018



.....
Abdullah Abu Samah
Approval Number: 2013/06/18(J)
Chartered Accountant

STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	2017 RM	2016 RM
Assets			
Non-current assets			
Investment properties	4	928,700,000	986,400,000
Other non-current asset	5	275,000,000	-
		1,203,700,000	986,400,000
Current assets			
Trade and other receivables	6	2,997,069	9,771,227
Security deposits in trust accounts	7	21,151,817	23,830,594
Cash and cash equivalents	8	196,767,995	20,291,475
		220,916,881	53,893,296
Asset classified as held for sale	9	102,000,000	-
		322,916,881	53,893,296
Total current assets		322,916,881	53,893,296
Total assets		1,526,616,881	1,040,293,296
Financed by:			
Unitholders' fund			
Unitholders' capital		519,685,915	519,685,915
Distributable income		208,604,672	166,375,813
		728,290,587	686,061,728
Total unitholders' funds	10	728,290,587	686,061,728
Non-current liabilities			
Borrowings	11	738,131,687	290,150,000
Trade and other payables	12	8,994,960	14,120,960
		747,126,647	304,270,960
Total non-current liabilities		747,126,647	304,270,960
Current liabilities			
Borrowings	11	25,000,000	25,000,000
Trade and other payables	12	26,199,647	24,960,608
		51,199,647	49,960,608
Total current liabilities		51,199,647	49,960,608
Total liabilities		798,326,294	354,231,568
Total unitholders' funds and liabilities		1,526,616,881	1,040,293,296
Net asset value ("NAV")		728,290,587	686,061,728
Number of units in circulation		573,219,858	573,219,858
NAV per unit (RM)			
- Before income distribution		1.271	1.197
- After income distribution		1.257	1.183

The notes on pages 92 to 120 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	2017 RM	2016 RM
Gross revenue			
Rental income			
- Realised		60,417,996	57,385,743
- Unrealised (in relation to unbilled lease income receivable)		617,855	247,255
		61,035,851	57,632,998
Property operating expenses	13	(7,236,581)	(4,083,964)
		53,799,270	53,549,034
Net rental income			
Interest income		791,896	1,585,321
Other income		587,633	497,745
Changes in fair value of investment properties			
- As per valuation	4	42,603,621	5,207,986
- Unbilled lease income receivable		(617,855)	(247,255)
		97,164,565	60,592,831
Net property and investment income			
Manager's fees		(5,868,270)	(5,075,147)
Trustee's fees		(379,606)	(367,940)
Auditors' fees			
- Audit		(105,000)	(105,000)
- Other services		(10,000)	(10,000)
Tax agent's fees		(16,250)	(10,000)
Administrative expenses		(1,203,861)	(1,228,187)
Borrowing costs		(15,327,652)	(13,255,382)
		(22,910,639)	(20,051,656)
Total trust expenses			
		74,253,926	40,541,175
Income before taxation			
Income tax expense	14	-	-
		74,253,926	40,541,175
Net income for the year attributable to unitholders			
Other comprehensive income, net of tax			
		-	-
Total comprehensive income for the year attributable to unitholders			
		74,253,926	40,541,175

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017 (Cont'd)

	Note	2017 RM	2016 RM
Net income for the year is made up as follows:			
Realised		31,650,305	35,333,189
Unrealised			
- Unrealised rental income (in relation to unbilled lease income receivable)		617,855	247,255
- Change in fair value of investment properties			
- As per valuation		42,603,621	5,207,986
- Unbilled lease income receivable		(617,855)	(247,255)
		42,603,621	5,207,986
		74,253,926	40,541,175
Earnings per unit (sen)			
- Before Manager's fees	15	13.978	7.958
- After Manager's fee	15	12.954	7.073
Net income distribution*			
- First interim income distribution of 1.400 sen per unit paid on 14 July 2017 (2016: 1.600 sen per unit paid on 1 July 2016)		8,178,837	8,967,906
- Second interim income distribution of 1.300 sen per unit paid on 13 October 2017 (2016: 1.500 sen per unit paid on 7 October 2016)		7,661,297	8,520,032
- Third interim income distribution of 1.400 sen per unit paid on 12 January 2018 (2016: 1.400 sen per unit paid on 6 January 2017)		8,020,492	8,165,231
- Proposed final income distribution of 1.300 sen per unit payable on 6 April 2018 (2016: 1.400 sen per unit payable on 31 March 2017)		7,683,228	8,164,441
	16	31,543,854	33,817,610

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017 (Cont'd)

	Note	2017 RM	2016 RM
Income distribution per unit (sen)*	16		
- First interim income distribution		1.400	1.600
- Second interim income distribution		1.300	1.500
- Third interim income distribution		1.400	1.400
- Proposed final income distribution		1.300	1.400

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

	Withholding tax rate	
	2017	2016
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 2017

