

# AMANAHRAYA ■ REIT

# 2018

Annual Report





#### Offices

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

#### Education

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

#### Industrial

- Deluge Factory, Nusajaya
- Ex-AIC Factory, Shah Alam\*
- Gurun Automotive Warehouse\*

#### Hospitality

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

#### Retail

- Selayang Mall, Selayang

\* Assets held for sale

## CONTENTS

<b>2</b>	Corporate Directory
<b>5</b>	About AmanahRaya REIT
<b>6</b>	AmanahRaya REIT Structure
<b>7</b>	Manager's Structure
<b>7</b>	Organisation Chart
<b>8</b>	Salient Features of AmanahRaya REIT
<b>9</b>	Financial Highlights
<b>11</b>	Asset Under Management
<b>12</b>	Property Portfolio
<b>14</b>	Overview of 15 Properties Under AmanahRaya REIT
<b>30</b>	Profile of the Board of Directors
<b>35</b>	Profile of Investment Committee Members
<b>36</b>	Corporate Calendar 2018
<b>38</b>	The Management Team
<b>39</b>	Management Discussion and Analysis
<b>51</b>	Sustainability Statement
<b>58</b>	Statement on Corporate Governance
<b>66</b>	Statement on Risk Management and Internal Control
<b>68</b>	Property Market Overview
<b>81</b>	Statutory Financial Statements
<b>126</b>	Unitholders Statistics
<b>127</b>	Analysis of Unitholdings
<b>128</b>	Additional Disclosure





## MANAGER

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

## MANAGER'S REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS

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

## BOARD OF DIRECTORS OF THE MANAGER

### Independent Non-Executive Directors

Mahadzir bin Azizan  
(Chairman)  
(Redesignated w.e.f. 11 February 2019)

Dato' Anthony @ Firdauz bin Bujang

Dato' Haji Che Pee bin Samsudin

Zulazman bin Zulkifli  
(Appointed w.e.f. 11 February 2019)

Dato' Sri Ikmal Hisham bin Abdul Aziz  
(Resigned w.e.f. 1 June 2018)

### Non-Independent Non-Executive Directors

Adenan bin Md Yusof

Ahmad Suhaimi bin Endut

Akihiro Nakao

Michio Izawa

## AUDIT COMMITTEE

Dato' Haji Che Pee bin Samsudin  
(Chairman)  
*(Redesignated w.e.f. 11 February 2019)*

Akihiro Nakao

Zulazman bin Zulkifli  
*(Appointed w.e.f. 11 February 2019)*

Mahadzir bin Azizan  
*(Resigned w.e.f. 11 February 2019)*

## INVESTMENT COMMITTEE

Dato' Anthony @ Firdaus bin Bujang  
(Chairman)  
*(Appointed w.e.f. 11 February 2019)*

Adenan bin Md Yusof

Michio Izawa

Zulazman bin Zulkifli  
*(Appointed w.e.f. 11 February 2019)*

Syed Elias bin Abd. Rahman Alhabshi  
*(Resigned w.e.f. 11 February 2019)*

Mahadzir bin Azizan  
*(Resigned w.e.f. 11 February 2019)*

## TENDER COMMITTEE

Dato' Anthony @ Firdaus bin Bujang  
(Chairman)

Ahmad Suhaimi bin Endut

Michio Izawa  
*(Appointed w.e.f. 23 January 2018)*

## COMPANY SECRETARIES OF THE MANAGER

Jerry Jesudian s/o Joseph Alexander  
(MAICSA 7019735)

Leong Shiak Wan  
(MAICSA 7012855)

Rizana binti Ahmad Rithauddeen  
(LS 0009663)  
*(Appointed w.e.f. 9 January 2019)*

## MANAGEMENT TEAM

Zalila binti Mohd Toon  
Chief Executive Officer  
*(Appointed w.e.f. 1 November 2018)*  
*(Resigned w.e.f. 31 January 2019)*

Kusuma Dewi binti Abd Aziz  
Acting Chief Executive Officer  
*(Appointed w.e.f. 1 February 2019)*  
Head of Investment

Isyam bin Ishak  
Head of Finance

Mahathir bin Mohamad Supian  
Head of Property Management

Firdaus bin Musa  
Head of Legal & Compliance

## TRUSTEE

CIMB Islamic Trustee Berhad  
(167913-M)  
Level 13 Menara CIMB  
Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
50470 Kuala Lumpur

## 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 Darul Ehsan

## PROPERTY MANAGERS

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 Darul Ehsan

Henry Butcher Malaysia (Mont Kiara)  
Sdn. Bhd.  
(1148822-P)  
Unit D4-3-3 & 3A, Solaris Dutamas,  
No. 1, Jalan Dutamas 1  
50480 Kuala Lumpur

Knight Frank Property Management  
Sdn. Bhd.  
(1211775-H)  
Suite 13B, Level 13, Vista Tower  
The Intermark, 348 Jalan Tun Razak  
50400 Kuala Lumpur

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

## AUDITOR

KPMG PLT  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants  
Level 10, KPMG Tower  
8 First Avenue Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

## 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

## BURSA MALAYSIA STOCK CODE

STOCK NAME : ARREIT  
STOCK CODE : 5127  
*(Listed on the Main Board on  
26 February 2007)*



## ABOUT AMANAHRAYA-REIT

AmanahRaya Real Estate Investment Trust ("ARREIT") was established on 10 October 2006 pursuant to the Trust Deed dated 10 October 2006 between the Manager, AmanahRaya-Kenedix REIT Manager 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 2018, the portfolio of ARREIT includes 15 properties with a total assets value of RM1.499 billion.

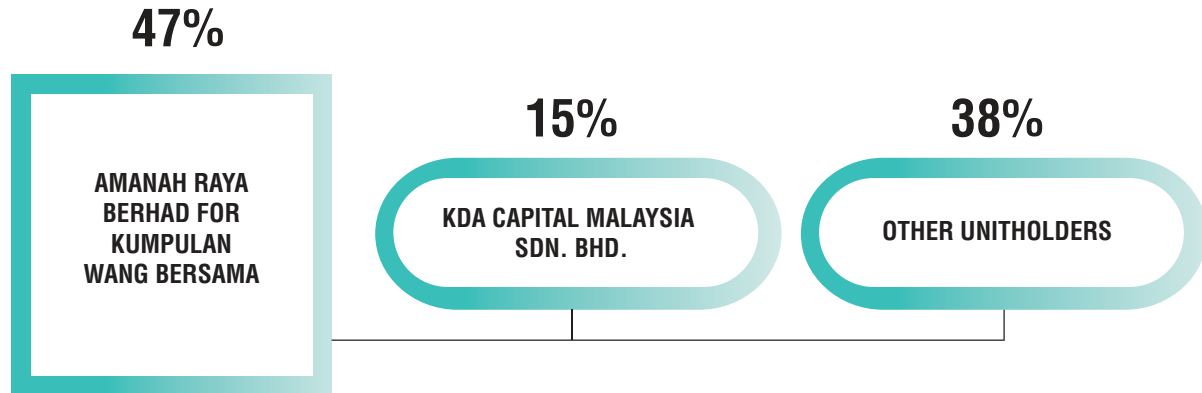
## ABOUT AMANAHRAYA-KENEDIX REIT MANAGER SDN. BHD.

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 ARREIT 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 2018, the authorised share capital of the Manager is RM5 million and the paid-up share capital is RM1.5 million.

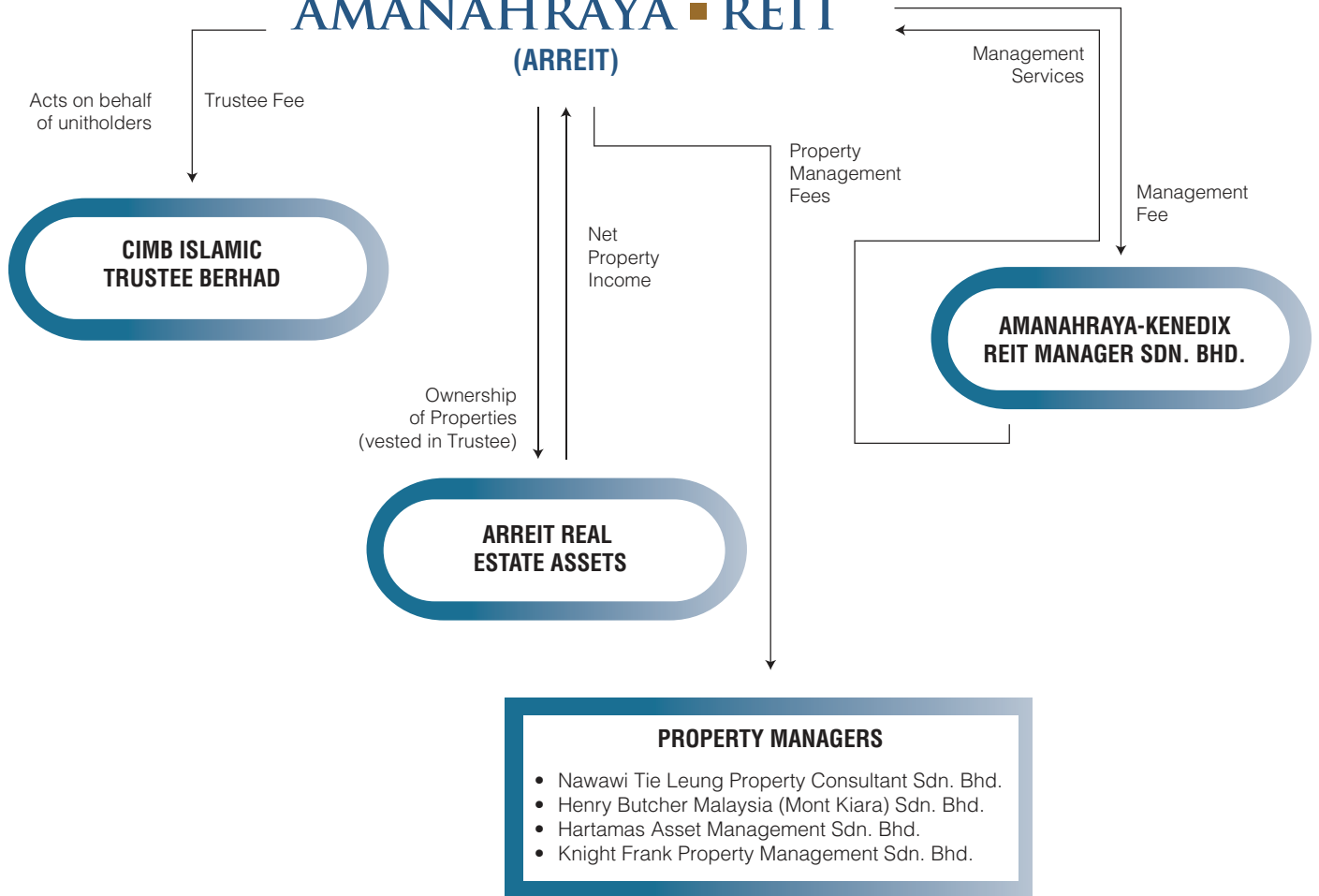
Kenedix Asia Pte. Ltd. via KDA Capital became the first Japanese firm to invest in a Malaysian REIT with the acquisition of 15% of the units of ARREIT. KDA Capital also bought 49% of the shares of the Manager at RM7 per share with Amanah Raya Berhad maintaining the controlling stake of 51% of the shares of the Manager.

The Manager is principally responsible for the management of ARREIT investment strategies to meet its investment objectives. Its primary investment objective is to provide and administer ARREIT on behalf of the unitholders in accordance with the 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 ARREIT unitholders.

# AMANAHRAYA REIT STRUCTURE

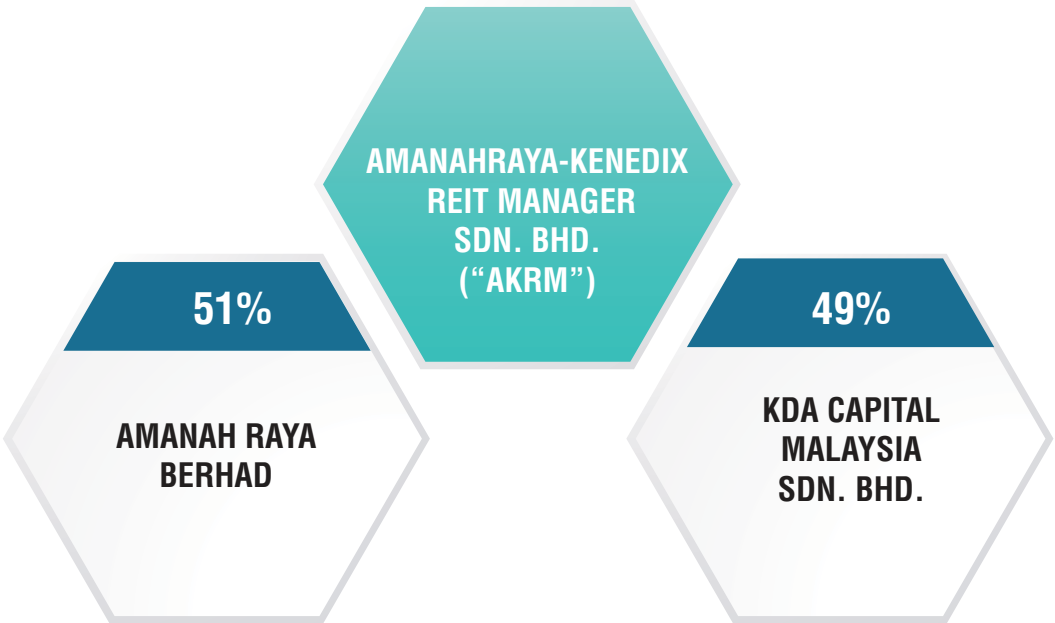


## AMANAHRAYA ■ REIT (ARREIT)

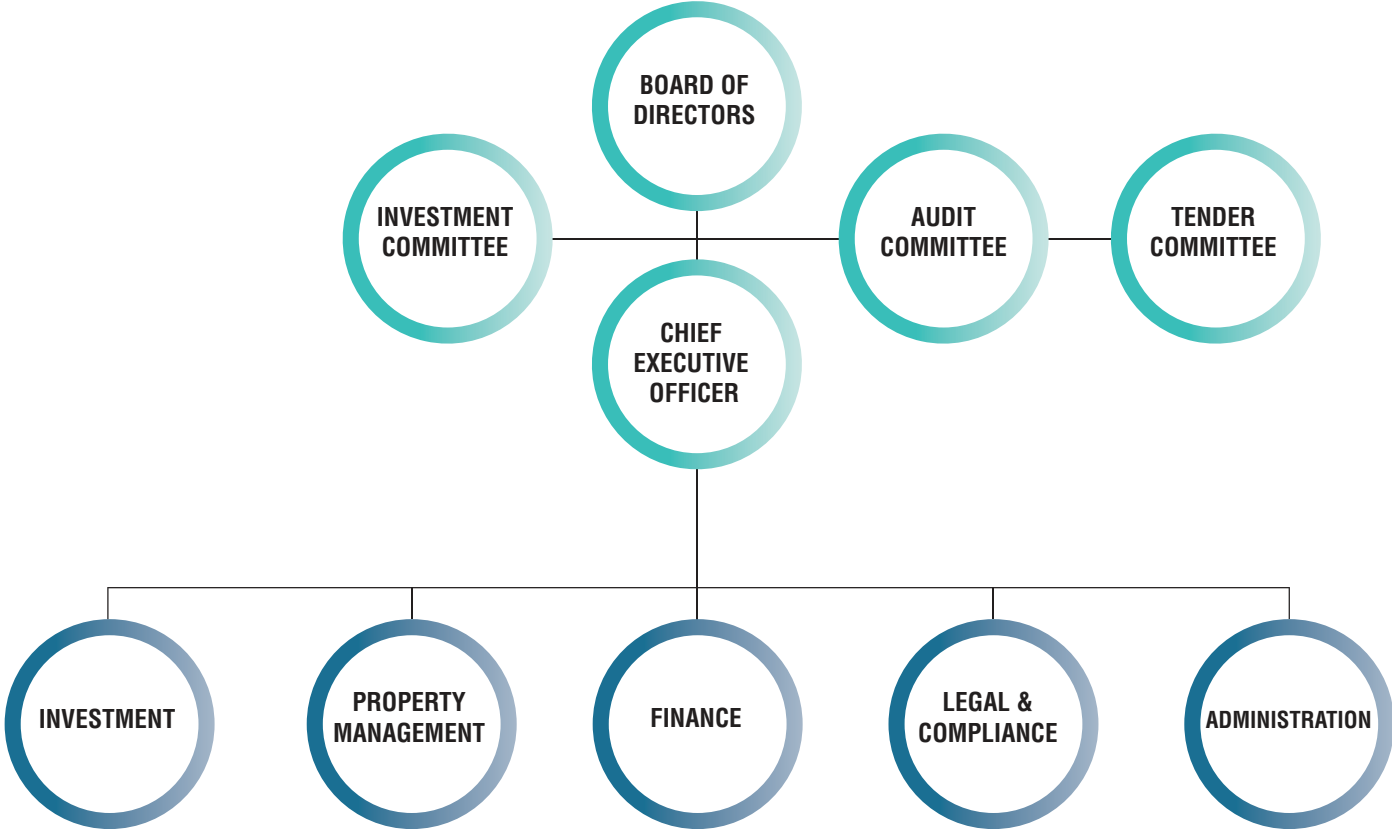




# MANAGER'S STRUCTURE



# ORGANISATION CHART



# SALIENT FEATURES OF AMANAHRAYA REIT

## Fund Category

Real Estate Investment Trust

## Fund Type

Income and Growth

## Duration of Fund/ Termination Date

The earlier of:

- the occurrence of any termination events set out under the provisions of the Trust Deed
- 80 years after 20 October 2006 or until such further period as the law may permit

## Approved Fund Size

573,219,858

## Investment Objective

To provide unitholders with stable and growth potential returns over a long term period

## Performance Benchmark

- Management expense ratio
- Total returns
- Average annual return
- Distribution yield
- Net asset value (NAV)

## Distribution Policy

- Quarterly income distribution
- Distribution of at least 90% (or such other percentage as determined by the Manager in its absolute discretion)

## Revaluation Policy

The investment properties shall be revalued annually by the registered independent valuers

## Financial Year End

31 December

## Listing

Main Market of Bursa Malaysia Securities Berhad

## Stock Name

ARREIT

## Stock Code

5127

## Date of Listing

26 February 2007

## Initial Public Offering Price

- RM0.895 - retail
- RM0.94 - institutional

**FINANCIAL HIGHLIGHTS**  
 SNAPSHOT OF AMANAHRAYA REIT AS AT 31 DECEMBER 2018



TOTAL ASSET VALUE

**RM 1.499 BILLION**



SECTOR

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



TOTAL NO OF PROPERTIES

**15 PROPERTIES**



TOTAL UNITS ISSUED

**573,219,858**



TRADING VOLUME (UNITS)  
 (OCT-DEC 2018)

**77,576**



NET ASSET VALUE  
 ("NAV") PER UNIT

**1.352**



GEARING RATIO

**44.72%**



DPU (ACTUAL) FOR 2018

**6.100** SEN PER UNIT



PRICE AS AT  
 31 DECEMBER 2018

**RM0.82** PER UNIT



LOWEST PRICE (2018)

**RM0.81**

PER UNIT



HIGHEST PRICE (2018)