	Unitholders' capital RM	Distributable	Non- distributable	Total unitholders' funds RM
		Realised income RM	Unrealised income RM	
At 1 January 2016	519,685,915	19,810,650	142,043,281	681,539,846
Net income for the year	-	35,333,189	5,207,986	40,541,175
Realisation of unrealised income upon disposal of investment property	-	8,309,600	(8,309,600)	-
Total comprehensive income for the year	-	43,642,789	(3,101,614)	40,541,175
Unitholders' transactions				
Distributions to unitholders:				
- 2016 interim	-	(25,653,169)	-	(25,653,169)
- 2015 final	-	(10,366,124)	-	(10,366,124)
Decrease in net assets resulting from unitholders' transactions	-	(36,019,293)	-	(36,019,293)
At 31 December 2016/ 1 January 2017	519,685,915	27,434,146	138,941,667	686,061,728
Net income for the year	-	31,650,305	42,603,621	74,253,926
Realisation of unrealised income upon disposal of investment property	-	-	-	-
Total comprehensive income for the year	-	31,650,305	42,603,621	74,253,926
Unitholders' transactions				
Distributions to unitholders:				
- 2017 interim	-	(23,860,626)	-	(23,860,626)
- 2016 final	-	(8,164,441)	-	(8,164,441)
Decrease in net assets resulting from unitholders' transactions	-	(32,025,067)	-	(32,025,067)
At 31 December 2017	519,685,915	27,059,384	181,545,288	728,290,587

Note 10.1

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	2017 RM	2016 RM
Cash flows from operating activities			
Net income before taxation		74,253,926	40,541,175
<i>Adjustments for:</i>			
Borrowing costs		15,327,652	13,255,382
Interest income		(791,896)	(1,585,321)
Changes in fair value of investment properties (net of unbilled lease income receivable)	4	(42,603,621)	(5,207,986)
Operating income before changes in working capital		46,186,061	47,003,250
Changes in working capital:			
Trade and other receivables		9,026,121	5,989,150
Trade and other payables		(12,007,645)	563,169
Net cash generated from operating activities		43,204,537	53,555,569
Cash flows from investing activities			
Interest received		767,432	1,519,900
Proceeds from disposal of investment properties		-	78,000,000
Acquisition of investment property	4	-	(96,372,014)
Deposit for acquisition of investment property		(275,000,000)	-
Enhancement of investment properties	4	(1,696,379)	-
Net cash used in investing activities		(275,928,947)	(16,852,114)
Cash flows from financing activities			
Distributions paid to unitholders		(24,004,575)	(27,854,062)
Interest paid		(15,227,460)	(13,505,410)
Payment of financing expenses		(1,567,035)	-
Drawdown of term loan		450,000,000	33,920,000
Repayment of term loan		-	(108,000,000)
Net cash generated from/(used in) financing activities		409,200,930	(115,439,472)
Net increase/(decrease) in cash and cash equivalents		176,476,520	(78,736,017)
Cash and cash equivalents at 1 January	8	20,291,475	99,027,492
Cash and cash equivalents at 31 December	8	196,767,995	20,291,475

The notes on pages 92 to 120 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 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.

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 2017 comprise the AmanahRaya REIT and its wholly-owned special purpose company, ARREIT MTN 1 Sdn Bhd, 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, Malik Kamaruzaman Property Management Sdn. Bhd., Nawawi Tie Leung Property Consultants Sdn. Bhd., Hartamas Asset Management Sdn. Bhd. and Operon Asset Advisory 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% (2016: 0.75%) 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 0.055% (2016: 0.055%) per annum of the Net Asset Value.

The financial statements were approved by the Board of Directors of the Manager on 15 February 2018.

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 Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and generally accepted accounting principles in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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

- MFRS 17, *Insurance Contracts*

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

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

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for amendments to MFRS 1, 2, 4 and 128 which are not applicable to AmanahRaya REIT.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019, except for amendments to MFRS 11 and 128 which are not applicable to AmanahRaya REIT.
- AmanahRaya REIT does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to AmanahRaya REIT.

Notes To The Financial Statements (Cont'd)

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of AmanahRaya REIT except as mentioned below:

(i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, *Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services*.

In the implementation of MFRS 15, AmanahRaya REIT has preliminary assessed the implementation of MFRS 15 and its impact is not expected to be material.

(ii) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

There are no change in measurement of financial assets of AmanahRaya REIT based on assessment undertaken to date.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

AmanahRaya REIT has assessed the estimated impact that the initial application of ECL model will have on the financial statement as at 1 January 2018 and based on assessment undertaken to date, AmanahRaya REIT does not expect the impact to be material.

(iii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

AmanahRaya REIT is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(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 AmanahRaya REIT functional currency.

Notes To The Financial Statements (Cont'd)

2. Basis of preparation (continued)

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods 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 Note 4 - valuation of investment properties.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

Investments in subsidiaries are measured in the 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

(ii) Business combinations

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

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

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

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

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

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

Notes To The Financial Statements (Cont'd)

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Loss of control

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

(b) Financial instruments

(i) Initial recognition and 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 instrument is recognised initially, at its fair value plus, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

AmanahRaya REIT categorises financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(g)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

(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 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 and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

Notes To The Financial Statements (Cont'd)

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Investment property

Investment property carried at fair value

Investment properties are properties which are owned under a freehold interest or held under a leasehold interest to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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.

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values AmanahRaya REIT's investment properties portfolio every year.

(d) Leased assets

(i) Finance lease

Leases in terms of which AmanahRaya REIT assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

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

(e) Non-current assets held for sale

Non-current 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 cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. 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

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

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

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

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

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

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

(h) Borrowing costs

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

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

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

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

(i) Provisions

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

Notes To The Financial Statements (Cont'd)

3. Significant accounting policies (continued)

(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

(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 following temporary differences: the initial recognition of goodwill, 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.