**RM0.92**

PER UNIT



TOTAL NUMBER  
 OF UNITHOLDERS

**4,553**



MARKET CAPITALIZATION

**RM470,040,284**



SUBSTANTIAL UNITHOLDERS

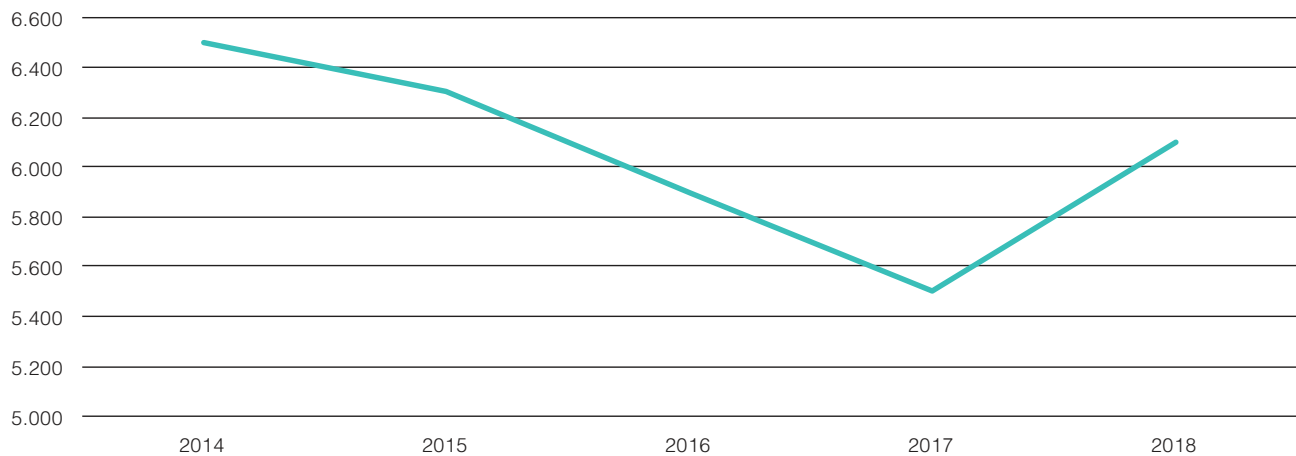
**AMANAH RAYA BERHAD FOR KUMPULAN WANG BERSAMA (47.31%)**  
**KDA CAPITAL MALAYSIA SDN. BHD. (15%)**  
**PERBADANAN KEMAJUAN NEGERI SELANGOR (5.65%)**

# FINANCIAL HIGHLIGHTS

SNAPSHOT OF AMANAHRAYA REIT AS AT 31 DECEMBER 2018 (CONT'D)

## Distribution Per Unit (sen)

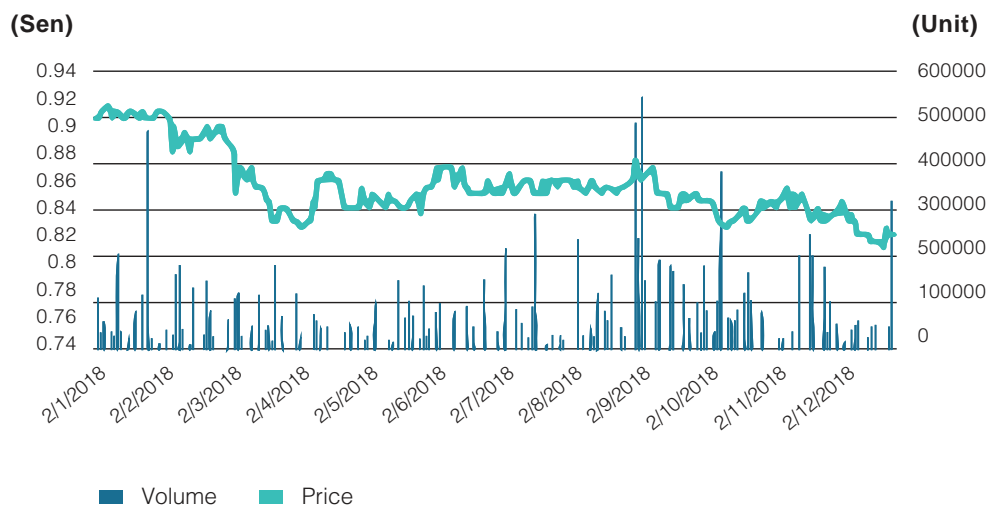
DPU/Sen



AmanahRaya REIT

10

## ARREIT Volume vs Price

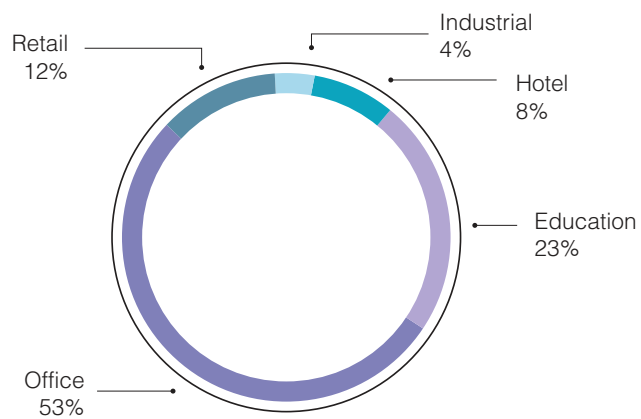


# ASSET UNDER MANAGEMENT

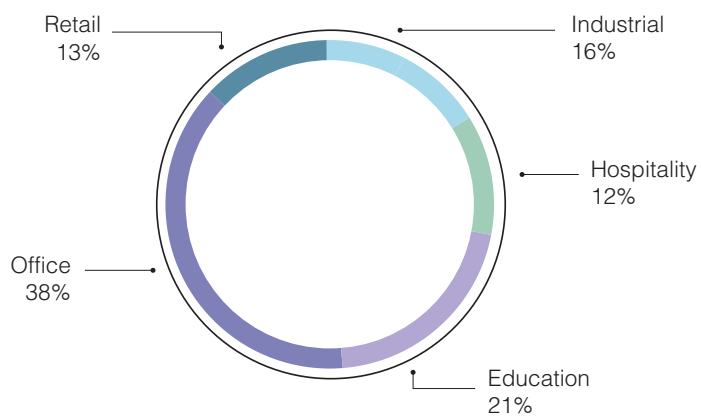
Real Estate(s)	Location	Type of Building	Cost of Acquisition (RM '000)	Appreciation in Value (RM '000)	Occupancy (approximate)	Unexpired Lease / Tenancy Period	Investment in Real Estate Value (RM '000)(a)	Value over Total Asset Value (a/b)
<b>Hospitality</b>								
Holiday Villa Alor Setar	Alor Setar, Kedah	Hotel	31,000	-3,000	Vacant	Vacant	28,000	1.87%
Holiday Villa Langkawi	Langkawi, Kedah	Resort Hotel	55,000	28,500	100%	7.50 yrs	83,500	5.57%
<b>Higher Education Building</b>								
SEGi College, Subang Jaya	Subang Jaya, Selangor	Higher Education Building	52,500	21,000	100%	2.40 yrs	73,500	4.90%
SEGi University Kota Damansara	Petaling Jaya, Selangor	Higher Education Building	145,000	40,000	100%	9.00 yrs	185,000	12.34%
HELP University	Damansara Heights, Jalan Semantan Kuala Lumpur	Higher Education Building	53,000	22,700	100%	20.70 yrs	75,700	5.05%
<b>Office Building</b>								
Block A & B, South City Plaza	Seri Kembangan, Selangor	Office Building	18,300	-8,300	50%	1.00 yrs	10,000	0.67%
Toshiba TEC Glenmarie	Shah Alam	Office Building	32,000	-	100%	2.30 yrs	32,000	2.13%
Wisma Comcorp Glenmarie,	Shah Alam	Office Building	30,000	7,000	100%	10.90 yrs	37,000	2.47%
Dana13, Dana 1 Commercial Centre	Ara Damansara, Petaling Jaya, Selangor	Office Building	99,120	19,880	100%	0.70 yrs	119,000	7.94%
Vista Tower The Intermark,	Kuala Lumpur	Office Building	455,000	70,000	70%	Multiple Period	525,000	35.02%
Contraves	Cyberjaya, Selangor	Office Building	40,000	2,000	100%	5.90 yrs	42,000	2.80%
<b>Industrial</b>								
Deluge Factory	Nusajaya, Johor	Industrial Factory	24,000	1,000	100%	6.60 yrs	25,000	1.67%
AIC Factory	Shah Alam, Selangor	Industrial Factory	19,200	7,600	Vacant	Vacant	26,800	1.79%
Gurun Automotive	Gurun, Kedah	Industrial Warehouse	23,970	-15,170	Vacant	Vacant	8,800	0.59%
<b>Retail</b>								
Selayang Mall	Selayang, Selangor	Retail Mall	128,165	37,835	100%	1.40 yrs	166,000	11.07%
<b>Average Occupancy Rate</b>					<b>75%</b>			
<b>Weighted Average Lease Expiry ("WALE")</b>						<b>4.09 yrs</b>		
<b>Real Estate-Related Assets</b>							<b>1,437,300</b>	<b>95.88%</b>
<b>Cash and security deposits</b>							<b>55,338</b>	<b>3.69%</b>
<b>Others (Trade and Other Receivables)</b>							<b>6,627</b>	<b>0.44%</b>
<b>Total Asset Value (RM'000) (b)</b>							<b>1,499,265</b>	<b>100.00%</b>

# PROPERTY PORTFOLIO

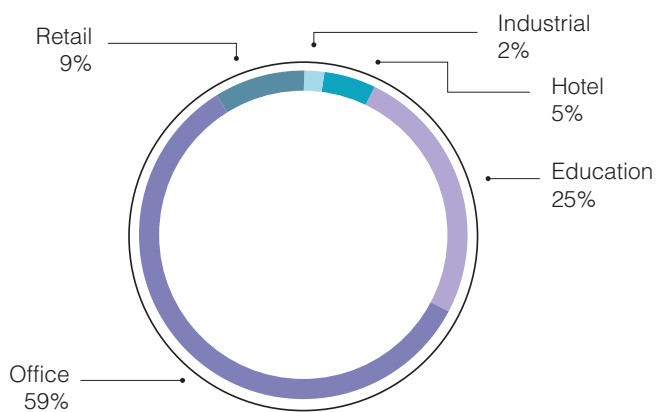
## a) Asset Value Based on Property Sector



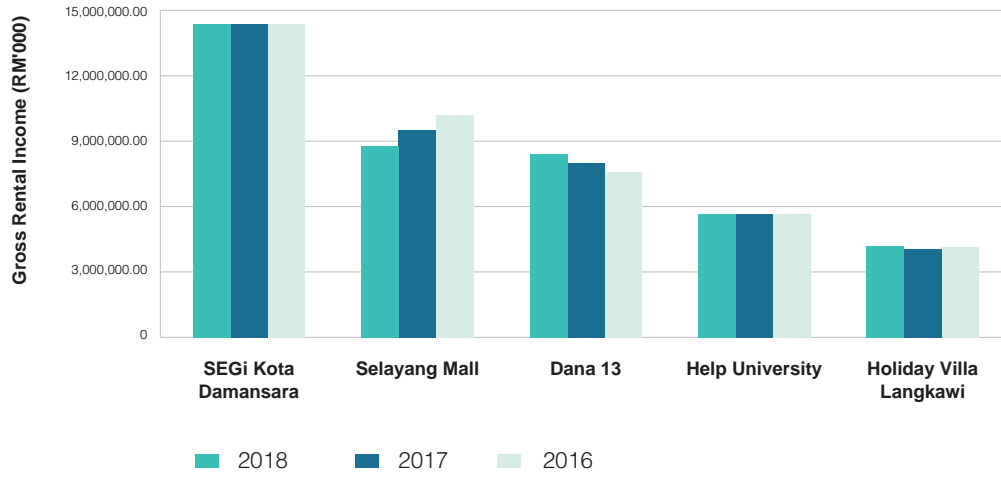
## b) Usage of Lettable Area based on Sector



## c) Gross Income based on Property Sector



d) AmanahRaya REIT: Gross Rental Income for Top 5 Properties



# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

## VISTA TOWER, KUALA LUMPUR

### Address

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

### Title details

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

### Property type

Office tower





## OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT



### **Location**

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

### **Description**

A sixty three (63) storey office tower with two (2) concourse levels and three (3) basement levels B1 to B3 identified as Vista Tower together with 917 car park bays which forms part of the integrated commercial development known as The Intermark, Kuala Lumpur.

### **Age of property**

Approximately 24 years

### **Tenure**

Freehold

### **Gross Built-up Area**

776,196 sq. ft.

### **Net lettable area**

551,875 sq. ft.

### **Existing use**

Office Building

### **Parking spaces**

917 car park bays

### **Date of acquisition**

16<sup>th</sup> January 2018

### **Cost of acquisition**

RM455,000,000

### **Valuation as at December 2018**

RM525,000,000

### **Valuer**

Nawawi Tie Leung Property Consultants Sdn. Bhd.

### **Carrying Amount**

RM525,000,000.00

### **Occupancy Rate**

70%

### **Property Manager**

Knight Frank Property Management Sdn. Bhd.

# 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 an established mixed commercial and industrial development known as Taman Sains Selangor, 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

Education building

### Description

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

### Age of property

Approximately 12 years

### Tenure

Leasehold for 99 years

### Unexpired lease

90 years

### Lease period

5+5 years commencing from January 2018

### Land Area

425,389 sq. ft.

### Gross Floor Area

577,031 sq. ft.

### Net lettable area

337,710 sq. ft.

### Existing use

A university campus under the brand name of SEGi

### Parking spaces

334 car parking bays and 1,031 motorcycle parking bays

### Date of acquisition

28<sup>th</sup> December 2007

### Cost of acquisition

RM145,000,000

### Valuation as at December 2018

RM185,000,000

### Valuer

First Pacific Valuers Property Consultants Sdn. Bhd.

### Carrying Amount

RM185,000,000

### Master Lessee

SEG International Bhd

### Occupancy Rate

100%

### Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## SELAYANG MALL, SELAYANG

### Location

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

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.

### Address

Lot 38451, Jalan SU 9,  
Taman Selayang Utama,  
68100 Batu Caves,  
Selangor Darul Ehsan

### Description

4-storey retail space with 6-storey car park

### Age of property

Approximately 22 years

### Tenure

Leasehold for 99 years

### Unexpired lease

61 years

### Tenancy period

3+3+3 years commencing from June 2017

### Land Area

175,742 sq. ft.

### Gross Floor Area

868,305 sq.ft

### Net lettable area

371,413 sq.ft

### Existing use

A neighbourhood shopping complex under the brand name of Selayang Mall

### Parking spaces

900 parking bays

### Date of acquisition

7<sup>th</sup> May 2010

### Cost of acquisition

RM128,165,000

### Valuation as at December 2018

RM166,000,000

### Valuer

IPC Island Property Consultants Sdn. Bhd.

### Net Book Value

RM166,000,000

### Master Lessee

Seal Management Sdn. Bhd.

### Occupancy Rate

100%

### Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

### Title details

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

### Property type

Shopping Mall

# 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 the Dana 1 Commercial Centre, a newly completed commercial development which comprises of 152 units of 2-storey to 5-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

### Property type

Office building

### Description

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

### Age of property

Approximately 9 years

### Tenure

Leasehold for 99 years

### Unexpired lease period

79 years

### Lease period

10 years commencing from September 2009

### Gross Floor Area

333,439 sq.ft

### Net lettable area

268,850 sq.ft

### Existing use

Office Block with MSC status

### Parking spaces

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

### Date of acquisition

7<sup>th</sup> May 2010

### Cost of acquisition

RM99,120,000

### Valuation as at December 2018

RM119,000,000

### Valuer

First Pacific Valuers Property Consultants Sdn. Bhd.

### Carrying Amount

RM119,000,000

### Master Lessee

Symphony House Bhd

### Occupancy Rate

100%

### Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## HELP UNIVERSITY, JALAN SEMANTAN

### Location

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

### Address

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

### Description

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

### Age of property

Approximately 19 years

### Tenure

Leasehold for 99 years

### Unexpired lease

- 1) HSD 83465 - 54 years
- 2) PN 46441 - 54 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

### Valuation as at December 2018

RM75,700,000

### Valuer

Nawawi Tie Leung Property Consultants Sdn. Bhd.

### Carrying Amount

RM75,700,000

### Master Lessee

Help University Sdn. Bhd.

### Occupancy Rate

100%

### Property Manager

Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd.

### Title details

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

### Property type

Education building

# 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. 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 27 years

### Tenure

Freehold

### Lease period

5+5 years commencing from July 2016

### Total Land Area

427,672 sq. ft.

### Gross Floor Area

183,190 sq. ft.

### Net lettable area

Not Applicable

### Existing use

A resort under the brand name of Hotel Holiday Villa

### Parking spaces

55 parking bays

### Date of acquisition

26<sup>th</sup> February 2007

### Cost of acquisition

RM55,000,000

### Valuation as at December 2018

RM83,500,000

### Valuer

IPC Island Property Consultants Sdn. Bhd.

### Carrying Amount

RM83,500,000

### Master Lessee

Langkawi Holiday Villa Sdn. Bhd.

### Occupancy Rate

100%

### Property Manager

Hartamas Asset Management Sdn. Bhd.

# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## SEGI COLLEGE, SUBANG JAYA

### Location

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

### Address

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

### Description

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

### Age of property

Approximately 12 years

### Tenure

Freehold

### Lease period

15 years commencing from May 2006

### Land Area

61,042 sq. ft.

### Gross Floor Area

280,575 sq. ft.

### Net lettable area

131,387 sq. ft.

### Existing use

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

### Parking spaces

206 parking bays and 400 motorcycle parking bays

### Date of acquisition

26<sup>th</sup> February 2007

### Cost of acquisition

RM52,500,000

### Valuation as at December 2018

RM73,500,000

### Valuer

IPC Island Property Consultants Sdn. Bhd.

### Carrying Amount

RM73,500,000

### Master Lessee

SEG International Berhad

### Occupancy Rate

100%

### Property Manager

Hartamas Asset Management Sdn. Bhd.

### Title details

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

### Property type

Education building

# 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 the 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 5-storey workshop cum office building with a basement car park

### Age of property

Approximately 13 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

23<sup>rd</sup> April 2014

### Cost of acquisition

RM30,000,000

### Valuation as at December 2018

RM37,000,000

### Valuer

IPC Island Property Consultants Sdn. Bhd.

### Carrying Amount

RM37,000,000

### Master Lessee

Comintel Sdn. Bhd.

### Occupancy Rate

100%

### Property Manager

Hartamas Asset Management Sdn. Bhd.



# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## CONTRAVES BUILDING, CYBERJAYA

### Location

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

### Address

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

### Description

A 4-storey purpose-built office building with one (1) basement level.

### Age of property

Approximately 18 years

### Tenure

Freehold

### Tenancy period

3 years commencing from 1 April 2018

### Total Land Area

89,470 sq. ft.

### Gross Built-up Area

93,804 sq. ft.

### Net lettable area

75,014 sq. ft.

### Existing use

Office Building

### Parking spaces

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

### Date of acquisition

16<sup>th</sup> June 2016

### Cost of acquisition

RM40,000,000

### Valuation as at December 2018

RM42,000,000

### Valuer

IPC Island Property Consultants Sdn. Bhd.

### Carrying Amount

RM42,000,000

### Master Lessee

Contraves Sdn. Bhd.

### Occupancy Rate

100%

### Property Manager

Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd.

### 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

# 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 the 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 4-storey office building cum warehouse.

### Age of property

Approximately 14 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

25<sup>th</sup> March 2016

### Cost of acquisition

RM32,000,000

### Valuation as at December 2018

RM32,000,000

### Valuer

IPC Island Property Consultants Sdn. Bhd.

### Carrying Amount

RM32,000,000

### Master Lessee

Toshiba Tec Malaysia Sdn. Bhd.

### Occupancy Rate

100%

### Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## DELUGE FACTORY, NUSAJAYA

### Location

The property is located within the 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.

### Address

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

### Description

A single storey factory annexed with 3-storey office building

### Age of property

Approximately 6 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

20<sup>th</sup> April 2016

### Cost of acquisition

RM24,000,000

### Valuation as at December 2018

RM25,000,000

### Valuer

IPC Island Property Consultants Sdn. Bhd.

### Carrying Amount

RM25,000,000

### Master Lessee

Pipeline Distribution (M) Sdn. Bhd.

### Occupancy Rate

100%

### Property Manager

Hartamas Asset Management Sdn. Bhd.

### Title details

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

### Property type

Industrial

# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## EX-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 building with 156-rooms and sub-basement level within a development also known as City Plaza

### Age of property

Approximately 23 years

### Tenure of Master Title

Leasehold for 99 years

### Unexpired lease

Approximately 89 years (Master Title)

### Gross Floor Area

150,000 sq.ft

### Existing use

Vacant since July 2018

### Date of acquisition

26<sup>th</sup> February 2007

### Cost of acquisition

RM31,000,000

### Valuation as at December 2018

RM28,000,000

### Valuer

First Pacific Valuers Property Consultants Sdn. Bhd.

### Carrying Amount

RM28,000,000

### Master Lessee

Vacant since June 2018

### Occupancy Rate

Untenanted

### Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## BLOCK A & B, SOUTH CITY PLAZA, SERI KEMBANGAN

### Location

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

### Address

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

### Description

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

### Date of acquisition

26<sup>th</sup> February 2007

### Title details

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

### Age of property

Approximately 13 years

### Cost of acquisition

RM18,300,000

### Valuation as at December 2018

RM10,000,000

### Property type

Office building

### Tenure of Master Title

Leasehold for 99 years

### Valuer

First Pacific Valuers Property Consultants Sdn. Bhd.

### Unexpired lease

75 years

### Carrying Amount

RM10,000,000

### Tenancy period

2 years commencing from 1 January 2018 (Block B)

### Master Lessee

Block A – Vacant since September 2017  
Block B – Paramount Vintage Sdn. Bhd.

### Net lettable area

66,606 sq. ft.

### Occupancy Rate

50%

### Existing use

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

### Property Manager

Hartamas Asset Management Sdn. Bhd.

### 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

# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## EX-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 within 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

### 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 26 years

### Tenure

Leasehold for 99 years

### Unexpired lease

76 years

### Total Land Area

206,854 sq. ft.

### Total Gross Built Up Area

129,447 sq. ft.

### Existing use

Vacant since September 2018

### Parking spaces

Available within the compound of the property

### Date of acquisition

28<sup>th</sup> December 2007

### Cost of acquisition

RM19,200,000

### Total Valuation as at December 2018

RM27,500,000

### Valuer

Hakimi & Associates

### Carrying Amount

RM26,800,000

### Master Lessee

Lot 1 - Vacant since September 2016  
Lot 2 - Vacant since August 2018

### Occupancy Rate

Untenanted

### Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

\* Property held for sale pursuant to Sale and Purchase Agreement signed on 31 December 2018 pending completion

# OVERVIEW OF 15 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



## GURUN AUTOMOTIVE WAREHOUSE, GURUN

### 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.

### Address

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

### Description

An industrial complex comprising a single-storey warehouse and single-storey office building

### Age of property

Approximately 11 years

### Tenure of Master Title

Leasehold for 99 years

### Unexpired lease

86 years

### Lease period

10 years commencing from December 2007

### Land Area

658,972 sq. ft.

### Gross Built-up Area

240,610 sq. ft.

### Existing use

Vacant

### Parking spaces

Available within the compound of the property

### Date of acquisition

28<sup>th</sup> December 2007

### Cost of acquisition

RM23,970,000

### Valuation as at December 2018

RM9,700,000

### Valuer

IPC Island Property Consultants Sdn. Bhd.

### Carrying Amount

RM8,800,000

### Master Lessee

Vacant since January 2018

### Occupancy Rate

Untenanted

### Property Manager

Nawawi Tie Leung Property Consultants Sdn. Bhd.

\* *Property held for sale pursuant to Sale and Purchase of Lease Agreement signed on 26 December 2018 pending completion*

### 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

### Property type

Industrial

# PROFILE OF THE BOARD OF DIRECTORS

## MAHADZIR BIN AZIZAN

Independent Non-Executive Director



## ADENAN BIN MD YUSOF

Non-Independent Non-Executive Director



### Nationality / Age / Gender:

Malaysian / 70 / Male

### Date of Appointment:

- 5 April 2016
- 11 February 2019 (Redesignated as Chairman)

### Present Directorship:

#### Listed Company

- ECM Libra Financial Group Berhad
- RCE Capital Berhad

#### Other Public Companies

- Syarikat Takaful Am Berhad
- Libra Invest Berhad

### Nationality / Age / Gender:

Malaysian / 55 / Male

### Date of Appointment:

30 September 2016

### Present Directorship:

#### Listed Company

- Nil

#### Other Public Companies

- Amanah Raya Berhad Group

### Board Committee Membership:

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

### Working Experience and Occupation:

Mahadzir has more than twenty-five (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 twenty-four (24) years. Whilst in the private sector, he also served as Ahli Majlis MARA, director of Amanah Raya Berhad and Tabung Haji group of companies as well as various other directorships in government-linked companies. He also sits on the Board of ECM Libra Financial Group Berhad, Libra Invest Berhad, Syarikat Takaful Malaysia Berhad and RCE Capital Berhad.

### Academic/ Professional Qualifications:

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

### Working Experience and Occupation:

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

Adenan later joined Amanah Capital Partners Berhad in 1995 and was responsible in overseeing all property investments under Amanah Capital Group. Subsequently, in 2003, Adenan moved to KUB Malaysia Berhad as General Manager and was later seconded to KUB Realty Sdn. Bhd., the property arm of KUB. In 2008, Adenan joined Terengganu Incorporated as the Group General Manager to head its property investment division and was tasked in drafting a strategic plan for its property investment. Prior to his return to Amanah Raya Berhad, he was the Senior Vice President of Special Projects at UDA Holdings Berhad.

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

### Academic/ Professional Qualifications:

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



# PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

**AHMAD SUHAIMI BIN ENDUT**  
Non-Independent  
Non-Executive  
Director



**AKIHIRO NAKAO**  
Non-Independent  
Non-Executive  
Director



<b>Nationality / Age / Gender:</b> Malaysian / 51 / Male	<b>Date of Appointment:</b> 20 October 2014
<b>Present Directorship:</b>	
<b>Listed Company</b>	<b>Other Public Companies</b>
<ul style="list-style-type: none"> <li>• Nil</li> </ul>	<ul style="list-style-type: none"> <li>• Amanah Raya Berhad Group</li> </ul>
<b>Board Committee Membership:</b>	
<ul style="list-style-type: none"> <li>• Member, Tender Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.</li> </ul>	

**Working Experience and Occupation:**

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

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

**Academic/ Professional Qualifications:**

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

<b>Nationality / Age / Gender:</b> Japanese / 48 / Male	<b>Date of Appointment:</b> 13 March 2017
<b>Present Directorship:</b>	
<b>Listed Company</b>	<b>Other Public Companies</b>
<ul style="list-style-type: none"> <li>• Nil</li> </ul>	<ul style="list-style-type: none"> <li>• Nil</li> </ul>
<b>Board Committee Membership:</b>	
<ul style="list-style-type: none"> <li>• Member, Audit Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.</li> </ul>	

**Working Experience and Occupation:**

Akihiro Nakao has been the President of Kenedix Asia Pte. Ltd since June 2015. He also served as Executive Officer at Kenedix, Inc. from April 2015 to June 2015 and 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 the 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.

**Academic/ Professional Qualifications:**

- Bachelor of Law from Hitotsubashi University

# PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

## MICHIO IZAWA

Non-Independent  
Non-Executive  
Director



## DATO' HAJI CHE

PEE BIN  
SAMSUDIN  
Independent  
Non-Executive  
Director



<b>Nationality / Age / Gender:</b> Japanese / 48 / Male	<b>Date of Appointment:</b> 13 March 2017
<b>Present Directorship:</b> <b>Listed Company</b> • Nil	<b>Other Public Companies</b> • Nil
<b>Board Committee Membership:</b> • Member, Investment Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd. • Member, Tender Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.	

### Working Experience and Occupation:

Michio Izawa 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.

### Academic/ Professional Qualifications:

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

<b>Nationality / Age / Gender:</b> Malaysian / 62 / Male	<b>Date of Appointment:</b> • 23 August 2011 (Non-Independent, Non-Executive Director) • 22 December 2017 (Redesignated as an Independent, Non-Executive Director) • 11 February 2019 (Redesignated as Chairman, Audit Committee)
<b>Present Directorship:</b> <b>Listed Company</b> • Nil	<b>Other Public Companies</b> • Amanah Raya Berhad Group
<b>Board Committee Membership:</b> • Chairman, Audit Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.	

### Working Experience and Occupation:

Dato' Haji Che Pee began his career as an Accountant in the government sector since 1982. His extensive experience includes serving at various government departments including Ministry of Finance, Langkawi Development Authority (LADA), Malaysian Institute of Islamic Understanding (IKIM), Economic Planning Unit in Prime Minister's Department and Perbendaharaan State of Kedah as the State Treasurer for nine (9) years. Previously, Dato' Haji Che Pee was appointed as Board Member of Kumpulan Wang Persaraan (Diperbadankan) (KWAP) from 1 March 2016 until October 2017. Presently, he is an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad since 29 March 2018.

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

### Academic/ Professional Qualifications:

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

# PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

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



<b>Nationality / Age / Gender:</b> Malaysian / 60 / Male	<b>Date of Appointment:</b> <ul style="list-style-type: none"> <li>24 August 2016 (Appointed as Chairman, Tender Committee)</li> <li>11 February 2019 (Appointed as Chairman, Investment Committee)</li> </ul>
<b>Present Directorship:</b> <b>Listed Company</b> <ul style="list-style-type: none"> <li>Petra Energy Berhad</li> </ul>	<b>Other Public Companies</b> <ul style="list-style-type: none"> <li>Amanah Raya Berhad Group</li> </ul>
<b>Board Committee Membership:</b> <ul style="list-style-type: none"> <li>Chairman, Investment Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.</li> <li>Chairman, Tender Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.</li> </ul>	

### Working Experience and Occupation:

Dato' Anthony started his career in 1983 as an Accountant in Bank Utama Malaysia Berhad, Kuching Branch. Subsequently, he joined Shell Malaysia Bhd, Sarawak in year 1988 and held various positions such as Secretary and Advisor to Major Tender Board and Head of General Contracts, Commercial Services. Dato' Anthony continued his career with Shell Gabon, Republic of Gabon and West Africa as Head, Strategy and Planning, Commercial Services Unit in 1994 for a period of two (2) years. In 1996, Dato' Anthony joined Eastbourne Services Sdn. Bhd. as Chief Executive Officer for a period of four (4) years. He then joined TV3 in 2000 and served in various capacities including director of operations during his tenure there. Subsequently, Dato' Anthony was appointed as Chief Executive Officer of NTV7 in 2008. Prior to joining Petra Energy Berhad in 2012, he was the Group CEO of NSTP Bhd.

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

### Academic/ Professional Qualifications:

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

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

<b>Nationality / Age / Gender:</b> Malaysian / 51 / Male	<b>Date of Appointment:</b> 11 February 2019
<b>Present Directorship:</b>	
<b>Listed Company</b> <ul style="list-style-type: none"> <li>Apex Equity Holdings Bhd</li> </ul>	<b>Other Public Companies</b> <ul style="list-style-type: none"> <li>Nil</li> </ul>
<b>Board Committee Membership:</b> <ul style="list-style-type: none"> <li>Member, Investment Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.</li> <li>Member, Audit Committee, AmanahRaya-Kenedix REIT Manager Sdn. Bhd.</li> </ul>	

### Working Experience and Occupation:

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

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

### Academic/ Professional Qualifications:

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

# PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

## Family Relationship with any Director and/or Substantial Unitholder

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

## Conflict of Interest

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

- Adenan bin Md Yusof is the Group Managing Director of Amanah Raya Berhad.
- Ahmad Suhaimi bin Endut is the Nominee of the Ministry of Finance of Malaysia, which is a major shareholder of Amanah Raya Berhad.
- Akihiro Nakao and Michio Izawa are the Directors of KDA Capital Malaysia Sdn. Bhd.

## Convictions for Offences

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

## Attendance at Board of Director's Meetings

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

During the financial year, the Board met seven (7) 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' Anthony @ Firdaus bin Bujang	7	7
Dato' Haji Che Pee bin Samsudin	7	5
Mahadzir bin Azizan	7	7
Adenan bin Md Yusof	7	7
Ahmad Suhaimi bin Endut	7	6
Akihiro Nakao	7	7
Michio Izawa	7	7
Dato' Sri Ikmal Hisham bin Abdul Aziz (Resigned with effect from 1 June 2018)	4	3

## INVESTMENT COMMITTEE

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

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

**Michio Izawa**  
(please refer to page 32 for profile)

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

### Conflict of Interest

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

- Adenan bin Md Yusof is the Group Managing Director of Amanah Raya Berhad.
- Michio Izawa is the Director of KDA Capital Malaysia Sdn. Bhd.

### Convictions for Offences

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

### Attendance at Investment Committee Meetings

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

During the financial year, the Investment Committee met one (1) time. The number of meetings attended by each current Member is as follows:-

Directors	Number of Investment Committee meetings held during the Members' tenure in office	Number of meetings attended by Members
Adenan bin Md Yusof	1	1
Michio Izawa	1	1
Mahadzir bin Azizan (Resigned with effect from 11 February 2019)	1	1



## 6<sup>th</sup> Annual General Meeting 2018

The Annual General Meeting (“AGM”) of AmanahRaya REIT was held on 11 April 2018 at Sheraton Imperial Hotel, Jalan Sultan Ismail, Kuala Lumpur. During the AGM, the Management presented the achievements of AmanahRaya REIT for the year 2017 to all of the Unitholders.



## Program Badan Amal Nur Zaharah

Amanah Raya Berhad has chosen to carry out CSR activity at Badan Amal Nur Zaharah to aid and provide assistance to the less fortunate. The programme was held on 6 October 2018 at Kg. Sum Sum Hilir Janda Baik.



## InvestSmart Fest 2018

InvestSmart Fest 2018 is Securities Commission Malaysia’s annual flagship investor education event organised for the public on 12,13 and 14 October 2018. The three-day event showcased products and services offered in the capital markets including shares, unit trusts, private retirement schemes. This annual flagship investor education event was officiated by Youth and Sports Minister Syed Saddiq Syed Abdul Rahman.



## LoveRun 2018

LoveRun 2018 was held on 20 October 2018 at Putrajaya. This event is all about spreading a message of hope and bringing about awareness on the underprivileged. LoveRun 2018 has identified four beneficiaries that share its visions, namely:

- Dignity for Children Foundation (Dignity);
- Rumah Aman;
- The Selangor and Federal Territory Association for the Mentally Handicapped (SAMH); and
- Refugee Welfare Fund Supported by UNHCR.



## Zoo Volunteering at Melaka Zoo & Safari 2018

AmanahRaya-Kenedix REIT Manager has chosen to carry out CSR activity at Melaka Zoo & Safari on 2 December 2018. This programme provides the opportunity to learn about the Malaysian wildlife and the work that is being done to save them, both in the wild and in captivity. The objectives of the programme include improving conditions of various animals in captivity through creating environmental enrichment and understand the threats to habitat and wildlife and to make a personal impact, bringing positive change.



## Disposal of Gurun Automotive Warehouse

On 26 December 2018, CIMB Islamic Trustee Berhad, the Trustee of AmanahRaya REIT entered into a Sale & Purchase of Lease Agreement with Hoi Huat Holdings Sdn. Bhd. for the disposal of Gurun Automotive Warehouse.

## Disposal of AIC Factory

On 31 December 2018, CIMB Islamic Trustee Berhad, the Trustee of AmanahRaya REIT entered into a Sale & Purchase Agreement with Wah Kong Marketing Sdn. Bhd. for the disposal of AIC Factory.



# THE MANAGEMENT TEAM

## ACTING CHIEF EXECUTIVE OFFICER / HEAD OF INVESTMENT DEPARTMENT

**KUSUMA DEWI BINTI ABD AZIZ**

### Date of Appointment

1 June 2016

### Academic/Professional Qualification/Membership(s)

- Bachelor of Commerce, The University of Queensland
- Master of Business Administration, Deakin University, Australia
- Chartered Accountant (Malaysia Institute of Accountants)
- Certified Practising Accountant (CPA Australia)

### Working Experience

Kusuma, a Malaysian aged 43, began her career as an accounting professional in a FMCG multinational company. Prior to joining AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("AKRM"), Kusuma was an accomplished accountant at Amanah Raya Berhad. During her 13 years stint, she has managed various portfolios within Amanah Raya Group including legacy management, institutional trust, asset management and fund management including REIT. Her strength is mainly on financial analysis and process integration and improvement.

Determined to develop her interest in the property industry, she is now responsible to ensure growth of ARREIT by acquiring value accretive properties and develop investment strategies for long term sustainability.

She was appointed as the Acting Chief Executive Officer of AKRM in February 2019.

## HEAD OF LEGAL & COMPLIANCE DEPARTMENT

**FIRDAUS BIN MUSA**

### Date of Appointment

2 May 2017

### Academic/Professional Qualification/Membership(s)

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

### Working Experience

Firdaus, a Malaysian aged 37, joined AKRM as the Head of Legal & Compliance Department on 2 May 2017. Upon graduation in 2007 he immediately commenced his pupillage and subsequently practised at an established law firm in Kuala Lumpur, handling general litigation matters with particular involvement in industrial relations and employment law. Prior to joining AKRM, he was attached to a fund management agency advising on its operations legal affairs. He is also the Manager's compliance officer, reporting directly to the Board of Directors of AKRM, and responsible to provide guidance to ensure that all regulatory and compliance matters of ARREIT and AKRM are adhered to.

## HEAD OF PROPERTY MANAGEMENT DEPARTMENT

**MAHATHIR BIN MOHD SUPIAN**

### Date of Appointment

1 June 2017

### Academic/Professional Qualification/Membership(s)

- Bachelor of Estate Management, Universiti Teknologi Mara

### Working Experience

Mahathir, a Malaysian aged 41, started his career with AKRM as an Assistant Manager in the Investment Department on September 2011 and was subsequently promoted as the Head of Property Management Department in June 2017.

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

## HEAD OF FINANCE DEPARTMENT

**ISYAM BIN ISHAK**

### Date of Appointment

1 July 2015

### Academic/Professional Qualification/Membership(s)

- Bachelor of Accountancy (Hons.), Universiti Teknologi Mara
- Chartered Accountant (Malaysia Institute of Accountant)

### Working Experience

Isyam, a Malaysian aged 43, joined AKRM in July 2015 as an Accountant in the Finance Department and was subsequently promoted as the Head of the Finance Department in November 2018.

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



## Message from the Principal Officer

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 ARREIT Annual Report and Audited Financial Statements for the year ended 31 December 2018.

2018 was an eventful year for ARREIT. Our 2018 results are reflective of another year of steady improvement for ARREIT. The past 12 months had posed various challenges to Malaysia's property market climate coupled with uncertainties arising from the 14<sup>th</sup> General Election in May 2018. Despite these challenges, we managed to grow the portfolio's NAV to RM775 million from RM728 million in 2017 with the acquisition of the iconic Vista Tower for RM455 million. We have also recorded an increase in net income to RM81.25 million from RM74.25 million in 2017. During the year, we also continued our efforts to improve the overall quality of the portfolio through the disposal of assets with limited growth potential. At the same time, we completed several asset enhancement projects in order to ensure the values of our properties are well preserved. Our efforts were fruitful as we were able to deliver a stable DPU of 6.10 sen based on NPI of RM79.6 million with annual distribution yield of about 7.4%. As part of our prudent capital management, we have successfully pared down our borrowings and improved the gearing ratio to 44.72% as compared to 49.99% in 2017. We have also conducted full revaluation exercise on all properties to fulfill the requirement set by Securities Commission's Guidelines on Real Estate Investment Trusts as well as Malaysia Financial Reporting Standards. Following the revaluation exercise, total value of investment properties increased from RM42.6 million in the previous year to RM49.1 million as at 31 December 2018. Throughout the year, our experienced and dedicated management team has effectively executed our core strategies to produce solid results to our unitholders for the financial year ended 31 December 2018.

Global volatility, market uncertainty and property market overhang are expected to prevail in 2019. Across Klang Valley, the total new completion recorded was 2.5 million sq. ft. throughout 2018 and the pipeline supply remains high with 14.7 million sq. ft. net lettable area to be available in 2021. The extremely competitive market especially for office and commercial space will continue to put pressure on occupancy and rental rates of our properties. In view of this, we are prepared with strategic and robust plans in place to increase the occupancy rates in 2019 and to fully capitalise on tenancy renewals. Undoubtedly, ARREIT's financial results has consistently demonstrated the advantage of being a diversified REIT that sets us apart from our competitors. With such competitive advantage paired with clear long-term strategies and dedicated management team in place that aligns its interests with those of the unitholders, ARREIT shall continue to remain resilient and strive to optimize its capacities in creating value for the unitholders while improving the calibre of our real estate portfolio.