Notes To The Financial Statements (Cont'd)

3. Significant accounting policies (continued)

(m) Income tax (continued)

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.

(n) Fair value measurement

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 value are categorised into different levels in a fair value hierarchy based on the input 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	2017 RM	2016 RM
Land and building at fair value			
At 1 January		986,400,000	884,820,000
Acquisition		-	96,372,014
Enhancement		1,696,379	-
Changes in fair value		42,603,621	5,207,986
Reclassified as asset held for sale	9	(102,000,000)	-
At 31 December		928,700,000	986,400,000

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 31.12.2017 %	Fair value as at 31.12.2017 RM	Cost as at 31.12.2017 RM	Percentage of fair value to Net Asset Value as at 31.12.2017 %		
(1) Holiday Villa Alor Setar #	Leasehold	99 years expiring 2107	Alor Setar	Hotel	100	35,900,000	31,000,000	4.93		
(2) Holiday Villa Langkawi*	Freehold	Not applicable	Pulau Langkawi	Resort hotel	100	81,000,000	57,161,319	11.12		
(3) SEGi College	Freehold	Not applicable	Subang Jaya	College	100	70,000,000	52,500,000	9.61		
(4) SEGi University *#	Leasehold	99 years expiring 2108	Kota Damansara	College/ Campus	100	179,000,000	145,000,000	24.58		
(5) Block A & B, South City Plaza #	Leasehold	99 years expiring 2093	Seri Kembangan	Office (Block B)	50	16,000,000	18,300,000	2.20		
(6) Silver Bird Factory *	Freehold	Not applicable	Shah Alam	Industrial complex	-	102,000,000	92,000,000	14.01		
(7) Dana 13 *#	Leasehold	99 years expiring 2097	Petaling Jaya	Office	100	118,000,000	99,120,000	16.20		
(8) Help University*	Leasehold	99 years expiring 2072	Kuala Lumpur	Office	100	75,000,000	53,946,379	10.30		
(9) AIC Factory *	Leasehold	99 years expiring 2094	Shah Alam	Industrial factory	59	36,000,000	19,200,000	4.94		
(10) Gurun Automotive Warehouse	Leasehold	99 years expiring 2065	Gurun	Industrial warehouse	100	20,000,000	23,970,000	2.75		
(11) Selayang Mall*	Leasehold	99 years expiring 2079	Selatan Utama	Shopping Complex	100	165,000,000	130,585,000	22.66		
(12) Wisma Comcorp*	Freehold	Not applicable	Shah Alam	Office	100	35,800,000	30,000,000	4.92		
(13) Deluge Factory*	Freehold	Not applicable	Nusa Jaya	Industrial factory	100	25,000,000	24,000,000	3.43		
(14) Toshiba TEC	Freehold	Not applicable	Shah Alam	Office	100	32,000,000	32,000,000	4.39		
(15) Contraves*	Freehold	Not applicable	Cyberjaya	Office	100	40,000,000	40,000,000	5.49		
Investment properties						1,030,700,000	848,782,698			
Investment property classified as asset for sale (Note 9)						(102,000,000)	(92,000,000)			
						928,700,000	756,782,698			

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 31.12.2016 %	Fair value as at 31.12.2016 RM	Cost as at 31.12.2016 RM	Percentage of fair value to Net Asset Value as at 31.12.2016 %		
(1) Holiday Villa Alor Setar #	Leasehold	99 years expiring 2107	Alor Setar	Hotel	100	35,900,000	31,000,000	5.23		
(2) Holiday Villa Langkawi	Freehold	Not applicable	Pulau Langkawi	Resort hotel	100	81,000,000	57,161,319	11.81		
(3) SEGi College	Freehold	Not applicable	Subang Jaya	College	100	66,500,000	52,500,000	9.69		
(4) SEGi University *#	Leasehold	99 years expiring 2108	Kota Damansara	College/ Campus	100	174,000,000	145,000,000	25.36		
(5) Block A & B, South City Plaza #	Leasehold	99 years expiring 2093	Seri Kembangan	Office (Block B)	50	16,000,000	18,300,000	2.33		
(6) Silver Bird Factory *	Freehold	Not applicable	Shah Alam	Industrial complex	-	102,000,000	92,000,000	14.87		
(7) Dana 13 *#	Leasehold	99 years expiring 2097	Petaling Jaya	Office	100	110,000,000	99,120,000	16.03		
(8) Help University*	Leasehold	99 years expiring 2072	Kuala Lumpur	Office	100	72,000,000	53,000,000	10.49		
(9) AIC Factory *	Leasehold	99 years expiring 2094	Shah Alam	Industrial factory	59	30,000,000	19,200,000	4.37		
(10) Gurun Automotive Warehouse	Leasehold	99 years expiring 2065	Gurun	Industrial warehouse	100	20,000,000	23,970,000	2.92		
(11) Selayang Mall*	Leasehold	99 years expiring 2079	Selatan Utama	Shopping complex	100	146,500,000	129,835,000	21.35		
(12) Wisma Comcorp	Freehold	Not applicable	Shah Alam	Office	100	35,500,000	30,000,000	5.17		
(13) Deluge Factory	Freehold	Not applicable	Nusa Jaya	Industrial factory	100	25,000,000	24,111,510	3.64		
(14) Toshiba TEC	Freehold	Not applicable	Shah Alam	Office	100	32,000,000	32,142,972	4.66		
(15) Contraves*	Freehold	Not applicable	Cyberjaya	Office	100	40,000,000	40,117,532	5.83		
Investment properties						986,400,000	847,458,333			

* These properties were charged to financial institutions for banking facilities granted to AmanahRaya REIT (Note 11). The pledging of assets of AmanahRaya REIT was conducted pursuant to the Trust Deed dated 10 October 2006 under sub-clause 11.2 and is not prejudicial to the interest of the unitholders.