On behalf of the Board, I would like to take this opportunity to express our gratitude and appreciation to all the unitholders, tenants and business partners for their reaffirming support and to all our employees for their strong commitment throughout 2018. We shall continue our best endeavor to deliver sustainable returns to our unitholders and we look forward to delivering another year of continuous improvement in 2019.

## KEY MILESTONES IN 2018

### Disposal of Ex-Silver Bird Factory, Shah Alam

ARREIT entered into a Sale and Purchase Agreement on 14 December 2017 with Nippon Express (M) Sdn. Bhd. for the disposal of ex-Silver Bird Factory for the consideration sum of RM105 million. The transaction was completed on 25 May 2018. Capital gains of RM3 million were realised over the book value.

### Renewal of Lease for SEGi University, Kota Damansara

On 20 April 2018, ARREIT entered into a lease agreement with SEG International Berhad for a period of five (5) years with an option to renew for a further 5 years. Despite the pressure to current market rental rate, we were able to maintain the rental rate similar to the last term of RM14.36 million per year. Viewed as one of ARREIT's crown jewels, SEGi University, Kota Damansara is one the largest contributors to ARREIT's NPI with gross rental yield of 9.9%.

### Renewal of Tenancy for Contraves Building, Cyberjaya

On 4 December 2018, ARREIT renewed the tenancy agreement with Contraves Sdn. Bhd. for a period of three (3) years with an option to renew for a further 3 years. With the oversupply of office space in Cyberjaya, the renewal of tenancy is a positive development with gross yield of 9.8% from 9.4%

# MANAGEMENT DISCUSSION AND ANALYSIS

## (CONT'D)

### Proposed Disposal of Gurun Automotive Warehouse, Gurun

ARREIT entered into a Sale and Purchase of Lease Agreement with Hoi Huat Sdn. Bhd. to dispose Gurun Automotive Warehouse located in Gurun, Kedah for a disposal consideration of RM8.8 million. The property has been vacant since 31 December 2017 and despite all efforts made, the property could not entice new tenant due to its location while the automotive industry remains on a lacklustre mode. The proceeds shall be utilised to pare down the existing borrowings from Affin Bank Berhad. The transaction is expected to be completed in Q2 2019.

### Proposed Disposal of AIC Factory, Shah Alam

ARREIT entered into a Sale and Purchase Agreement with Wah Kong Marketing Sdn. Bhd. to dispose AIC Factory located in Shah Alam, Selangor for a disposal consideration of RM26.8 million. Lot 1 & Lot 3 have been vacant since September 2016 and September 2018, respectively. Notwithstanding all efforts to market the property for rental, demand for the property is lacking due to its outdated design. The proceeds shall be utilised to pare down the existing borrowings from Affin Bank Berhad. The transaction is expected to be completed in Q2 2019.

### ABOUT AMANAHRAYA-KENEDIX REIT MANAGER SDN. BHD.

AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("AKRM" / "Manager") as the Manager of ARREIT 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 Principal Officer holding the Capital Markets Services Representative's Licence under the Capital Markets and Services Act 2007. As the Manager, AKRM's primary responsibility is to deliver stable, steady and sustainable returns to the unitholders of ARREIT.

### INVESTMENT STRATEGIES AND POLICIES

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

#### Location

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

#### Price and Rental Yield

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

#### Quality Properties

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

## Diversified Portfolio

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

## 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 operations. The risk of rental default is also mitigated by having security deposits of up to 1 year.

## FINANCIAL REVIEW

### FUND'S PERFORMANCE

In 2018, ARREIT recorded a net property income of RM79.57 million against RM53.80 million in the previous year. The increase was mainly contributed by the increase in rental income from Vista Tower. Total property expenses increased to RM17.67 million from RM7.24 million in 2017 mainly due to higher statutory and maintenance costs incurred as a result of the increase in investments. In terms of realised income, the Trust recorded RM37.97 million, an increase of 20.0% as compared to the previous year. Trust Expenses increased by 98.5% due largely to higher management fees following increase in Net Asset Value during the year. Although the borrowing cost escalated more than double than previous year, the impact was moderated by the gain from disposal of Silver Bird Factory of RM3 million. Following the annual revaluation exercise, the Trust has recognised a gain from fair value adjustment of the investment properties amounting to RM49.15 million in comparison to RM42.6 million in 2017. Consequently, the overall net realised income increase to RM81.25 million from RM74.25 million previously.

### Review of Performance

	2018	2017	2016	2015	2014
Total Asset Value (RM)	1,499,264,735	1,526,616,881	1,040,293,296	1,101,373,044	1,077,296,710
Total Net Asset Value (RM)	775,213,754	728,290,587	686,061,728	681,539,846	657,951,197
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)	1.352	1.271	1.197	1.189	1.148
Highest Net Asset Value Per Unit (RM)	1.397	1.271	1.197	1.189	1.148
Lowest Net Asset Value Per Unit (RM)	1.352	1.197	1.187	1.140	1.018
Market Price per unit (RM) as at 31 December	0.82	0.91	0.92	0.87	0.83
Highest Traded Price for the Twelve Months Period (RM)	0.92	0.97	0.97	0.93	1.01
Lowest Traded Price for the Twelve Months Period (RM)	0.82	0.91	0.86	0.79	0.77

# MANAGEMENT DISCUSSION AND ANALYSIS

## (CONT'D)

### Results of ARREIT's Performance

	2018	2017	2016	2015	2014
Total Gross Rental Income	96,684,553	60,417,996	57,385,743	61,607,065	55,232,076
Total Property Expenses	(17,673,739)	(7,236,581)	(4,083,964)	(3,805,673)	(3,233,930)
Net Property Income (NPI)	79,570,299	53,799,270	53,301,779	57,801,392	51,998,146
Interest and Other Income	1,428,555	1,379,529	2,083,066	3,137,275	3,307,289
Total Non-Property Expenses	(45,473,626)	(22,910,639)	(20,051,656)	(24,315,689)	(23,372,873)
Realised Earnings	37,965,743	31,650,305	35,333,189	36,622,978	31,932,562
Changes in Fair Value of Investment Properties	49,148,296	42,603,621	5,207,986	23,059,600	75,316,699
Earnings Before Taxation	81,250,462	74,253,926	40,541,175	59,682,578	107,249,261
Taxation*	NIL	NIL	NIL	NIL	NIL
Earnings After Taxation	81,250,462	74,253,926	40,541,175	59,682,578	107,249,261
Earnings Per Unit (EPU) after Taxation (sen) (Realised + Unrealised)	14.17	12.95	7.07	10.41	18.71
EPU Yield (%) (Based on Closing Market Price)	17.28	14.23	7.68	11.97	22.54
Distribution Per Unit (DPU) (sen)	6.100	5.503	5.899	6.305	6.500
Distribution Yield (%)	7.44	6.05	6.41	7.25	7.83
MER (%)	1.20	1.10	1.07	1.08	0.97
Annual Total Return (%)**	7.23	5.81	6.46	7.24	7.22
Average Total Return (3 years) (%)	6.50	6.50	6.97	7.43	8.05

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

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

Note:

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

## Income Distribution

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

First Interim	Second Interim	Third Interim	Fourth Final	Total
1.3545	1.9394	1.3545	1.4516	6.1000

For 2018, ARREIT distributed a total income of RM34.96 million or 6.10 sen, a 10.9% increase from 2017 income distribution of 5.50 sen. The fourth and final income distribution of RM8.32 million has been declared at 1.45 sen per unit payable on 12 April 2019. Analysis of income distribution is as follows:

	2018	2017	2016	2015	2014
Income distribution per unit (sen)					
First interim income distribution	1.3545	1.4266	1.5643	1.400	1.700
Second interim income distribution	1.9394	1.3365	1.4863	1.590	1.300
Third interim income distribution	1.3545	1.3992	1.4245	1.507	1.700
Proposed Fourth and final income distribution	1.4516	1.3404	1.4243	1.808	1.800
	6.1000	5.5027	5.899	6.305	6.500

## Net Asset Value

Net Asset Value (NAV) as at 31 December 2018 stood at RM1.352 per unit.

The net asset value of ARREIT since 2014 is tabulated as follows:

	2018	2017	2016	2015	2014
Total net asset value ("NAV") RM:					
Before provision for income distributions	1.352	1.271	1.197	1.189	1.148
After provision for income distributions	1.339	1.257	1.183	1.156	1.130

## Units in Issue

As at 31 December 2018, the total number of units issued was 573,219,858.

## Gearing Level

As at 31 December 2018, ARREIT's total debt was RM670.48 million with a gearing ratio of 44.72%.

	2018	2017	2016	2015	2014
Gearing ratio (%)	44.72	49.99	30.29	33.07	33.80

## Other Performance Benchmarks

	2018	2017	2016	2015	2014
Total returns (%) <sup>1</sup>	7.23	5.81	6.46	7.24	7.22
Asset Portfolio Turnover (times) <sup>2</sup>	0.22	-	0.03	0.05	0.05
Management Expense Ratio ("MER") % <sup>3</sup>	1.20	1.10	1.07	1.08	0.97

# MANAGEMENT DISCUSSION AND ANALYSIS

## (CONT'D)

1. 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 ARREIT for the respective year.
2. Asset Portfolio Turnover is based on the average of total acquisitions and total disposals of investment in ARREIT for the financial year ended 31 December 2018 to the average net asset value for the financial year calculated on a daily basis.
3. The calculation of MER is based on the total expenses incurred by ARREIT, including Manager's fee, Trustee's fee, audit fees, tax agent's fee and administrative expenses, to the average net asset value of the Trust for the financial year calculated on a daily basis.

## OPERATIONAL REVIEW

### PROPERTY MANAGEMENT

The Property Management Department is responsible for the management of all properties in ARREIT's portfolio with the main aim to preserve the values of all properties and ensuring that they are always in good tenantable condition. This is done through comprehensive maintenance programs. Periodic inspections are carried out on a quarterly basis by the appointed property managers. In 2018, total property expenses incurred was RM17.67 million mainly comprised of statutory payments (quit rent and assessment), insurances, general repairs, maintenance and refurbishments.

#### Asset Enhancement Initiatives

The Manager also undertake scheduled Asset Enhancement Initiatives (AEI) activities to preserve the values of the properties. In 2018, the Manager has awarded a total contract sum of RM3.26 million. Major projects include a facelift at the lobby area of Holiday Villa Langkawi including replacement of one (1) unit of chiller. Façade repainting at Segi University and replacement of air conditioner condenser tubes at Help University were also completed during the year. Other than that, the Manager has installed waterproofing membrane at the rooftop of Dana 13, Contraves and Segi University.

#### Occupancy

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

Property	Net Lettable Area (sq. ft.)	Occupancy Rate (%)
<b>Industrial</b>		
AIC Factory	129,447	0
Gurun Automotive Warehouse	240,610	0
Deluge Factory	95,035	100
<b>Total</b>	<b>465,092</b>	
<b>Hotel</b>		
Holiday Villa Langkawi	183,190	100
Holiday Villa Alor Setar	150,000	0
<b>Total</b>	<b>333,190</b>	
<b>Education</b>		
SEGi University	337,710	100
SEGi College	131,387	100
HELP University	125,227	100
<b>Total</b>	<b>594,324</b>	

# MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Property	Net Lettable Area (sq. ft.)	Occupancy Rate (%)
<b>Office</b>		
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
Vista Tower	551,875	70
<b>Total</b>	<b>1,099,369</b>	
<b>Retail</b>		
Selayang Mall	371,413	100
<b>Total</b>	<b>371,413</b>	
	2,863,388	75%

## Weighted Average Lease Expiry (“WALE”)

ARREIT’s portfolio comprised of short to long term leases. As at year end, the overall portfolio’s WALE was about 4.09 years. As such, unitholders can look forward to income sustainability and resilience amidst market volatility.

## CAPITAL MANAGEMENT

The Manager has adopted prudent capital management strategies in managing ARREIT portfolio. The Manager is aware of the increasing borrowing cost and as such, strive to reduce its gearing level. 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 ARREIT. As at 31 December 2018, ARREIT achieved a debt level of 44.72% of the total asset level as compared to 49.99% in the previous year. The Manager will endeavour to reduce its debt level to at least 42% by end 2019 through asset recycling activities.

The following are the debt instruments undertaken by ARREIT:

Type	Financier	Amount	Rate	Expiry
Term Loan	Affin Bank Berhad	RM188.23	COF + 1.0%	May 2020
Medium Term Note	Public Bank Berhad	RM450 million	COF + 0.5%	December 2025
Term Loan	Affin Bank Berhad	RM33.92 million	COF + 0.5%	December 2021

## 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 them 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 employees are aware, updated and adhere to existing policies and guidelines.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (CONT'D)

### **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 income before 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 decline in revenue as a result of poor market and profit conditions.

### **Human Capital Risk**

This involves the inability to retain skilled employees 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 Limits**

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

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.

### **Internal Audit and Audit Committee**

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



## MOVING FORWARD

### Acquisition

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

### Leasing

The Manager will also focus on finding new tenants for vacant properties and spaces to increase the occupancy rate of ARREIT's properties.

### Financial Performance

The future poses a challenge for ARREIT as the overall property market is expected to soften. In view of this, the Manager strive to deliver DPU in the region of 6.0 sen per unit. In order to cushion the impact of lower DPU, disposal of non-performing assets and implementing sustainable leasing strategy will be the main focus of the Manager in 2019.

### Capital Management

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

## 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.

## MATERIAL LITIGATION

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

## CHANGES IN THE STATE OF AFFAIRS

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

## MATERIAL CONTRACT

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

## DIRECTORS OF THE MANAGER

The Directors of the Manager in office since the date of the last report and at the date of this report are:-

Mahadzir bin Azizan  
Adenan bin Md Yusof  
Ahmad Suhaimi bin Endut  
Akihiro Nakao  
Michio Izawa  
Dato' Haji Che Pee bin Samsudin  
Dato' Anthony @ Firdauz bin Bujang  
Zulazman bin Zulkifli (Appointed with effect from 11 February 2019)  
Dato' Sri Ikmal Hisham bin Abdul Aziz (Resigned with effect from 1 June 2018)

# MANAGEMENT DISCUSSION AND ANALYSIS

## (CONT'D)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive a benefit (other than benefits which are accrued from the fees paid to the Manager or from transactions made with companies related to the Manager as shown in the notes to the financial statements of ARREIT) by reason of a contract made by the Manager or ARREIT or a related corporation with the Director of the Manager or with a firm in which the Director of the Manager is a member, or with a company in which the Director of the Manager has substantial financial interest, other than related party transactions as shown in Note 23 to the financial statements of ARREIT. Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangement to which the Manager or ARREIT was a party, whereby the Directors of the Manager might acquire benefits by means of acquisition of shares or debentures of the Manager or any other body corporate or the acquisition of units of ARREIT.

### DIRECTORS' INTEREST

None of the directors of the Manager in office at the end of the financial year had any interest in ARREIT during the financial year ended 31 December 2018.

### SANCTION AND / OR PENALTIES

There was no public sanction and / or penalty imposed on ARREIT and the Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2018.

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND / OR SUBSTANTIAL UNITHOLDERS

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

### CONFLICT OF INTEREST

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

- Adenan bin Md Yusof is the Group Managing Director of Amanah Raya Berhad.
- Ahmad Suhaimi bin Endut is the Nominee of the Ministry of Finance of Malaysia, which is a major shareholder of Amanah Raya Berhad.
- Akihiro Nakao and Michio Izawa are the Directors of KDA Capital Malaysia Sdn Bhd.

### AUDIT AND NON-AUDIT FEE

The amount of audit and non-audit fees paid or payable to the external auditors for the financial year ended 31 December 2018 are as follows:-

	<b>FY2018</b>
Audit Fee	RM128,000
Non-Audit Fees	RM10,000

### RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year ended 31 December 2018 other than those disclosed in the Statement of Changes in Net Asset Value.

# MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

## INFORMATION ON THE FINANCIAL STATEMENTS

In arriving at the financial statements of AmanahRaya REIT, the Manager took reasonable steps to ensure that there does not exist:

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

No contingent liability or other liability of AmanahRaya REIT 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 a material and unusual in nature; and
- b. that there were no item, transaction or event of a material and unusual in nature that are likely to affect substantially the results of the operations of AmanahRaya REIT arisen during the interval between the end of the financial year under review and the date of this report;

Before the statement of comprehensive income and statement of financial position of ARREIT were made out, the Manager took reasonable steps:-

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

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## (CONT'D)

### AUDITORS

The auditors', KPMG PLT has indicated their willingness to accept reappointment.

This concludes the Manager's report.

For and on behalf of AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

**Mahadzir bin Azizan**

Chairman

Kuala Lumpur

14 February 2019

## INTRODUCTION

The Board of Directors (“Board”) of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (“AKRM”) is proud to present the Sustainability Statement for AmanahRaya REIT (“ARREIT”) for the financial year ended 31 December 2018. This Statement reflects the economic, environmental and social considerations upon ARREIT’s business. In its strategy to deliver sustainable performance, AKRM places emphasis on managing those economic, environmental and social implications from ARREIT’s business, especially those which significantly reflect ARREIT’s impact as well as those which substantively influence the assessment and decision of ARREIT’s key stakeholders.

This Sustainability Statement is prepared in the manner prescribed by Bursa Malaysia Securities Berhad (“Bursa”) in its Main Market Listing Requirements (“Listing Requirements”) and taking into consideration the Sustainability Reporting Guide – 2<sup>nd</sup> Edition and its accompanying Toolkits issued by Bursa.

## SCOPE

ARREIT’s business is that of a real estate investment trust, the income stream of which comprises largely rental from properties it owns. This Sustainability Statement scopes in all the properties owned by ARREIT as of the end of the financial year, except for Gurun Automotive Warehouse and AIC Factory, which are currently vacant and held for sale as disclosed in the Management Discussion and Analysis section of this Annual Report.

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

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. Ex-Holiday Villa, Alor Setar;
10. Holiday Villa, Langkawi;
11. Dana 13, Petaling Jaya;
12. Block A & B, South City Plaza, Seri Kembangan; and
13. Vista Tower, The Intermark, Kuala Lumpur.

## APPROACH TO CONSIDERING ARREIT’S SUSTAINABILITY MATTERS

In considering the material sustainability matters of ARREIT, AKRM has deployed the materiality process as promulgated by Bursa’s Sustainability Reporting Guide – 2<sup>nd</sup> Edition and its accompanying Toolkits. The materiality process focuses on the identification, assessment and prioritisation of ARREIT’s sustainability matters, with the aim of understanding how material each economic, environmental or social matter is to ARREIT’s business and its key stakeholders. Material Sustainability Matters (“MSMs”) are identified, assessed and determined largely based on the criteria prescribed by Bursa in Paragraph 6.3, Practice Note 9 of the Listing Requirements, as follows:

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

## GOVERNANCE

In managing ARREIT’s day-to-day operations, AKRM’s Board and Management have invariably considered ARREIT’s economic, environmental and social impacts. In its effort to embed sustainability in ARREIT’s business strategy, AKRM has reviewed its governance structure to include key responsibilities pertaining to ARREIT’s sustainability strategy and the identification, assessment, management, monitoring, review and reporting of ARREIT’s MSMs.

AKRM’s governance structure on the sustainability of ARREIT is presented in the Organisation Chart Section in this Annual Report.