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

Notes To The Financial Statements (Cont'd)

4. Investment properties (continued)

The fair value of the investment properties as at 31 December 2017 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)	Holiday Villa Alor Setar	First Pacific Valuers Property Consultants Sdn. Bhd.	Comparison	22 November 2017
(2)	Holiday Villa Langkawi	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Comparison	17 November 2017
(3)	SEGi College	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	18 December 2017
(4)	SEGi University	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	06 December 2017
(5)	Block A & B, South City Plaza	First Pacific Valuers Property Consultants Sdn. Bhd.	Comparison	13 December 2017
(6)	Silver Bird Factory	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Comparison	24 November 2017
(7)	Dana 13	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	22 November 2017
(8)	Help University	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	29 November 2017
(9)	AIC Factory	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Comparison	04 December 2017
(10)	Gurun Automotive Warehouse	First Pacific Valuers Property Consultants Sdn. Bhd.	Cost	22 November 2017
(11)	Selayang Mall	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	15 December 2017
(12)	Wisma Comcorp	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	15 November 2017
(13)	Deluge Factory	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	22 November 2017
(14)	Toshiba	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	17 October 2017
(15)	Contraves	Jones Lang Wootton, Malaysia.	Investment	06 December 2017

Notes To The Financial Statements (Cont'd)

4. Investment properties (continued)

The fair value of the investment properties as at 31 December 2016 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)	Holiday Villa Alor Setar	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Comparison	14 November 2016
(2)	Holiday Villa Langkawi	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Comparison	15 November 2016
(3)	SEGi College	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	31 October 2016
(4)	SEGi University	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	04 November 2016
(5)	Block A & B, South City Plaza	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	10 November 2016
(6)	Silver Bird Factory	Jones Lang Wootton, Malaysia.	Cost	08 November 2016
(7)	Dana 13	Jones Lang Wootton, Malaysia.	Investment	24 November 2016
(8)	Help University	Jones Lang Wootton, Malaysia.	Investment	15 November 2016
(9)	AIC Factory	Jones Lang Wootton, Malaysia.	Investment	22 November 2016
(10)	Gurun Automotive Warehouse	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	14 November 2016
(11)	Selayang Mall	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	27 October 2016
(12)	Wisma Comcorp	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	25 October 2016
(13)	Deluge Factory	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	09 November 2016
(14)	Toshiba	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	27 October 2016
(15)	Contraves	Jones Lang Wootton, Malaysia.	Investment	14 January 2016

Notes To The Financial Statements (Cont'd)

4. Investment properties (continued)

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

	Note	2017 RM	2016 RM
Rental income			
- Realised		60,417,996	57,385,743
- Unrealised (in relation to unbilled lease income receivable)		617,855	247,255
		61,035,851	57,632,998
Property operating expenses	13	(7,236,581)	(4,083,964)
		53,799,270	53,549,034

4.1 Fair value information

Fair value of investment properties are categorised as follows:

	2017 Level 3 RM	2016 Level 3 RM
Land and buildings	928,700,000	986,400,000

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	2017 Level 3 RM	2016 Level 3 RM
At 1 January	986,400,000	884,820,000
Acquisition	-	96,372,014
Enhancement	1,696,379	-
Gains and losses recognised in profit or loss change in fair value	42,603,621	5,207,986
Reclassified as asset held for sale	(102,000,000)	-
	928,700,000	986,400,000
At 31 December		

Notes To The Financial Statements (Cont'd)

4. Investment properties (continued)

4.1 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 investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process.</p> <p>Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.</p>	<ul style="list-style-type: none"> • Risk-adjusted capitalisation rates ranging from 5.50% - 6.50%. • Risk-adjusted discount rate ranging from 6.25% - 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). • Risk-adjusted discount rates were lower (higher).
<p>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.</p>	<ul style="list-style-type: none"> • The occupancy rates are 0% – 100%. • Adjusted land value ranging from RM138 per sq. ft. – RM442 per sq. ft.. • Weighted average value: RM226 per sq. ft.. 	<ul style="list-style-type: none"> • Average occupancy rate was higher (lower). • Adjusted land value per square foot was higher (lower). • Weighted average value per square foot was higher (lower).
<p>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.</p>		

Notes To The Financial Statements (Cont'd)

4. Investment properties (continued)

4.1 Fair value information (continued)

Level 3 fair value (continued)

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<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. 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 RM7 per sq. ft.. • Main floor area cost ranging from RM380 per sq. ft.. • Replacement cost ranging from RM50 per sq. ft. – RM90 per sq. ft.. • Depreciation rates at 2.5%. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Land value per square foot was higher (lower). • Main floor area value per sq. ft. was higher (lower). • Replacement cost per square foot was higher (lower). • Depreciation rates were lower (higher).

Valuation process applied by AmanahRaya REIT for Level 3 fair value

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

Highest and best use

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

Notes To The Financial Statements (Cont'd)

5. Other non-current asset

Included in other non-current asset is deposit placed for the proposed acquisition of Investment Property (see Note 24).

6. Trade and other receivables

	Note	2017 RM	2016 RM
Trade			
Trade receivable	6.1	264,375	178,787
Non-trade			
Other receivables		1,976,307	8,656,511
Deposits		502,174	534,674
Prepayment		254,213	401,255
		2,732,694	9,592,440
		2,997,069	9,771,227

6.1 Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by AmanahRaya REIT ranged from 7 days to 30 days (2016: 7 days to 30 days).

7. Security deposits in trust accounts

	Note	2017 RM	2016 RM
Security deposits placed with ITA-ARB	7.1	21,151,817	23,830,594

7.1 Security deposits placed with ITA-ARB

Security deposits received from the lessees together with their accrued interest are placed with the Institutional Trust Account of Amanah Raya Berhad ("ITA-ARB"). The interest rates of the security deposits placed with ITA-ARB is at 3.75% (2016: 3.75%) per annum. Pursuant to the lease agreements, lessees are entitled to the interest earned from the security deposits placed with ITA-ARB.

AmanahRaya REIT has the right to deduct from the security deposits in the event of arrears in rental payment within the stipulated period in the lease agreement from the due date of the rental payment or early termination by the lessees.

8. Cash and cash equivalents

	Note	2017 RM	2016 RM
Cash and bank balances		254,490	230,195
Deposits placed with licensed financial institutions	8.1	196,513,505	20,061,280
		196,767,995	20,291,475

Notes To The Financial Statements (Cont'd)

8. Cash and cash equivalents (continued)

8.1 Deposits placed with licensed financial institutions

The deposits are placed with licensed financial institutions at interest rates ranging from 3.00% to 3.50% (2016: 3.30% to 3.60%) per annum.

9. Asset classified as held for sale

On 14 December 2017, AmanahRaya REIT entered into a sale and purchase agreement for the disposal of an investment property, Silverbird Factory for a total consideration of RM105,000,000. Accordingly, it was classified as asset held for sale.

As at 31 December 2017, Silverbird Factory had a carrying value of RM102,000,000 (Note 4). The carrying value of Silverbird Factory was the same as its fair value before being reclassified to current asset.

10. Total unitholders' fund

10.1 Unitholders' capital

	Number of units 2017	2017 RM	Number of units 2016	2016 RM
Issued and fully paid	573,219,858	519,685,915	573,219,858	519,685,915

10.2 Unitholdings of related parties

As at 31 December 2017, the Manager and Directors of the Manager did not hold any units in AmanahRaya REIT. However, parties related to the holding company of the Manager held units in AmanahRaya REIT as follows:

	Number of units held	Percentage of total units %	Market value
Direct unitholdings in AmanahRaya REIT of the parties related to the holding company of the Manager			
2017			
AmanahRaya Berhad	271,186,379	47.31	246,779,605
KDA Capital Malaysia Sdn. Bhd.	85,982,979	15.00	78,244,511
AmanahRaya Capital Sdn. Bhd.	2,032,600	0.35	1,849,666
	359,201,958	62.66	326,873,782
2016			
AmanahRaya Berhad	357,169,358	62.31	328,595,809
AmanahRaya Capital Sdn. Bhd.	2,032,600	0.35	1,869,992
	359,201,958	62.66	330,465,801

The market value is determined by using the closing market price of AmanahRaya REIT as at 31 December 2017 of RM0.91 (2016: RM0.92) per unit.

Notes To The Financial Statements (Cont'd)

11. Borrowings

	Note	2017 RM	2016 RM
Non-current			
Term loan I	11.1	85,000,000	85,000,000
Term loan II	11.1	111,230,000	111,230,000
Term loan III	11.1	60,000,000	60,000,000
Term loan IV	11.2	33,920,000	33,920,000
Unrated medium term notes	11.3	450,000,000	---
Less: Unamortised transaction costs		(2,018,313)	-
		738,131,687	290,150,000
Current			
Revolving Credit	11.4	25,000,000	25,000,000
		763,131,687	315,150,000

The term loans are secured by way of first legal charge on investment properties amounting to RM856,800,000 (2016: RM674,500,000), as disclosed in Note 4 to the financial statements.

Borrowing costs are payable in arrears on a monthly basis.

11.1 Term loans I, II and III

Term loans I, II and III bear interest based on Cost of Funds ("CoF") plus 0.5% (2016: CoF plus 0.5%) per annum and are each repayable on 7 May 2020.

11.2 Term loan IV

Term loan IV bears interest based on CoF plus 0.5% per annum and is repayable on 22 December 2021.

11.3 Medium term notes of RM950 million

On 29 November 2017, the Securities Commission Malaysia had approved and authorized 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 the date of the financial statements, RM450 million have been issued with a floating coupon rate based on CoF plus 0.5% per annum.

11.4 Revolving Credit

Revolving Credit bear interest based on CoF plus 0.5% per annum, have a tenure of 1, 3 and 6 months, and are repayable subject to rollover at the Bank's discretion upon maturity.