# SUSTAINABILITY STATEMENT

## (CONT'D)

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

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

### ARREIT'S STAKEHOLDERS

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

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

Stakeholders	Engagement Method	Focus Areas
Investors/ Unitholders	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Extraordinary General Meeting (as and when required)</li> <li>Quarterly results and Bursa announcements</li> </ul>	<ul style="list-style-type: none"> <li>Growth and income</li> <li>Financial sustainability</li> <li>Active engagement</li> </ul>
Government, agencies & regulators	<ul style="list-style-type: none"> <li>Meetings</li> <li>Electronic Reporting System</li> </ul>	<ul style="list-style-type: none"> <li>Compliance to laws and regulations</li> </ul>
Tenants	<ul style="list-style-type: none"> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Property maintenance</li> <li>Property enhancement</li> <li>Property safety and health</li> </ul>
Property managers	<ul style="list-style-type: none"> <li>Monthly and/or quarterly reporting</li> </ul>	<ul style="list-style-type: none"> <li>Energy usage</li> <li>Security</li> <li>Property maintenance</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Townhall/dialogue</li> <li>Performance appraisals</li> </ul>	<ul style="list-style-type: none"> <li>Staff benefits</li> <li>Professional development – trainings attended/ training hours</li> <li>Talent retention</li> <li>Workplace safety and health</li> </ul>
Suppliers/ vendors/ service providers	<ul style="list-style-type: none"> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Business practices</li> <li>Credibility/ qualification</li> </ul>
Local Community	<ul style="list-style-type: none"> <li>Philanthropic activities</li> </ul>	<ul style="list-style-type: none"> <li>Social contribution</li> </ul>

## ARREIT'S MATERIAL SUSTAINABILITY MATTERS ("MSMs")

Guided by the definition of materiality prescribed by Bursa, AKRM's Senior Management has, with the facilitation of an external consultant, undertaken a materiality assessment of ARREIT's sustainability matters. Senior Management, led by the CEO, has identified the following MSMs for ARREIT:

Material Sustainability Matters	Description
Health, Safety and Security	ARREIT places utmost importance on the health, safety and security of people. ARREIT aims to create a secure and safe environment for the users of its properties as well as a healthy and safe workplace for its employees.
Growth and Financial Stability	ARREIT's main investment objective is to continuously provide sustainable returns to its Investors and Unitholders and nurture quality growth of its portfolio. Hence, maintaining financial stability and sustainable growth is key to obtaining continuous support from Investors and Unitholders.
Property Maintenance and Enhancement	ARREIT's properties are the key tangible assets which bring income to the business. It is thus important for ARREIT to continuously ensure its properties are fit for use and are able to command market demand. This includes regular maintenance of ARREIT's properties with due consideration given to the environmental and social impacts of properties, such as resource use and safety.
Compliance with Laws and Regulations	It is crucial for AKRM to comply with relevant laws and regulations insofar as they relate to ARREIT's business. It is a responsibility for AKRM to play a part in ensuring regulatory requirements are complied with in protecting society and stakeholders which the law and regulations are enacted to protect. Moreover, AKRM has to ensure compliance with laws and regulations to enable ARREIT to continue to operate legally.
Business Practices and Integrity	AKRM believes that a healthy business environment can be fostered by businesses upholding integrity and adopting ethical business practices. This will lead to a business instilling confidence and trust in the relationship between ARREIT and its stakeholders.
Talent Retention, Succession Planning, and Professional Development	In a business world where innovation and intellectual capital is increasingly vital to value creation, AKRM places strong emphasis on investment in human capital development for ARREIT operations. Without the presence of suitable talents, skills and leadership in management, ARREIT would not be able to optimise value even in the most ideal presence of all other business factors.

## HEALTH, SAFETY AND SECURITY

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

### Health, Safety and Security of ARREIT's Properties

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

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

# SUSTAINABILITY STATEMENT

## (CONT'D)

For the financial year under review, all ARREIT's properties within the scope of this Sustainability Statement, save for vacant properties, have successfully obtained renewal of Fire Certificates.

As for ARREIT's vacant properties, including Gurun Automotive Warehouse and AIC Factory, AKRM has ensured closed-circuit televisions are installed and security guards are deployed on-site to prevent unauthorised access and use of ARREIT's properties.

### Health, Safety and Security at the Workplace

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

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

### GROWTH AND FINANCIAL STABILITY

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

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

### PROPERTY MAINTENANCE AND ENHANCEMENT

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

#### Maintenance of Properties

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

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

For the financial year under review, the contract of a Property Manager which expired was renewed with due consideration given to, amongst others, the service quality of maintenance of properties.

#### Property Enhancement and Refurbishment

ARREIT has in place scheduled Asset Enhancement Initiatives which set out a plan for the carrying out of property enhancement activities for each of its properties.

Major property enhancement and refurbishment works conducted for the financial year under assessment are detailed in the Management Discussion and Analysis section of this Annual Report.



## Resource Conservation

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

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

In light of recent technological advancements, ARREIT is considering the economics of investing in resource conservation initiatives where resource use may be reduced while enhancing property value. In 2018, ARREIT had an opportunity to collaborate with Segi University to embark on a project to install solar panels for the SEGi University building. The installation has been completed in January 2019 and is currently at the testing and commissioning phase as of the date of this Statement.

## COMPLIANCE WITH LAWS AND REGULATIONS

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

AKRM views compliance issues seriously and has dedicated a specific role – i.e. Compliance Officer – to ensure AKRM and ARREIT comply with relevant legal and regulatory requirements, with added focus on law, regulations or guidelines relevant to a REIT which is governed by the Securities Commission Malaysia and Bursa.

Amongst others, the Compliance Officer's role is to ensure AKRM as the manager of ARREIT maintains its Capital Markets Services Licence, and that ARREIT's properties remain compliant with laws and regulations which may impede continuous operations, in particular Bursa's Main Market Listing Requirements and the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia. The Compliance Officer also receives regular updates on developments of key legal and regulatory requirements, such as the new Guidelines on Real Estate Investment Trusts issued by Securities Commission in March 2018 as well as amendments to the Malaysian Anti-Corruption Commission Act 2009 gazetted in May 2018.

In addition, where available, compliance trainings are provided to relevant personnel of AKRM to keep them updated on recent developments, at the cost of AKRM where training cost is incurred. For the financial year under review, compliance-related trainings attended by all AKRM's employees, including Senior Management, include the following:

- Briefing on SC ComRep Platform by Securities Commission Malaysia; and
- Industry Briefing on Enhancement to Continuing Professional Education Framework by Securities Commission Malaysia.

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

## ETHICAL BUSINESS PRACTICES AND INTEGRITY

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

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

# SUSTAINABILITY STATEMENT

## (CONT'D)

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

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

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

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

### **Whistleblowing Mechanism**

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

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

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

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

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

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

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

# SUSTAINABILITY STATEMENT

## (CONT'D)

In order to retain talents, AKRM incentivises employees by rewarding performance with bonuses and career advancement opportunities. Given the benefit of being a part of a larger group, i.e. AmanahRaya Group, AKRM's performing employees are provided with opportunities for internal transfer or promoted to other functions within the AmanahRaya Group to enhance their working experience. Likewise, AKRM is also open to a wider pool of talents and skills at AmanahRaya Group from which it may be able to source candidates when required. AmanahRaya Group Human Capital Division has also devised a succession plan for Senior Management of AKRM to ensure continuity in leadership and business operations in case of leadership change or expansion of business.

In AKRM's efforts to support employees' professional development, employees are provided with trainings at the cost of AKRM. For the financial year under review, trainings attended by AKRM's employees ranged from technical skills to personal development skills, the subject matters of which are summarised as follows:

- financial reporting standards;
- English program;
- solvency test and solvency statement;
- transition from Goods and Services Tax to Sales and Services Tax;
- financial and business reporting;
- talent management and succession training;
- creative thinking for innovation;
- enhancing workplace productivity;
- anti-money laundering and fraud in digital economy;
- cryptocurrency and money laundering;
- compliance management strategy during conflict of interest; and
- The 5th Edition REITS Asia Pacific Conference.

### Conclusion

Pursuant to its aim of delivering sustainable performance of ARREIT, AKRM continues to adopt practical measures and initiatives as part of its corporate strategy towards addressing issues on economic, environmental and social elements that have a material impact on ARREIT business on an ongoing basis.

# STATEMENT OF CORPORATE GOVERNANCE

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

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

## THE MANAGER OF ARREIT

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

Other main functions of the Manager are as follows:

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

## DIRECTORS OF THE MANAGER

### The Board of Directors

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

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

# STATEMENT OF CORPORATE GOVERNANCE

## (CONT'D)

### Board Balance and Composition

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

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

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

### Board Meetings

Board meetings are scheduled regularly at least once every quarter. Special Board meetings are also held to discuss urgent issues, as and when necessary. Throughout 2018, seven (7) Board meetings were held, three (3) of which were Special Board meetings. Pursuant to the MMLR, all Directors have complied with the requirement to attend at least 50% of Board meetings held in a financial year. The number of meetings attended by each Director during the financial year ended 31 December 2018 ("FYE2018") are as follows:-

Directors	Designation	Attendance
Mahadzir bin Azizan(a)	Independent Non-Executive Director	7/7
Dato' Anthony @ Firdauz Bin Bujang	Independent Non-Executive Director	7/7
Dato' Haji Che Pee bin Samsudin	Independent Non-Executive Director	5/7
Adenan bin Md Yusof	Non-Independent Non-Executive Director	7/7
Ahmad Suhaimi Bin Endut	Non-Independent Non-Executive Director	6/7
Akihiro Nakao	Non-Independent Non-Executive Director	7/7
Michio Izawa	Non-Independent Non-Executive Director	7/7
Zulazman bin Zulkifli(b)	Independent Non-Executive Director	-
Dato' Sri Ikmal Hisham bin Abdul Aziz(c)	Independent Non-Executive Director	3/4

Notes:-

(a) Redesignated as Chairman of the Board with effect from 11 February 2019

(b) Appointed with effect from 11 February 2019

(c) Resigned with effect from 1 June 2018

### Access to and Supply of Information and Advice

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

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

# STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

## Appointment to the Board

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

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

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

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

## Directors' Remuneration

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

## Directors' Training

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

During the financial year ended 31 December 2018, the Directors have attended the trainings as indicated below:-

Director	Date	Organiser	Title of Program
Mahadzir bin Azizan	2 August 2018	Amcorp Group Berhad	Tax Workshop - Capital Statement
	29 August 2018	Libra Invest Berhad	AMLA 2018
	30 November 2018	Amcorp Group Berhad	2019 Budget Tax Proposals
	3-4 December 2018	Securities Industry Development Corporation ("SIDC")	Compliance Management Strategy During Conflict of Interest, Combating Money Laundering and Fraud in A Digital Economy and Cryptocurrency & Its Implication on Money Laundering Activities
Dato' Haji Che Pee bin Samsudin	27 June 2018	Malaysian Institute of Corporate Governance ("MICG")	Seminar for Directors on Preparation for Corporate Liability on Corruption
	30 October 2018	Aram Global Sdn. Bhd.	Anti-Corruption Summit 2018
	3-4 December 2018	Securities Industry Development Corporation ("SIDC")	Compliance Management Strategy During Conflict of Interest, Combating Money Laundering and Fraud in a Digital Economy and Cryptocurrency & Its Implication on Money Laundering Activities

# STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

During the financial year ended 31 December 2018, the Directors have attended the trainings as indicated below:-

Director	Date	Organiser	Title of Program
Dato' Anthony @ Firdaus bin Bujang	24-25 January 2018	Oil and Gas Council	Asia Pacific Energy Assembly 2018
	29 January 2018	Petra Energy Berhad	Townhall Meeting 2018 & HSE Walking Without Texting Awareness
	20-23 March 2018	The Offshore Technology Conference Asia	Offshore Technology Conference Asia (OTC) 2018
	3 August 2018	KPMG	Audit Committee Institute Breakfast Roundtable 2018
	7 August 2018	Aram Global Sdn. Bhd.	The Latest Updates on M-REITs Seminar 2018
	25 September 2018	Petra Energy Berhad	Safety Day 2018
	30 October 2018	Aram Global Sdn. Bhd.	Anti-Corruption Summit 2018
	18 December 2018	Securities Commission Malaysia	Celebration of the 30% Club Board Mentoring Scheme
Ahmad Suhaimi bin Endut	30 October 2018	Aram Global Sdn. Bhd.	Anti-Corruption Summit 2018
Adenan bin Md Yusof	27 June 2018	Malaysian Institute of Corporate Governance	Seminar for Directors on Preparation for Corporate Liability on Corruption
	3-4 December 2018	Securities Industry Development Corporation ("SIDC")	Compliance Management Strategy During Conflict of Interest, Combating Money Laundering and Fraud in a Digital Economy and Cryptocurrency & Its Implication on Money Laundering Activities
Akihiro Nakao	7 August 2018	Aram Global Sdn. Bhd.	Latest Updates on M-REITs Seminar 2018
	29 August 2018	Malaysian Institute of Accountants ("MIA")	Risk Management Conference 2018
Michio Izawa	7 August 2018	Aram Global Sdn. Bhd.	Latest Updates on M-REITs Seminar 2018

## The Board Committees

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

- The Audit Committee; and
- The Investment Committee.

# STATEMENT OF CORPORATE GOVERNANCE

## (CONT'D)

### AUDIT COMMITTEE

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

The Audit Committee 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 ARREIT and the Manager as well as the portfolio under management and ensuring compliance with all relevant laws and regulations;
- Initiating investigation in respect of activities within its terms of reference and to seek for information it requires from the management and/or any employee;
- Obtaining external legal or other independent professional advice, opinion and/or reports and to secure the attendance of external parties with relevant experience and expertise as and when necessary;
- Reviewing, together with external auditors, the audit plan, scope of the audit and areas of audit for ARREIT and the Manager;
- Discussing and highlighting any problems arising from the audit exercise and/or any other matters raised by external auditors;
- Reviewing external auditors' letters and reports and response from the management;
- Reviewing the audit report prepared by external auditors;
- 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 authorising it to carry out the audit works;
- Reviewing all financial results and financial statements and all portfolios under management;
- Reviewing and highlighting any related-party transactions; and
- Ensuring that the policy, strategy and operations of ARREIT and the Manager are in compliance with all relevant laws and regulations.

The members of the Audit Committee are as follows:

- Dato' Che Pee bin Samsudin (Chairman)  
*(appointed as Chairman with effect from 11 February 2019)*
- Akihiro Nakao
- Zulazman bin Zulkifli  
*(appointed with effect from 11 February 2019)*
- Mahadzir bin Azizan  
*(ceased to be Chairman with effect from 11 February 2019)*

*Note: Encik Mahadzir bin Azizan was the Chairman of the Audit Committee for FYE2018. On 11 February 2019, he was redesignated as Chairman of the Board and Dato' Che Pee bin Samsudin was appointed as the new Chairman of the Audit Committee.*



# STATEMENT OF CORPORATE GOVERNANCE

## (CONT'D)

### INVESTMENT COMMITTEE

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

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

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

The members of the Investment Committee are as follows:

- Dato Anthony @ Firdauz bin Bujang (Chairman)  
*(appointed as Chairman with effect from 11 February 2019)*
- Adenan bin Md Yusof
- Michio Izawa
- Zulazman bin Zulkifli  
*(appointed with effect from 11 February 2019)*
- Mahadzir bin Azizan  
*(ceased to be Chairman with effect from 11 February 2019)*

*Note: Encik Mahadzir bin Azizan was the Chairman of the Investment Committee for FYE2018. On 11 February 2019, he was redesignated as Chairman of the Board and Dato' Anthony @ Firdauz bin Bujang was appointed as the new Chairman of Investment Committee.*

# STATEMENT OF CORPORATE GOVERNANCE

## (CONT'D)

### COMPANY SECRETARY

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

### ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

#### Financial Reporting

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

#### Relationship with External Auditors

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

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

#### Internal Control

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

#### Compliance Officer

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

### MANAGEMENT OF BUSINESS RISK

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

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

# STATEMENT OF CORPORATE GOVERNANCE

## (CONT'D)

### RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

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

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

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

### INTERNAL AUDIT FUNCTION

Internal auditing is an independent, objective assurance and consulting services designed to add value and improve the Manager's operations. It actively facilitates the Manager to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance processes. The internal audit function of the Manager was carried out by an in-house Group Internal Audit Division ("GIAD") and is led by the Head of Internal Auditor which reports directly to the Audit Committee, has the principal responsibility for undertaking a regular and systematic review of the systems and internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

### WHISTLEBLOWING POLICY

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

### COMMUNICATION WITH UNITHOLDERS

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

ARREIT has also established a systematically maintained corporate website, [amanahrayareit.com.my](http://amanahrayareit.com.my), allowing the unitholders and public to keep abreast with the development of ARREIT at all times.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

## THE BOARD’S RESPONSIBILITY

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

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

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

- An operational manual has been established to outline the structure and framework in managing the overall operations of the Manager. The operational manual includes inter-alia policies and procedures on acquisition and disposal of properties, property management processes, financial and operational reporting as well as continuing listing and compliance obligations. The operational manual is subject to periodical review and will be updated as and when necessary;
- Authority limits have been specified for the operations of ARREIT including but not limited to approvals on investments and divestments, banking facilities, capital and operating expenditure as well as engagement of services from external parties. Approvals from the Trustee and the Board are required for matters of certain threshold limits whereas those which do not exceed the threshold limits are delegated to other Board committees or the Chief Executive Officer to facilitate operational efficiency. A set of other authorised personnel have also been identified to approve and release payments for transactions with prior approval in accordance with the authority limits;
- The Manager has adopted a group wide Integrity Plan and Code of Business Ethics towards 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, whistleblowing 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 2018 amounted to RM10,299. 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 ARREIT’s activities and for identifying, evaluating and managing the significant risks faced by ARREIT. The Chief Executive Officer is entrusted to manage the daily operations of the Manager and ARREIT and holds the responsibility of leading the respective heads of departments towards achieving the identified objectives;

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

- In order to maintain quality and efficiency, the Manager's personnel across all functions are given the opportunity to attend relevant trainings. A systematic staff performance appraisal mechanism has also been adopted to ensure adequate and sufficient rewards are awarded to well deserving personnel;
- The AC conducts reviews on issues relating to the effectiveness of the internal control system raised by internal and external auditors, regulatory authorities and the management. Where a weakness on internal control mechanism is identified, the AC shall ensure that appropriate remedial action is taken by the management;
- The IC reviews and scrutinises all investment, divestment and fund-raising proposals recommended by the management. The reviewing process includes identification of risks involved in such activities towards ensuring that ARREIT is managed in accordance with its objectives. The IC also holds the responsibility of actively monitoring the performance of the Manager and ARREIT; 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 risk management and internal control system adopted by the Manager is adequate and sufficient to ensure good corporate governance for ARREIT. Assurance had been received from the Chief Executive Officer that the risk management and internal control system of the Manager in relation to managing the operations of ARREIT, is operating adequately and effectively, in all material aspects, based on the risk management and internal control system set in place by the Manager.

This Statement has been tabled and approved by the Board on 14 February 2019.

# PROPERTY MARKET OVERVIEW

## ECONOMY

The Malaysian economy showed a moderating trend in 2018 after a better than expected growth of 5.9% in 2017. Based on the interim data that was available, the economy seemed to have grown slower than expected in 2018 with growth rates of 5.4% in Q1 2018, 4.5% in Q2 2018 and 4.4% in Q3 2018. The reason behind the slowdown was the weakening global demand as the moderation was reflected globally. Private sector expenditure remained vital to the national growth of Malaysia as it grew at a pace of 8.5% in Q2 2018 (Q1 2018: 7.5%), while public sector spending recorded positive growth of 1.1% in comparison to the quarter before that (Q2 2018: -1.4%). The zeroisation of GST saw private consumption grew at 9.0% in Q3 2018 (Q2 2018: 8.0%). The implementation of Sales and Service Tax (“SST”) has yet to show its effects on the Malaysian market but it is expected to occur in the first few quarters of 2019.

The supply side of the Malaysian economy was heavily affected by the lingering commodity-specific supply shocks but the expansion of the services, manufacturing and construction sector remained robust as the sectors contributed 82% of the total GDP. Gas prices have been a key factor in the development of the mining sector. Malaysia’s mining sector saw a contraction in the third quarter of 2018 as the natural gas production was affected by unplanned supply disruption and repairs in East Malaysia. In the first half of 2018 oil prices rose as high as USD74.15, which saw intensive production from the major oil-producing countries. Due to adverse weather in the second half of 2018, Malaysia’s agriculture sector also saw slow growth. The tax holiday due to the zeroisation of Good and Service Tax (“GST”) saw the services sector blossomed throughout the country growing at 6.5% in the first half and continued to be the catalyst of growth in Malaysia. Wholesale and retail trade saw a growth of 9.1% in the third quarter improving by 2.1 percentage points from the previous quarter. The growth of retail trade was the fastest among the sub-sectors in the wholesale and retail trade. It grew by 12.1% contributed largely by the retail sale of cultural and recreational goods in specialised stores (14.4%) and retail sale of other goods in specialised stores (13.9%).

The labour market in Malaysia remained resilient even though the unemployment rate increased by 0.1 percentage points in the third quarter of 2018 to 3.4% after maintaining 3.3% in the last few quarters. The slight increase in the unemployment rate was due to the increase in the labour participation rate in Malaysia which hit a high of 68.5% near the end of 2018. Wages also saw a hike as compared to 2017. In the first half of the year, wages rose by 5.7% mainly driven by the wage growth in the services sector (3.9%) and the export-oriented sub-sectors, which grew at a strong double-digit of 10.6%.

**Figure 1.1: Key Economic Indicators**



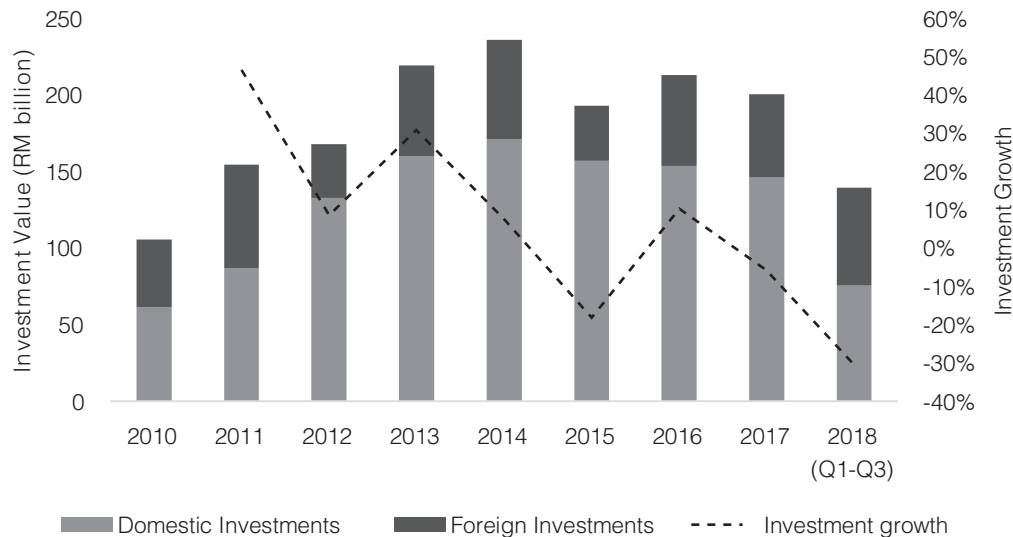
Source: Department of Statistic Malaysia, Bank Negara Malaysia

# PROPERTY MARKET OVERVIEW (CONT'D)

As of September 2018, Malaysia's total investment was recorded at RM139.3 billion, which was 14.9% higher against the corresponding period last year of RM118.5 billion. The foreign direct investments were mainly from China (32.0%), Indonesia (18.4%), Netherlands (17.0%), United States (6.3%), South Korea (4.9%) and Japan (4.3%).

In terms of the absolute investments, the heavy production due to the inventory building by China and the increased demand in Europe and the US had contributed to the huge growth in investments of RM200.6 billion in 2017 as compared to RM139.9 billion in September 2018. The high growth experienced in 2017 resulted in the slight moderation in 2018.

**Figure 1.2: Approved Domestic and Foreign Investments, 2010-2018 (Q1-Q3)**



Source: Malaysia Investment Development Authority (MIDA)

The headline inflation for 2018 was estimated to be at an average of 1.1% against 3.7% in 2017. The decline in headline inflation was mainly attributed to the low food inflation and the reinstatement of fuel subsidies, falling 4.5% y-o-y in November 2018.

Alcoholic beverages and tobacco rose by 0.2 percentage points y-o-y as there was a hike in tobacco price in 2018 as a result of SST implementation. For 2019, Bank Negara Malaysia projects that headline inflation will increase mainly because of the higher projected oil prices and the implementation of floating fuel prices.

The Consumer Sentiment Index ("CSI") showed that in 2018, consumers were very optimistic throughout the year especially in Q2 2018 as the CSI skyrocketed up to 132.9 points, which was a 20-year high for the country. The index then fell slightly in Q3 2018 to 107.5 points, which was still above the 100-point demarcation threshold. The high optimism was mainly fuelled by the change in government after the general election (GE 14) but the euphoria started to soothe down at the end of the year. Income and employment outlook were also the main contributors of the optimism. The expected increase in minimum wage and the high employment of capital-intensive industries especially from the quarrying sector specifically the oil and gas sector contributed to the optimism.

On the business confidence, the Business Confidence Index for 2018 showed signs of a slowdown ahead. Optimism slipped by 7.5 points in Q3 2018 to set at 108.8 points but still remained resilient as compared to 103.0 points in the same review period of 2017. The index in the third quarter was supported by increases in new domestic orders as well as the new exports order, which grew by 1.0 point and 9.3 points respectively. While Production Index registered a slight decline of 4.4 points q-o-q from 57.7 points in Q2 2018 to 53.5 points in Q3 2018 contributed by the fall of export-oriented industries index. Generally, the moderation of global demand throughout 2018 had affected Malaysia and other export-oriented countries.

# PROPERTY MARKET OVERVIEW

## (CONT'D)

The Overnight Policy Rate ("OPR") of Malaysia hiked to 3.25% in January 2018 and remained unchanged until November 2018. The 25-basis-point increase, which corresponded to the floor and ceiling rates were also raised to 3.0% and 3.5% respectively in early 2018. The strengthening of the global economy in 2017 with growth becoming more entrenched and parallel across nations contributed to the national bank's monetary stance. Strong external demand in Asian countries and stable financial market influenced Malaysia's OPR. Bank Negara Malaysia ("BNM") maintained the OPR, although there were signs of moderation as global expansion still continued.

Bank Negara Malaysia has revised its GDP forecast from 5.5% - 6.0% to a more pessimistic 5.0% growth for 2018. Malaysia is still expected to sustain steady growth despite global trade tensions and tighter financial conditions. In 2019, growth is expected to be driven by the private sector activities as the country goes through the contraction of its public sector expenditure.

### OFFICE

During the review year of 2018, new completion outweighed net absorption. In the Klang Valley, about 2.5 million sq. ft. of completion was recorded in 2018 as compared to 2.4 million sq. ft. in 2017. Among the completed offices throughout 2018, to include KL Eco City Tower 2 (530,000 sq. ft.), Etiqa Bangsar (380,000 sq. ft.), Southpoint Mid Valley (490,000 sq. ft.), Equatorial Plaza (460,000 sq. ft.) and Sunway Visio Tower (243,000 sq. ft.). While the pipeline supply remained high with approximately 14.7 million sq. ft. of net lettable area will be available up to the year 2021. The year 2019 will be marked by the entry from Tun Razak Exchange ("TRX") in early 2019, offering approximately 3.0 million sq. ft. from two buildings namely The Exchange 106 (2.65 million sq. ft.) and Prudential Tower (392,000 sq. ft.).

The market continued to be competitive as demand was limited and supply remained high which led to a marginal decline on the occupancy rate in Kuala Lumpur, from 81.2% in 2017 to 80.9% in 2018. Most of the tenant movement was for the upgrading of their current space.

The office sector in Kuala Lumpur is heavily influenced by the global crude oil prices with the oil and gas industry taking up 33% of the total office market within the KL city. The uncertain crude oil prices due to the Organisation of the Petroleum Exporting Countries ("OPEC") cuts will continue to have an impact on the office sector. The office sector is expected to continue to struggle with the high number of new supply, low occupancy on newly completed offices and economic uncertainties.

However, increasing numbers of co-working and serviced office has helped to fill up the office space in Kuala Lumpur. Hong Kong based Compass Offices has opened a 30,000 sq. ft. of co-working space, occupying three floors at Menara Standard Chartered. American operator, WeWork will also penetrate the co-working market in Kuala Lumpur with its biggest co-working space in Southeast Asia. It will be opened in 2019 at Equatorial Plaza and take up space of about 100,000 sq. ft.

**Table 2.1: Selected Office Developments in Klang Valley**

Office Buildings	Location	Net Lettable Area (sq. ft.)	Expected Completion
Prudential Tower (TRX)	Jalan Tun Razak	392,000	2019
The Exchange 106 (TRX Signature)	Jalan Tun Razak	2,650,000	2019
YTL HQ	Jalan Bukit Bintang	324,000	2019
Menara TCM	Jalan Tun Razak	403,597	2019
Menara Felcra	Jalan Semarak	1,121,234	2020
Menara Hap Seng 3	Jalan P Ramlee	240,000	2020
Sapura Tower	Jalan Kia Peng	1,180,000	2020
Merdeka PNB118	Jalan Maharajalela	1,700,000	2020
Oxley Tower	Jalan Ampang	346,000	2020
BBCC The Stride (Strata)	Jalan Pudu	394,000	2020
HSBC Tower (TRX)	Jalan Tun Razak	568,000	2020
Affin Bank Tower (TRX)	Jalan Tun Razak	576,000	2020
Riveria City - The Riv (Phase 1)	Jalan Tubing	414,000	2020
OLC Office Tower 1	KLCC area	1,150,000	2021
Bangunan MAS (PNB Lot 1194)	Jalan Sultan Ismail	165,000	2021



# PROPERTY MARKET OVERVIEW

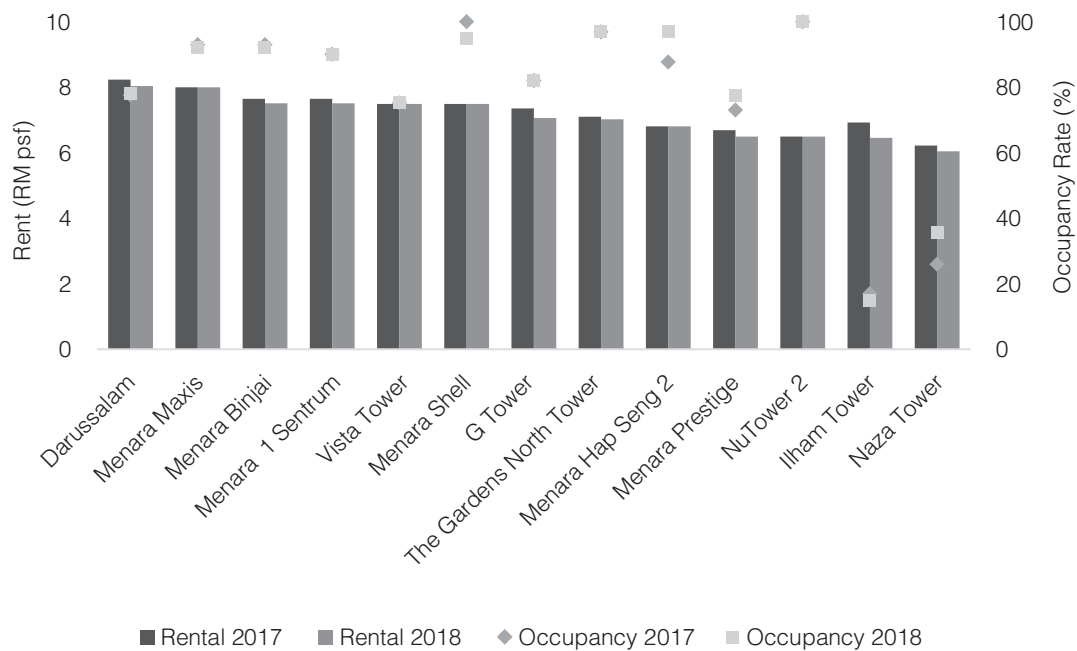
(CONT'D)

Office Buildings	Location	Net Lettable Area (sq. ft.)	Expected Completion
The MET Corporate Towers - The North Tower	Jalan Duta	450,000	2021
The MET Corporate Towers - The South Tower	Jalan Duta	150,000	2021
KL Eco City, Corp Ofc Tower (COT-1)	Jalan Bangsar	756,000	2021
New Tradewinds Square - Tower A	Jalan Sultan Ismail	1,000,000	2022
New Tradewinds Square - Tower D	Jalan Sultan Ismail	260,000	2022
Pavilion Damansara	Damansara Link	1,500,000	2022
<b>TOTAL</b>		<b>15,739,831</b>	

Source: NTL Research & Consulting, 2019

Due to the high influx of supply in the office market, declined occupancy in the prime office buildings was pushing the rental downwards. On average, prime rentals were between RM6.00 – RM10.00 per sq. ft. in 2018.

Figure 2.1: Occupancy and Average Asking Gross Rental Rates of Selected PBOs



Source: NTL Research & Consulting, 2019

# PROPERTY MARKET OVERVIEW

## (CONT'D)

**Table 2.2: Major Office Transactions**

Office Buildings	Location	Net Lettable Area (sq. ft.)	Transacted Price (RM per sq. ft.)	Quarter 2018
Menara Mont Kiara	Jalan Kiara	171,992	429	Q1
Wisma UOA Pantai	Jalan Pantai Baharu	294,535	407	Q2
Balai Berita Bangsar	Jalan Riong	327,321	363	Q3

*Source: NTL Research & Consulting, 2019*

In 2018, Malaysia leapfrogged from the 24<sup>th</sup> to 15<sup>th</sup> spot in the World Bank's ease of doing business mainly due to the government initiative of introducing the Pemudah Task Force to facilitate businesses in terms of its fiscal incentives.

The highly competitive market and the low incoming new demand are the main contributors to the current lethargic trend of the office demand and it is expected to be carried forward to 2019.

### HOTEL

In line with the other sectors in Malaysia, the tourism sector also saw its tourist arrival target had been scaled down from the initial target of 33.1 million tourists in 2018 and 34.5 million in 2019 to 26.4 million and 28.1 million respectively. From the target, Malaysia was projected to earn RM84.9 billion and RM92.2 billion in 2018 and 2019. The moderating economic factors globally were the main reason behind the slowdown of the tourism sector in Malaysia. The downward revision means that Malaysia is set to go five straight years of missing its target in terms of inbound tourists in the Tourism National Key Economic Areas strategic plan.

Despite all the challenges, the tourism sector remains robust in its contribution to the national economy with the sector contributing 14.9% of the total national economy in 2017 mainly contributed by retail trade (44.8%), food and beverage (16.3%) and accommodation (12.8%) of total tourism Gross Domestic Product ("GDP"). Malaysia was ranked 63<sup>rd</sup> in the world in terms of the total travel and tourism contribution to GDP in 2017 above China (ranked 75<sup>th</sup>) and Indonesia (ranked 152<sup>nd</sup>).

Malaysia saw a declining total number of tourist arrivals 2018 as compared with tourist arrivals in 2017. As of Q3 2018, 19.39 million arrivals were registered, while the entire 2017 recorded 25.95 million arrivals. The downtrend was contributed by the decrease in the arrivals from major markets such as Singapore and Brunei. However, increasing arrivals from the other major markets such as Indonesia, China, Thailand, South Korea and India were recorded.

With the decline on the tourist arrivals, Malaysia recorded tourist receipt of RM61.85 billion in Q3 2018. While the projected receipt for 2018 is RM84.9 billion as compared with RM82.17 million achieved in 2017.

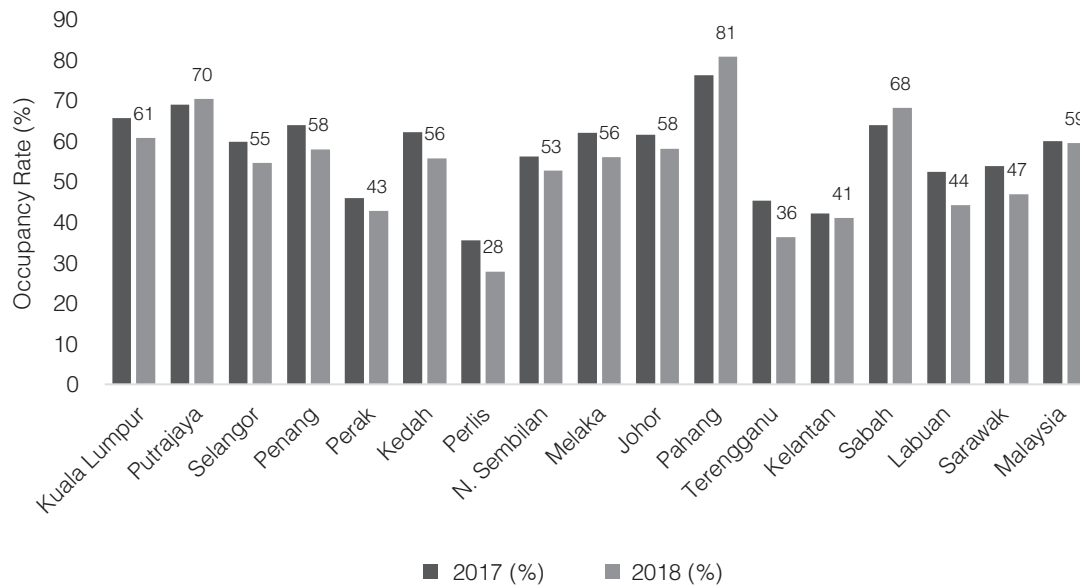
The hotel establishment in Malaysia is forecasted to expand at 2.73% annually since 2013. According to National Property Information Centre ("NAPIC"), Malaysia registered a total number of 3,188 hotels and 255,270 rooms in Q3 2018, as compared with 3,122 hotels and 245,660 rooms in Q3 2017, reflecting a growth of 2% and 4% y-o-y, respectively. The 3-5-star hotels make up only 19% of the total establishments, nevertheless, it contributes 55% of the total rooms. In terms of incoming supply, about 20,300 rooms offered by 102 hotels are being constructed, and 14,000 rooms from 81 hotels are being planned.

Most of the states in Malaysia saw a fall in its occupancy rate with Pahang, Putrajaya and Sabah being the only three exemptions. As of H1 2018, Malaysia's occupancy rate fell to 59% from 60% in H1 2017, due to a drop in the number of domestic hotel guests which was partly contributed by the alternative accommodation such as Airbnb and homestay. Overall, Malaysia's hotel guests had recorded a marginal drop of 0.2% y-o-y to 35.7 million in H1 2018 from 35.8 million in H1 2017. In 2017, about 77.3 million hotel guests were recorded which was dominated by domestic guests of 64%. During the review period of H1 2018, Kuala Lumpur contributed the highest total hotel guests by having about 20% of total hotel guests, of which almost 60% was foreign guests.

The hospitality industry in Kedah contributed 6% of the nation's total hotels and rooms, totaling 178 hotels and 16,568 rooms. About half of the establishments are city hotels and 40% are beach hotels. The 3-5-star properties constitute 20% of the total hotels, nonetheless, it contributes almost 50% of the total rooms. Despite lacking significant catalysts, there are six incoming hotels with about 800 rooms which are being constructed. There are more hotels are being planned, especially in Langkawi which will have an additional of about 1,500 rooms from six proposed hotels to serve the tourism industry. Declining tourist arrivals was also recorded in Langkawi. The island saw a slip on tourist arrivals from 3.7 million in 2017 to 3.6 million arrivals in 2018. With the latest expansion of the Langkawi International Airport ("LGK"), it is expected to enhance Langkawi's tourism sector and generate RM9 billion worth of revenue by 2020.

As the nation registered declining occupancy rate, Kedah also saw a fall in its occupancy rate, from 62% in H1 2017 to 56% in H1 2018.

**Figure 3.1: Average Occupancy Rates of Hotels in Malaysia, January-June 2017/2018**



Source: Tourism Malaysia

With Visit Malaysia 2020 approaching, the main tourist destinations in Malaysia are expected to remain vibrant. In Budget 2019, the federal government has allocated RM100 million to the private sectors to aid for the promotion of international tourism. In addition, RM500 million through SME Bank has also been allocated to enhance local products and homestay industries.