Notes To The Financial Statements (Cont'd)

12. Trade and other payables

	Note	2017 RM	2016 RM
Non-current			
<u>Non-trade</u>			
Tenants' deposits	12.1	8,994,960	14,120,960
Current			
<u>Trade</u>			
Trade payable	12.2	410,663	1,228,327
<u>Non-trade</u>			
Tenants' deposits	12.1	6,478,949	4,786,782
Other payables and accrued expenses	12.3	19,310,035	18,945,499
		26,199,647	24,960,608
		35,194,607	39,081,568

12.1 Tenants' deposits

Included in tenant deposits are refundable deposits of RM13,918,583 (2016: RM17,352,417) received from lessees for tenancy contracts with tenure of one (1) to twenty-five (25) years which are placed with ITA-ARB as disclosed in Note 7 to the financial statements.

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

Tenants	Property	Amount RM	Remarks
SEG International Berhad	SEGi College	11,881,800	Equivalent to three (3) years' rental
SEG International Berhad	SEGi University	28,710,000	Equivalent to two (2) years' rental
Pipeline Distribution (M) Sdn. Bhd.	Deluge Factory	810,000	Equivalent to six (6) months' rental
Symphony House Berhad	Dana 13	8,388,120	Equivalent to one (1) year's rental
HELP University Sdn. Bhd.	Wisma Amanah Raya Berhad	1,352,247	Equivalent to three (3) months' rental
Comintel Sdn. Bhd.	Wisma Comcorp	2,475,000	Equivalent to one (1) year's rental
Seal Management Sdn. Bhd.	Selayang Mall	2,242,888	Equivalent to three (3) months' rental
Total		55,860,055	

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

Notes To The Financial Statements (Cont'd)

12. Trade and other payables (continued)

12.2 Trade payables

Included in trade payables are amounts owing to the Manager amounting to RM68,290 (2016: RM522,926) which are unsecured, interest-free and payable on demand. The normal trade credit term granted to AmanahRaya REIT is 30 days (2016: 30 days).

12.3 Other payables and accrued expenses

Included in other payables and accrued expenses is interest of RM7,233,234 (2016: RM6,478,178) generated from security deposits placed with ITA-ARB as disclosed in Note 7 to the financial statements.

13. Property operating expenses

	2017 RM	2016 RM
Assessment and quit rent	1,365,394	739,507
Service contracts and maintenance	4,747,532	1,847,081
Property management fees	747,272	468,516
Insurance	376,383	152,717
Other operating expenses	-	876,143
	7,236,581	4,083,964

14. Income tax expense

	2017 RM	2016 RM
Current tax expense	-	-
Reconciliation of tax expense		
Income before taxation	74,253,926	40,541,175
Income tax using Malaysian tax rate at 24%	17,820,942	9,729,882
Non-deductible expenses	408,081	542,574
Effect of interest income not subject to tax	(190,055)	(380,477)
Effect of changes in fair value of investment properties not subject to tax	(26,339,558)	(1,249,917)
Effect of income exempted from tax	8,300,590	(8,642,062)
	-	-

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. Earnings per unit

The earnings per unit before Manager's fee of 13.978 sen (2016: 7.958 sen) is calculated by dividing the net income after taxation but before deduction of Manager's fees for the financial year of RM80,122,196 (2016: RM45,616,322) by the weighted average number of units in circulation during the financial year of 573,219,858 (2016: 573,219,858).

Notes To The Financial Statements (Cont'd)

15. Earnings per unit (continued)

The earnings per unit after Manager's fee of 12.954 (2016: 7.073 sen) is calculated based on the net income after taxation of RM74,253,926 (2016: RM40,541,175) for the financial year and on the weighted average number of units in circulation during the financial year of 573,219,858 (2016: 573,219,858).

16. Distributions to unitholders

Distributions to unitholders are from the following sources:

	2017 RM	2016 RM
Net realised rental income	60,417,996	57,385,743
Interest income	791,896	1,585,321
Other income	587,633	497,745
	61,797,525	59,468,809
Less: Expenses	(30,147,220)	(24,135,620)
	31,650,305	35,333,189
Total income available for distribution	31,650,305	35,333,189
Overpayment in prior years	-	-
	31,650,305	35,333,189
Less: Undistributed income	(106,451)	(1,515,579)
	31,543,854	33,817,610
Distribution per unit (sen)	5.503	5.900

17. Portfolio turnover ratio

	2017	2016
Portfolio Turnover Ratio ("PTR") (times)	-	0.03
	-	0.03

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.

18. Management expense ratio

	2017	2016
Management expense ratio ("MER") (%)	1.10	1.07
	1.10	1.07

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.

Notes To The Financial Statements (Cont'd)

19. Financial instruments

19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (“L&R”); and
(b) Financial liabilities measured at amortised cost (“FL”).

	Carrying amount RM	L&R RM
Financial assets		
2017		
Trade and other receivables	277,742,856	277,742,856
Security deposits in trust accounts	21,151,817	21,151,817
Cash and cash equivalents	196,767,995	196,767,995
	495,662,668	495,662,668
2016		
Trade and other receivables	9,369,972	9,369,972
Security deposits in trust accounts	23,830,594	23,830,594
Cash and cash equivalents	20,291,475	20,291,475
	53,492,041	53,492,041
Financial liabilities		
2017		
Borrowings	763,131,687	763,131,687
Trade and other payables	35,194,607	35,194,607
	798,326,294	798,326,294
2016		
Borrowings	315,150,000	315,150,000
Trade and other payables	39,081,568	39,081,568
	354,231,568	354,231,568

19.2 Net gains and losses arising from financial instruments

	2017 RM	2016 RM
Net gains/(losses) on:		
Loans and receivables	791,896	1,585,321
Financial liabilities measured at amortised cost	(15,327,652)	(13,255,382)

Notes To The Financial Statements (Cont'd)

19. Financial instruments (continued)

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

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.