Moving forward, the hotel sector is expected to remain sluggish as the moderation of the global economy seems flattish. A complete restructuring of inbound tourism is expected to be conducted by the government. Fiscal initiatives through tax are being carefully studied in order to generate interest in Malaysian tourism. The proposition of distributing 50% share of tourism tax between the federal government and the state governments will increase the total income of states from their tourism sector. The increasing number of visitors from China is expected to continue following suit of this year's 37.2% growth that overtook Indonesia as the top inbound nation into Malaysia. The introduction of the Electronic Travel Registration and Information ("RI") and e-visa facilities are facilitating tourists from China. The year 2019 is hoped to be an encouraging year for the tourism industry as a whole.

# PROPERTY MARKET OVERVIEW

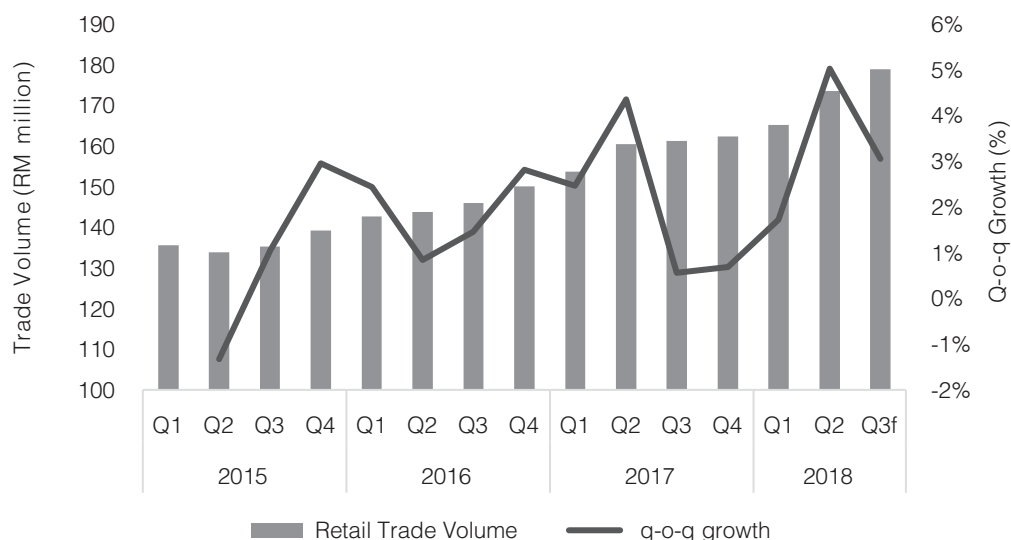
(CONT'D)

## RETAIL

In 2018, the market saw the retail sector remained resilient, recording growth of 5.7% in Q1, 2.1% in Q2, 6.7% in Q3, and an estimate of 4.3% for Q4. The forecast for the year 2018 has been positively revised to 4.3% from an earlier estimate of 4.1% by Retail Group Malaysia ("RGM").

The Department of Statistics Malaysia reported that as of Q3 2018, retail trade accumulated sales value of RM128.1 billion with a growth of 12.9% y-o-y. The momentum of growth of the retail sub-sector was heavily contributed by the retail sales of non-specialised stores category (15.1%), specialised stores (14.5%), and petrol station sales (12.9%). The retail sector also contributed 1.1 million employment during the review period, which was a 2.6% growth y-o-y.

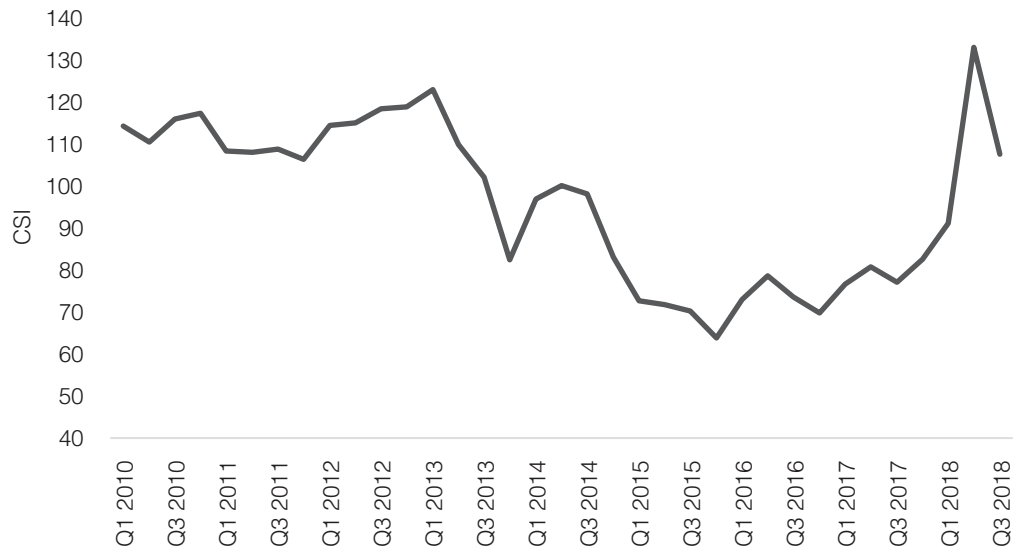
**Figure 4.1: Retail Trade Volume and Growth Q1 2015-Q3 2018**



Source: Department of Statistics Malaysia

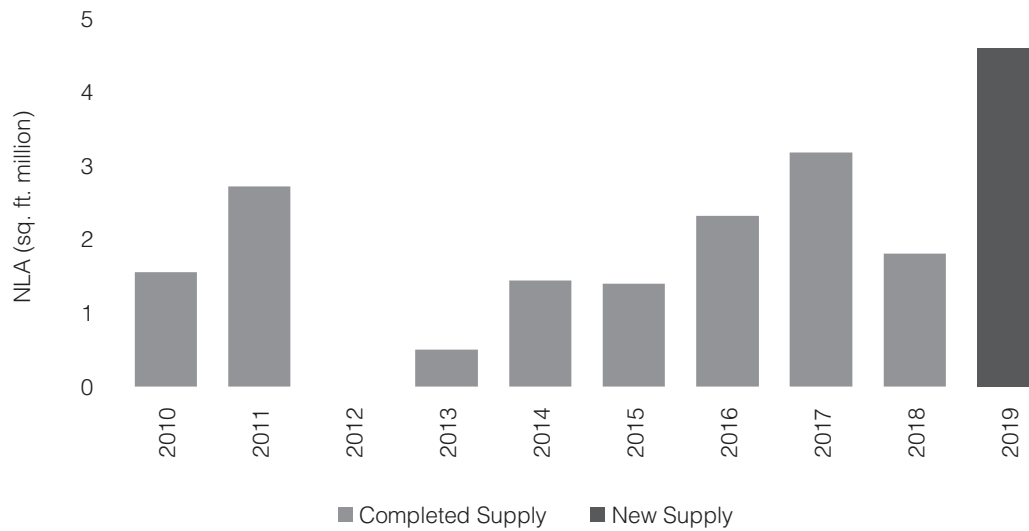
The increase in acceleration of growth in the second half of 2018 was mainly attributed by the improvement in consumer confidence in Malaysia. With private consumption remained as a catalyst for Malaysian economic growth, the rapid hike of the Consumer Sentiment Index ("CSI") saw higher expenditure in the retail sector. For the first time in the past 14 quarters, the CSI in Q2 2018 rose above the demarcation level of 100 points optimism threshold at 132.9 points. This was the highest recorded CSI in over 20 years. However, CSI then dipped slightly in the third quarter to 107.5 points as the election euphoria started to settle down. The rise in income, the expected rise in income and also the employment prospects contributed to consumer confidence in Malaysia. With the new government announcing the rise in minimum wage and the possibility of it to be raised further in the near future, this has also caused the consumer sentiments to remain buoyant in 2018.

**Figure 4.2: Consumer Sentiment Index**



Source: Malaysia Institute of Economic Research (MIER)

**Figure 4.3: Retail Supply in Kuala Lumpur**



Source: NTL Research & Consulting, 2019

# PROPERTY MARKET OVERVIEW

## (CONT'D)

The first quarter of 2018 showed signs of a more challenging retail market in Malaysia as Parkson followed the footsteps of Giant, AEON, and Tesco, closing their outlets at Maju Junction and Sungei Wang after a long three decades of presence in the market. In the same quarter, M Square Mall (350,000 sq. ft.) opened its doors as a part of an integrated township in Puchong. In Q2 2018, KL city centre welcomed the opening of a 65-storey Four Seasons Place Kuala Lumpur, comprising a hotel, private residences, serviced apartments and an upscale shopping mall. The mall, Shoppes at Four Seasons Place houses Singapore-founded Robinsons, a departmental store with net lettable area ("NLA") of 250,000 sq. ft. spreading across four floors. In the following quarters, the retail market saw the opening of 163 Retail Park (300,000 sq. ft.) and KL Eco City Mall (250,000 sq. ft.) located in Mont Kiara and Bangsar respectively.

In spite of the challenging retail market, Malaysia remained attractive to international retailers. Sports Direct, a powerhouse of the international sporting goods retailer has put their feet down in the Malaysian market with the opening a 41,000 sq. ft. outlet in Petaling Jaya. While Footlocker will follow suit with the opening of its first Malaysian outlet at One Utama in 2019.

**Table 4.1: Selected Incoming Retail Developments in Klang Valley**

Name of Development	NLA (sq. ft.)	Location
The Exchange Mall at TRX, Jalan Tun Razak	1,350,000	KLC
PNB118, Jalan Hang Jebat	1,000,000	OCC
Pavilion 2, Bukit Jalil	1,800,000	OCC
Bukit Bintang City Centre (BBCC), Jalan Pudu	860,000	OCC
Empire City Damansara, Damansara Perdana	2,500,000	OCA
Tropicana Gardens Mall, Petaling Jaya	1,000,000	OCA
Central i-City, Shah Alam	940,000	OCA
Datum Jelatek, Jalan Jelatek	491,000	OCA
Horizon Village Outlet, Sepang	400,000	OCA
<b>TOTAL</b>	<b>10,341,000</b>	

Source: NTL Research & Consulting, 2019

The increment of a minimum wage is expected to have minimal impact on spending, hence, minimal impact on demand. On the supply side, it will lead to higher cost of goods to retailers and consequently higher retail prices. Moving forward, with household spending remaining as the anchor of Malaysia's economic growth, retail sales are forecasted to stabilise at 4.5% in 2019.

## EDUCATION

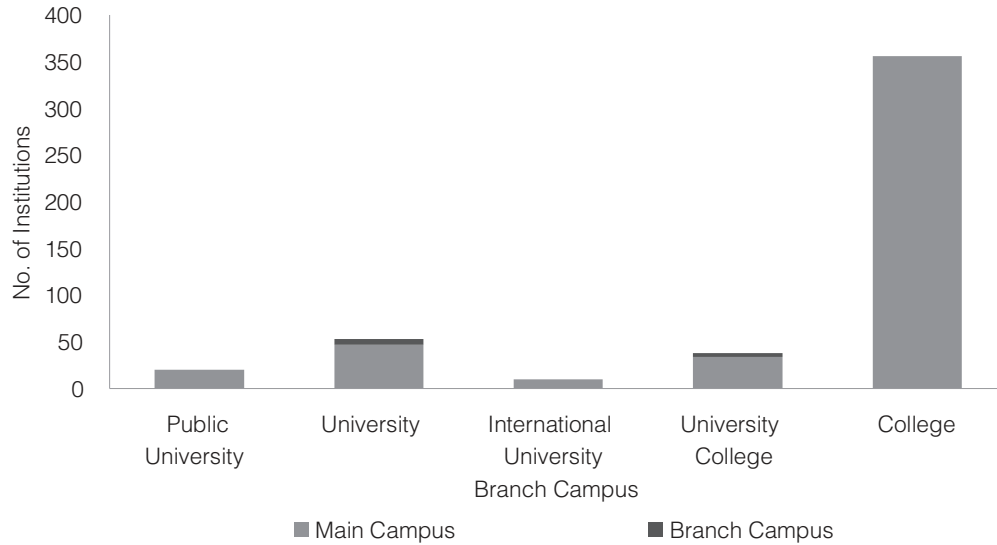
The Ministry of Higher Education has continued to extend the moratorium on approvals of new private higher education institutions ("IPTS") as an effort to strengthen the quality of the nation's IPTS. Despite the continued moratorium on IPTS licenses to ensure quality education and alleviate competition, some of the existing IPTS are facing financial distress that had impacted the quality of education.

Facing challenges including financial problem, poor management and declining number of students and qualified teaching staffs, in 2018, a total of 30 IPTS were shut down. With the closures, total IPTS as of 2018 stood at 457 as compared with 487 in 2017.

The private education sector has also become an area for diversification by investment funds. During the review year, a portfolio of three KDU University colleges, a subsidiary of Paramount Bhd formed part of a sale and leaseback cum securitisation deal injected to a special purpose vehicle.

The education was one of the main sectors emphasised by the government in Budget 2019. About RM60.2 billion is channelled to the education sector which will benefit both Private and Public Higher Learning Institutions.

**Figure 5.1: Number of Private Higher Education Institutions, 2018**



Source: Ministry of Higher Education (MOHE)

Based on the latest number released by the Ministry of Higher Education, as of 2017, the total number of students enrolled in IPTS nationwide was recorded at 666,617, a drop of 4% as compared to 695,026 students in 2016. The number of foreign students, which accounted for 15% of the total IPTS's enrolment increased by 1.1%, totalling 100,765 students. While enrolment of Malaysian students in IPTS had dropped by 5% to 565,852 in 2017 from 595,347 students in the preceding year.

In public institutions of higher education ("IPTA"), the enrolment of Malaysian students saw an increase of 1.2% to 538,555 in 2017 from 532,049 in 2016. As for Malaysians studying abroad, the number had decreased by 25%, from 100,528 in 2016 to 75,756 in 2017, attributed by the drop in the self-sponsored students. The depreciation of Ringgit and the uncertain economic conditions played a role in the decline of the number of Malaysians studying abroad.

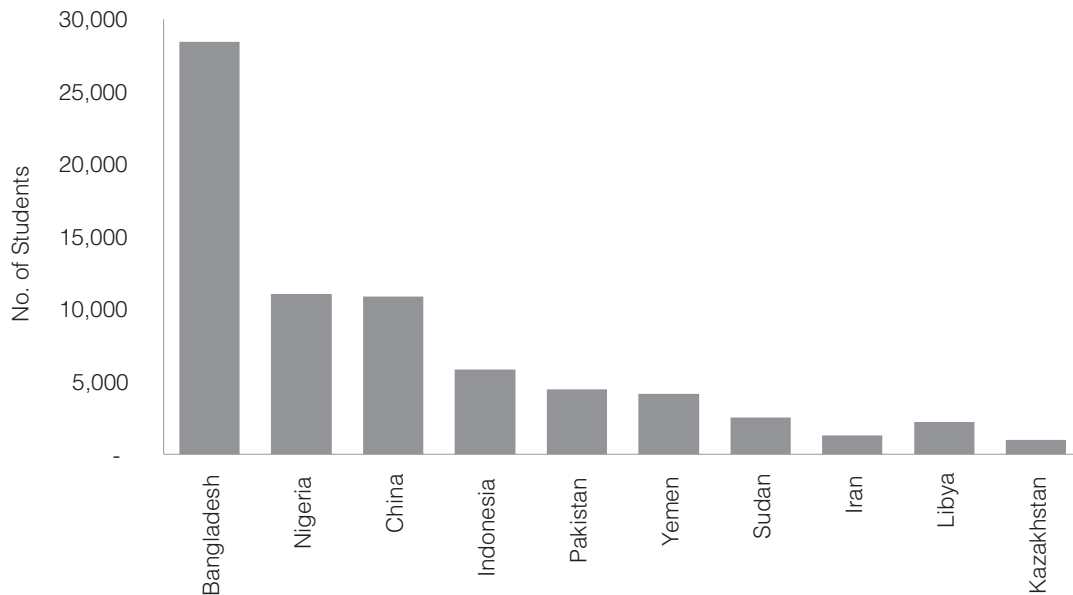
Bangladesh, Nigeria, and China are the top three major sources of foreign students in Malaysia. Nonetheless, in 2017, the number of students from Bangladesh and Nigeria had dropped by 13% and 12% respectively. Whilst, students from China had grown by 19% and this was expected after the opening of Xiamen University Malaysia Campus in 2016. The weakening of Ringgit was an added value to foreign students in choosing Malaysia as a higher education destination with the higher education institutions in the Klang Valley remained the top choice.

Overall, the total enrolment in higher education institutions in 2017 declined by 1.8% to 1,205,172 from 1,277,075 students. Of the total, the students in IPTS accounted for more than half (55%) of the enrolments.

# PROPERTY MARKET OVERVIEW

## (CONT'D)

Figure 5.2: Top 10 Number of Foreign Students in IPTS, 2017



Source: Ministry of Higher Education (MOHE)

Despite registering a decline of total enrolment by 4%, which was contributed by the lower enrolment from the local students, the IPTS remained attractive to foreign students. It is in line with the country's aspiration to become the regional education hub by 2020 with a target of 200,000 foreign students by 2020 and 250,000 by 2025.

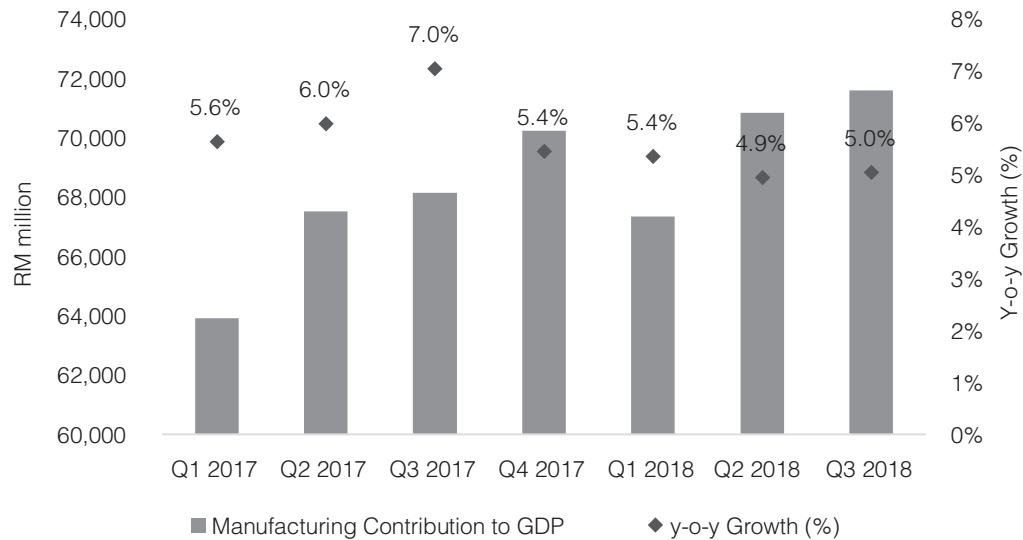
### INDUSTRIAL

The Malaysian manufacturing sector saw a challenging year in 2018. In the first quarter, the country's manufacturing saw a slowdown in q-o-q growth from 4.61% at the end of 2017 to a decline of 4.02% growth in the first quarter of 2018. The heavy production in 2017 due to the fall in ringgit and the oil prices saw manufacturing companies capitalising on the low cost of production by raving up production to increase stockpile. The strong growth of the manufacturing industry saw the main sub-sector, Electrical and Electronics ("E&E"), quadrupled its growth to 23%. In the second quarter of 2018, the manufacturing sector started to pick up by 5.2% and ended the third quarter of 2018 with an all-time high GDP of RM71,586 million. The manufacturing sector remained the second biggest contributor to the national GDP ending October with a total of 23% of the national GDP by the end of October 2018. The sector was driven by E&E, petroleum, chemical, rubber & plastic and transport equipment.

Malaysia is heading towards a new industrial revolution, Industry 4.0, where traditional manufacturing processes will be combined with technology, such as the Internet of Things ("IoT"). Therefore, the industrial sector is expected to pick up in efficiency moving forward. The fourth industrial revolution will move out of the heavy emphasis on Information Technology to a more complex yet efficient way of manufacturing.