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.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount 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 RM264,375 (2016: RM178,787) and are secured by tenants' deposits.

Impairment

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	Individual impairment RM	Net RM
2017			
Past due 1 - 30 days	263,985	-	263,985
Past due 31 - 60 days	205	-	205
Past due more than 120 days	185	-	185
	264,375	-	264,375
2016			
Past due 1 - 30 days	51,425	-	51,425
Past due 31 - 60 days	62,269	-	62,269
Past due more than 120 days	65,093	-	65,093
	178,787	-	178,787

Notes To The Financial Statements (Cont'd)

19. Financial instruments (continued)

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 Real Estate Investment Trusts concerning limits on total borrowing.

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
2017						
Financial liabilities						
Trade and other payables	35,194,607	-	35,194,607	26,199,647	8,994,960	-
Borrowings	763,131,687	4.60 - 4.67	946,227,120	60,223,510	415,367,997	470,635,613
	798,326,294		981,421,727	86,423,157	424,362,957	470,635,613
2016						
Financial liabilities						
Trade and other payables	39,081,568	-	39,081,568	24,960,608	14,120,960	-
Borrowings	315,150,000	4.60 - 4.65	364,404,100	39,460,745	324,943,355	-
	354,231,568		403,485,668	64,421,353	339,064,315	-

Notes To The Financial Statements (Cont'd)

19. Financial instruments (continued)

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:

	2017 RM	2016 RM
Financial asset		
<i>Fixed rate instrument</i>		
Security deposits in trust accounts	21,151,817	23,830,594
Deposits placed with licensed financial institutions	196,513,505	20,061,280
	217,665,322	43,891,874
 Financial liabilities		
<i>Floating rate instruments</i>		
Borrowings	763,131,687	315,150,000

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis*

AmanahRaya REIT does not account for any fixed rate 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 rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis*

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

	Profit/(Loss) 100 bp increase RM	100 bp decrease RM
2017		
Floating rate instruments	(7,631,317)	7,631,317
 2016		
Floating rate instruments	(3,151,500)	3,151,500

Notes To The Financial Statements (Cont'd)

19. Financial instruments (continued)

19.7 Fair value information

The carrying amounts of cash and cash equivalents, security deposits, short term receivables and payables and short term borrowings 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.

2017	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	RM	RM	RM
Financial liabilities											
Borrowings	-	-	-	-	-	-	761,097,418	761,097,418	761,097,418	763,131,687	
Tenants' deposits	-	-	-	-	-	-	15,473,909	15,473,909	15,473,909	15,473,909	
	-	-	-	-	-	-	776,571,327	776,571,327	776,571,327	778,605,596	
2016											
Financial liabilities											
Borrowings	-	-	-	-	-	-	309,473,975	309,473,975	309,473,975	315,150,000	
Tenants' deposits	-	-	-	-	-	-	18,907,742	18,907,742	18,907,742	18,907,742	
	-	-	-	-	-	-	328,381,717	328,381,717	328,381,717	334,057,742	

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% (2016: 3.75%) per annum.
Borrowings	Discounted cash flows using interest rate of 4.60% (2016: 4.65%) per annum.

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 of issuance of new units and loan financing. The overall strategy of the Manager remains unchanged from financial year ended 31 December 2016.

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 years ended 31 December 2016 and 31 December 2017.

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.

	2017 RM	2016 RM
Total borrowings	763,131,687	315,150,000
Total assets	1,526,616,881	1,040,293,296
Gearing ratio	49.99%	30.29%

21. Operating leases

Leases whereby AmanahRaya REIT is the Lessor

AmanahRaya REIT leases out its investment properties (Note 4) under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2017 RM	2016 RM
Less than one year	19,379,023	19,770,502
Between two to five years	49,174,120	68,553,143
More than five years	10,643,437	10,643,437
	79,196,580	98,967,082

Notes To The Financial Statements (Cont'd)

22. 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.

23. 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.

	2017	2016
	RM	RM
Rental received and receivable from the holding company of the Manager	-	489,938
Security deposits from lessees placed with the holding company of the Manager (Note 7)	21,151,817	23,830,594
Manager's fees	5,868,270	5,075,147
Repair and maintenance expense incurred from a related company of the Manager	1,186,792	-
Proceeds from disposal of investment property received/receivable from a related company of the Manager	-	78,000,000
Deposit placed for the acquisition of Vista Tower from a related company of KDA Capital	275,000,000	-

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

24. Significant event during the financial year

On 7 September 2017, CIMB Islamic Trustee Berhad (as Trustee for AmanarahRaya Real Estate Investment Trust ("ARREIT")) has entered into an agreement with The Intermark Sdn. Bhd. ("the Vendor") to purchase Vista Tower, The Intermark ("the Property"), for a purchase consideration of RM455,000,000.

The acquisition has been completed on the 16 January 2018.

UNITHOLDERS STATISTICS

TOP 30 UNITHOLDERS AS AT 29 DECEMBER 2017

TOTAL UNITHOLDERS: 4,264

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.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	8,730,700	1.52
5.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	7,675,000	1.34
6.	VALUECAP SDN BHD	7,179,000	1.25
7.	CAHYA MATA SARAWAK BERHAD	5,000,000	0.87
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (LIFE PAR FD)	4,422,000	0.77
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (SHH FD)	3,392,800	0.59
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (ANN FD)	2,820,200	0.49
11.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR RAM HOLDING BERHAD (PB)	2,249,300	0.39
12.	AMANAH RAYA BERHAD AMANAH RAYA CAPITAL SDN BHD	2,032,600	0.35
13.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW SUN YICK	1,585,000	0.28
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MOHD ISKANDAR LAU BIN ABDULLAH	1,435,800	0.25
15.	YEO ENG SENG	1,156,800	0.20
16.	TEE KIAM HENG	1,100,000	0.19
17.	MALAYSIAN RATING CORPORATION BERHAD	1,095,000	0.19
18.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK PBGHK FOR SABLE INVESTMENT CORPORATION	1,063,800	0.19
19.	ANG SIEW SIANG	1,050,000	0.18
20.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEE SIEW BOON (8057713)	1,030,000	0.18
21.	SEG EQUITY SDN BHD	1,000,000	0.17
22.	STATE INSURANCE BROKERS SDN BHD	1,000,000	0.17
23.	LABUAN REINSURANCE (L) LTD	995,500	0.17
24.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR YONG VUN JIN (7433-1501)	974,000	0.17
25.	SZE SEE CHUEN	953,900	0.17
26.	TEW SOO CHIM	905,000	0.16
27.	LAI YOKE PING	900,000	0.16
28.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB EMERGING OPPORTUNITY UNIT TRUST	890,000	0.16
29.	BOH PLANTATIONS SDN BERHAD	880,600	0.15
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (GRP LIFE FD)	825,000	0.14

ANALYSIS OF UNITHOLDINGS

Distribution of Unitholders as at 29 December 2017

SIZE OF HOLDINGS	Unitholders	%	Unitholdings	%
Less than 100	22	0.52	455	0.00
100 - 1000	557	13.06	418,045	0.07
1001 - 10,000	2,042	47.89	11,667,300	2.04
10,001 - 100,000	1,361	31.92	47,025,000	8.2
100,001 to less than 5% of issued holdings	279	6.54	124,579,700	21.73
5% and above the issued holdings	3	0.07	389,529,358	67.95
Total	4,264	100.00	573,219,858	100.00

Distribution table according to Category of Unitholders as at 29 December 2017

Category Of Unitholder	No. of Holders		No. of Shares			
			Malaysian		Foreign	
	Bumiputra	Non Bumiputra	Bumiputra	Non Bumiputra		
1) Individual	141	3160	53	1,414,900	93,441,389	1,744,500
2) Body Corporate						
A) Banks/Finance Companies	4	0	0	280,797,979	0	0
B) Investments Trusts/ Foundation/Charities	0	0	0	0	0	0
C) Other Types of Companies	5	49	1	6,226,000	8,814,611	40,000
3) Government Agencies/ Institutions	1	0	0	32,360,000	0	0
4) Nominees	483	333	34	24,876,200	119,027,079	4,477,200
5) Others	0	0	0	0	0	0
	634	3,542	88	345,675,079	221,283,079	6,261,700

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 2017.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

AmanahRaya REIT did not issue any warrants or convertible securities for the financial year ended 31 December 2017.

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 2017.

5. SANCTION/PENALTIES

There were no sanctions and/or penalties imposed on AmanahRaya REIT and/or the Manager during the financial year ended 31 December 2017.

6. NON-AUDIT FEES

There is no non-audit fee paid by AmanahRaya REIT to the auditors during the financial year ended 31 December 2017.

7. PROFIT GUARANTEES

There were no profit guarantees given by the Manager during the financial year ended 31 December 2017.

8. MATERIAL CONTRACTS

CIMB Islamic Trustee Berhad, acting solely in its capacity as the trustee for and on behalf of AmanahRaya Real Estate Investment Trust ("ARREIT"), had on 7 September 2017 entered into a sale and purchase agreement with The Intermark Sdn Bhd for the proposed acquisition of Vista Tower for a total purchase consideration of RM455 million to be entirely satisfied in cash ("Proposed Acquisition").

The Proposed Acquisition is a related party transaction under Clause 9.01 of the Guidelines on Real Estate Investment Trusts issued by Securities Commission Malaysia in view of the interest of the major unitholders of ARREIT, directors of the AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("Manager") and major shareholders of the Manager and/or persons connected to them in the Proposed Acquisition.

An Ordinary Resolution set out in the Notice of Unitholders' Meeting dated 24 November 2017 was duly passed by the unitholders at ARREIT's Unitholders' Meeting held on 12 December 2017.

Other than that there were no other material contracts which had been entered into by ARREIT involving the interest of Directors and major Unitholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial period.

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AMANAHRAYA ■ KENEDIX
REIT MANAGER (856167-A)

(Formerly known as AmanahRaya-REIT Managers Sdn. Bhd.)

AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (856167-A)
(Formerly known as AmanahRaya REIT Managers Sdn. Bhd.)
(The Manager of AmanahRaya Real Estate Investment Trust)
Level 2, Wisma Amanahraya
No. 2, Jalan Ampang
50508 Kuala Lumpur
Tel : 603 2078 0898
Fax : 603 2026 6322