**Figure 6.1: Manufacturing Contributions to Malaysian GDP**



Source: Department of Statistics Malaysia 79

Another wait and see issue concerning the industrial sector of Malaysia is the negotiation of free trade agreements (“FTAs”) between Malaysia and other trading nations. With the Trans-Pacific Partnership Agreement (“TPPA”) reaching a roadblock, Malaysia is currently considering the rebranded Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”) but details have yet to be firmed out. The development of free trade agreements will contribute to the development of the Malaysian industrial sector in the near future in regards to national trade.

The year 2018 saw a high volume of industrial properties transactions in the real estate market as a total of RM579 million were transacted in 2018, which was 49% higher than in 2017. Heavy interest remained in the Klang Valley, especially in Shah Alam. The booming industrial parks in Johor is starting to gain attention with the success of Indahpura I-Park leading the way as one of the success stories of Johor’s modern industrialisation. To follow suit, a five-phase industrial park near the Senai Airport City is already bearing fruit with major players from E&E and F&B manufacturers settling down in the industrial park. Expected to be completed in 2025, RM500 million has been invested in the infrastructure development of the area.

In Kedah, Kulim High Tech Park (“KHTP”) remained the key industrial area with a strong presence of multinationals from the E&E industry led by Japanese companies. Being the largest industrial park in Kedah, more than 4,300 acres have been successfully developed and about 5,000 acres are earmarked for new industrial development. Automotive is another industrial sub-sector that has attracted foreign investors. The success of the BMW vehicle assembly plant in Kulim has gained confidence from BMW Group, when the group decided to open a BMW engine assembly facility. Completed in early 2018, the new facility was built next to its current plant in Kulim. In the earlier year, Mazda Motor Corporation has started its local assembly of all-new CX5, a new Mazda car model for the ASEAN market.

In the latest news, the state attained strong interest from China with the latest investment in a green paper industry for Southeast Asia and the Middle East market. The deal inked between Invest Kedah Berhad and Zhejiang XSD Holding Group at the end of 2018, which is worth RM1.2 billion. The new investment is located on a 300-acre land in Padang Meha, Kulim and expected to bring 1,300 job opportunities to the locals.

# PROPERTY MARKET OVERVIEW

## (CONT'D)

**Table 6.2: Major Industrial Building Transactions**

Office Buildings	Location	Net Lettable Area (sq. ft.)	Transacted Price (RM per sq. ft.)	Quarter 2018
Quill 8	Shah Alam	65,205	429	Q1
Tasco Warehouse	Klang	144,648	121	Q1
Tanjung Sinar Warehouses	Shah Alam	258,553	336	Q2
LB Aluminium	Subang Jaya	73,856	338	Q2
Balai Berita Shah Alam	Shah Alam	330,163	387	Q3
Empire 4 & 2, Empire Ind. Park	Iskandar Puteri	58,536	179	Q4
Nestle PJ Factory	Petaling Jaya	340,000	354	Q4
Bayan Lepas FIZ Phase 3 and Bayan Lepas Industrial Park Phase 4	Pulau Pinang	846,806	213	Q4
Foong Chi Mould Ind. Sdn. Bhd.	Seberang Perai	87,123	131	Q4
<b>TOTAL</b>			<b>RM607.71 million</b>	

*Source: NTL Research & Consulting, 2019*

Looking forward, with the uncertain commodity prices and with the OPEC yet to release its proposed production cut, oil producing countries including Malaysia are expecting a slight downgrade in their manufacturing production. Since climbing up to \$86.74 per barrel, a four-year high in October 2018, the crude price has fallen more than a third at the end of 2018.

Regarding the effect of the US-China trade war on the Malaysian industrial sector, there are two potential benefits which are import substitution in the short term and production relocation in the medium term. In the short-run, more investors are looking into Malaysia as an alternative supplier, predominantly in information and communications technology ("ICT") and automotive industries. In the medium term, the prolonged trade conflict would encourage investors to start diverting some of their productions or relocating the whole plants in other countries which Malaysia would be one of the beneficiaries.

The push for the Fourth Industrial Revolution is expected to bring high value-added investments in Malaysia. The federal government is putting heavy emphasis on upgrading the local industrial sector in the wake of the Fourth Industrial Revolution as RM5 billion were allocated in the Budget 2019. While the Automation Accelerated Capital Allowance introduced in 2015 to generate higher interest in the innovative and productive industrial sector among small and medium enterprises ("SMEs"), will be extended to 2020.

The aggressive initiatives by the government are expected to propel the rise of future demand for industrial real estate in 2019, in particular, those who cater for high technological activities.

## STATUTORY FINANCIAL STATEMENTS

82	Statement by the Manager
83	Statutory Declaration
84	Trustee's Report to the Unitholders
85	Independent Auditors' Report to the Unitholders
88	Statement of Financial Position
89	Statement of Profit or Loss and Other Comprehensive Income
91	Statement of Changes in Net Asset Value
92	Statement of Cash Flows
93	Notes to the Financial Statements



# STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 88 to 125 are drawn up in accordance with the provisions of the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009 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, Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of AmanahRaya Real Estate Investment Trust as at 31 December 2018 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.  
Signed in accordance with a resolution of the Directors of the Manager:



.....  
**Mahadzir bin Azizan**

Kuala Lumpur,

Date: 14 February 2019

# STATUTORY DECLARATION

I, **Kusuma Dewi binti Abd Aziz**, 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 88 to 125 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed, Kusuma Dewi binti Abd Aziz, (I/C No. 761122-14-5758), in Kuala Lumpur on 14 February 2019.



.....  
**Kusuma Dewi binti Abd Aziz**

Before me:



Lot 1.08, Tingkat 1,  
Bangunan KWSP, Jln Raja Laut,  
50350 Kuala Lumpur.  
Tel: 019 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 2018. In our opinion and to the best of our knowledge:

- (a) AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("the Manager") has managed AmanahRaya REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be referred to as "the Trust Deed"), the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 31 December 2018; and
- (b) the procedures and processes employed by the Manager to value the assets of AmanahRaya REIT are adequate and that such valuation 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 2018 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 2018 as follows:

- 1) 1<sup>st</sup> interim income of 1.3545 sen per unit paid on 13 July 2018
- 2) 2<sup>nd</sup> interim income of 1.9394 sen per unit paid on 12 October 2018
- 3) 3<sup>rd</sup> interim income of 1.3545 sen per unit paid on 11 January 2019
- 4) Final income distribution of 1.4516 sen per unit payable on 12 April 2019

AmanahRaya REIT

84

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



**Lee Kooi Yoke**  
Chief Operating Officer

Kuala Lumpur,

14 February 2019

# 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 2018, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 88 to 125.

In our opinion, the financial statements give a true and fair view of the financial position of AmanahRaya REIT as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

## Basis for Opinion

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

## Independence and Other Ethical Responsibilities

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

## Key audit matters

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

## Valuation of investment properties

Refer to Note 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 RM1,401,700,000 as at 31 December 2018.

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.

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.

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

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.



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

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

- 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.

## Other Matter

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



.....  
**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants



.....  
**Abdullah Abu Samah**  
Approval Number: 02013/06/2020 J  
Chartered Accountant

Petaling Jaya,

14 February 2019

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	4	1,401,700,000	928,700,000
Other non-current asset	5	-	275,000,000
		1,401,700,000	1,203,700,000
<b>Current assets</b>			
Trade and other receivables	6	6,626,765	2,997,069
Security deposits in trust accounts	7	20,628,182	21,151,817
Cash and cash equivalents	8	34,709,788	196,767,995
		61,964,735	220,916,881
Asset classified as held for sale	9	35,600,000	102,000,000
		97,564,735	322,916,881
<b>Total current assets</b>		97,564,735	322,916,881
<b>Total assets</b>		1,499,264,735	1,526,616,881
<b>Financed by:</b>			
<b>Unitholders' fund</b>			
Unitholders' capital		519,685,915	519,685,915
Undistributable income		255,527,839	208,604,672
		775,213,754	728,290,587
<b>Total unitholders' funds</b>	10	775,213,754	728,290,587
<b>Non-current liabilities</b>			
Borrowings	11	670,484,115	738,131,687
Trade and other payables	12	16,018,913	8,994,960
		686,503,028	747,126,647
<b>Total non-current liabilities</b>		686,503,028	747,126,647
<b>Current liabilities</b>			
Borrowings	11	-	25,000,000
Trade and other payables	12	31,684,376	26,199,647
Deferred tax liabilities	14	5,863,577	-
		37,547,953	51,199,647
<b>Total current liabilities</b>		37,547,953	51,199,647
<b>Total liabilities</b>		724,050,981	798,326,294
<b>Total unitholders' funds and liabilities</b>		1,499,264,735	1,526,616,881
<b>Net asset value ("NAV")</b>		775,213,754	728,290,587
<b>Number of units in circulation</b>		573,219,858	573,219,858
<b>NAV per unit (RM)</b>			
- Before income distribution		1.352	1.271
- After income distribution		1.339	1.257

The notes on pages 94 to 125 are an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
<b>Gross revenue</b>			
Rental income			
- Realised		96,684,553	60,417,996
- Unrealised (in relation to unbilled lease income receivable)		559,485	617,855
		97,244,038	61,035,851
Property operating expenses	13	(17,673,739)	(7,236,581)
		79,570,299	53,799,270
<b>Net property income</b>			
Interest income		1,338,781	791,896
Other income		89,774	587,633
Gains on disposal of investment property		3,000,000	-
Changes in fair value of investment properties			
- As per valuation	4	49,148,296	42,603,621
- Unbilled lease income receivable		(559,485)	(617,855)
		132,587,665	97,164,565
<b>Net property and investment income</b>			
Manager's fees		(6,799,633)	(5,868,270)
Trustee's fees		(439,976)	(379,606)
Valuation Fees		(369,230)	(334,131)
Auditors' fees			
- Audit		(128,000)	(105,000)
- Other services		(10,000)	(10,000)
Tax agent's fees		(10,000)	(16,250)
Administrative expenses		(1,693,285)	(869,730)
Borrowing costs		(36,023,502)	(15,327,652)
		(45,473,626)	(22,910,639)
<b>Total trust expenses</b>			
<b>Income before taxation</b>		87,114,039	74,253,926
Tax expense	14	(5,863,577)	-
		81,250,462	74,253,926
<b>Net income for the year attributable to unitholders</b>			
<b>Total comprehensive income for the year attributable to unitholders</b>		81,250,462	74,253,926

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	Note	2018 RM	2017 RM
<b>Net income for the year is made up as follows:</b>			
Realised		37,965,743	31,650,305
Unrealised			
- Unrealised rental income (in relation to unbilled lease income receivable)		559,485	617,855
- Change in fair value of investment properties			
- As per valuation		49,148,296	42,603,621
- Unbilled lease income receivable		(559,485)	(617,855)
- Tax expense		(5,863,577)	-
		43,284,719	42,603,621
		81,250,462	74,253,926
<b>Earnings per unit (sen)</b>			
- Before Manager's fees	15	15.361	13.978
- After Manager's fee	15	14.174	12.954
<b>Net income distribution*</b>			
- First interim income distribution of 1.354 sen per unit paid on 13 July 2018 (2017: 1.427 sen per unit paid on 14 July 2017)		7,762,498	8,178,837
- Second interim income distribution of 1.939 sen per unit paid on 12 October 2018 (2017: 1.337 sen per unit paid on 13 October 2017)		11,117,235	7,661,297
- Third interim income distribution of 1.355 sen per unit paid on 11 January 2019 (2017: 1.399 sen per unit paid on 12 January 2018)		7,764,334	8,020,492
- Proposed final income distribution of 1.452 sen per unit payable on 12 April 2019 (2017: 1.340 sen per unit payable on 31 March 2018)		8,320,660	7,683,228
	16	34,964,727	31,543,854
<b>Income distribution per unit (sen)*</b>			
- First interim income distribution	16	1.354	1.427
- Second interim income distribution		1.939	1.337
- Third interim income distribution		1.355	1.399
- Proposed final income distribution		1.452	1.340

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

	Withholding tax rate	
	2018	2017
Resident corporate	Nil <sup>^</sup>	Nil <sup>^</sup>
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

<sup>^</sup> No withholding tax; taxed at prevailing tax rate

The notes on pages 94 to 125 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN  
NET ASSET VALUE  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Distributable</i>	<i>Non- distributable</i>	<b>Total</b>	
<b>Unitholders' capital RM</b>	<b>Realised income RM</b>	<b>Unrealised income RM</b>	<b>unitholders' funds RM</b>	
<b>At 1 January 2017</b>	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
<b>Total comprehensive income for the year</b>	-	31,650,305	42,603,621	74,253,926
<b>Unitholders' transactions</b>				
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)
<b>At 31 December 2017/ 1 January 2018</b>	519,685,915	27,059,384	181,545,288	728,290,587
Net income for the year	-	37,965,743	43,284,719	81,250,462
Realisation of unrealised income upon disposal of investment property	-	10,000,000	(10,000,000)	-
<b>Total comprehensive income for the year</b>	-	47,965,743	33,284,719	81,250,462
<b>Unitholders' transactions</b>				
Distributions to unitholders:				
- 2018 interim	-	(26,644,067)	-	(26,644,067)
- 2017 final	-	(7,683,228)	-	(7,683,228)
Decrease in net assets resulting from unitholders' transactions	-	(34,327,295)	-	(34,327,295)
<b>At 31 December 2018</b>	519,685,915	40,697,832	214,830,007	775,213,754

Note 10.1

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
<b>Cash flows from operating activities</b>			
Net income before taxation		87,114,039	74,253,926
<i>Adjustments for:</i>			
Borrowing costs		36,023,502	15,327,652
Interest income		(1,338,781)	(791,896)
Changes in fair value of investment properties (net of unbilled lease income receivable)	4	(49,148,296)	(42,603,621)
<b>Operating income before changes in working capital</b>		72,650,464	46,186,061
<i>Changes in working capital:</i>			
Trade and other receivables		(3,051,972)	9,026,121
Trade and other payables		5,013,938	(12,007,645)
<b>Net cash generated from operating activities</b>		74,612,430	43,204,537
<b>Cash flows from investing activities</b>			
Interest received		1,284,693	767,432
Proceeds from disposal of investment properties		105,000,000	-
Acquisition of investment property		(180,000,000)	-
Deposit for acquisition of investment property		-	(275,000,000)
Enhancement of investment properties	4	(4,451,704)	(1,696,379)
Gain on disposal of investment property		(3,000,000)	-
<b>Net cash used in investing activities</b>		(81,167,011)	(275,928,947)
<b>Cash flows from financing activities</b>			
Distributions paid to unitholders		(26,562,962)	(24,004,575)
Interest paid		(36,293,093)	(15,227,460)
Payment of financing expenses		(1,369,094)	(1,567,035)
Drawdown of term loan		-	450,000,000
Repayment of term loan		(91,278,477)	-
<b>Net cash (used in)/generated from financing activities</b>		(155,503,626)	409,200,930
Net (decrease)/increase in cash and cash equivalents		(162,058,207)	176,476,520
Cash and cash equivalents at 1 January	8	196,767,995	20,291,475
<b>Cash and cash equivalents at 31 December</b>	8	34,709,788	196,767,995

# 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 2018 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, Knight Frank 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% (2017: 0.85%) per annum of the Net Asset Value.

### (c) Trustee’s fees

Pursuant to the Deed, the Trustee is entitled to receive a fee of up to a maximum of 0.1% per annum of the NAV of the Trust. The Trustee’s fee is payable in arrears, calculated and accrued daily. However, the Trustee has only been charging at the rate of 0.055% (2017: 0.055%) per annum of the Net Asset Value.

The financial statements were approved by the Board of Directors of the Manager on 14 February 2019.

# 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 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 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- 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 2020**

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

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

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

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

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for amendments to MFRS 11 and amendments to MFRS 128 which are not applicable to AmanahRaya REIT.
- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.
- AmanahRaya REIT does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to AmanahRaya REIT.

The initial application of the accounting standards, amendments and 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:



## 2. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### 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 the functional currency of AmanahRaya REIT.

### (d) Use of estimates and judgments

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

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

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the Note 4 - investment properties.

## 3. Significant accounting policies

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

### (a) Basis of consolidation

#### (i) Subsidiaries

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 3. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (ii) Business combinations

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

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

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

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

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

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

##### (iii) Loss of control

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

##### (iv) Transactions eliminated on consolidation

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

#### (b) Financial instruments

Unless specifically disclosed below, AmanahRaya REIT generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, AmanahRaya REIT have elected not to restate the comparatives.

##### (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.

##### Current financial year

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

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

## 3. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (i) Initial recognition and measurement (continued)

##### Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

AmanahRaya REIT categorises financial instruments as follows:

##### **Financial assets**

##### Current financial year

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

#### (a) Amortised cost

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

##### Previous financial year

In the previous financial year, financial assets of AmanahRaya REIT were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

#### (a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 3. Significant accounting policies (continued)

#### (b) Financial instruments (continued)

##### (ii) Financial instrument categories and subsequent measurement (continued)

###### *Financial liabilities*

###### **Current financial year**

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

###### (a) **Amortised Cost**

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

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

###### **Previous financial year**

In the previous financial year, financial liabilities of AmanahRaya REIT were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (iii) **Derecognition**

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

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

#### (c) **Investment property**

##### **Investment property carried at fair value**

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

Investment properties 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.

### 3. Significant accounting policies (continued)

#### (c) Investment property (continued)

##### Investment property carried at fair value (continued)

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

External, independent valuation firms, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values AmanahRaya REIT's investment properties portfolio 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 with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

#### (g) Impairment

##### (i) Financial assets

Unless specifically disclosed below, AmanahRaya REIT generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, AmanahRaya elected not to restate the comparatives.

##### Current financial year

AmanahRaya REIT recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 3. Significant accounting policies (continued)

#### (g) Impairment (continued)

##### (i) Financial assets (continued)

###### Current financial year (continued)

AmanahRaya REIT measure loss allowances at an amount equal to lifetime expected credit loss except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

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

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

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

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

At each reporting date, AmanahRaya REIT assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

###### Previous financial year

All financial assets were assessed at each reporting date whether there was 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 were not recognised.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

### 3. Significant accounting policies (continued)

#### (g) Impairment (continued)

##### (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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 3. Significant accounting policies (continued)

#### (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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 3. Significant accounting policies (continued)

#### (m) Income tax (continued)

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

#### (n) Fair value measurements

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

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

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

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

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

### 4. Investment properties

	Note	2018 RM	2017 RM
Land and building at fair value			
At 1 January		928,700,000	986,400,000
Acquisition		455,000,000	-
Enhancement		4,451,704	1,696,379
Changes in fair value		49,148,296	42,603,621
Reclassified as asset held for sale	9	(35,600,000)	(102,000,000)
At 31 December		1,401,700,000	928,700,000

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

# 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	

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

Item	Description of property	Valuer	Method of valuation	Date of valuation
(1)	Holiday Villa Alor Setar	First Pacific Valuers Property Consultants Sdn. Bhd.	Comparison	9 November 2018
(2)	Holiday Villa Langkawi	IPC Island Property Consultants Sdn. Bhd.	Comparison	16 November 2018
(3)	SEGi College	IPC Island Property Consultants Sdn. Bhd.	Comparison	12 November 2018
(4)	SEGi University	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	09 November 2018
(5)	Block A & B, South City Plaza	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	08 November 2018
(6)	Dana 13	First Pacific Valuers Property Consultants Sdn. Bhd.	Investment	09 November 2018
(7)	Help University	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	09 November 2018
(8)	AIC Factory	Hakimi & Associates Sdn. Bhd.	Cost	05 November 2018
(9)	Gurun Automotive Warehouse	IPC Island Property Consultants Sdn. Bhd.	Cost	14 November 2018
(10)	Selayang Mall	IPC Island Property Consultants Sdn. Bhd.	Comparison	08 November 2018
(11)	Wisma Comcorp	IPC Island Property Consultants Sdn. Bhd.	Investment	12 November 2018
(12)	Deluge Factory	IPC Island Property Consultants Sdn. Bhd.	Cost	25 October 2018
(13)	Toshiba	IPC Island Property Consultants Sdn. Bhd.	Investment	12 November 2018
(14)	Contraves	IPC Island Property Consultants Sdn. Bhd.	Comparison	12 November 2018
(15)	Vista Tower	Nawawi Tie Leung Property Consultants Sdn. Bhd.	Investment	15 November 2018

# NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

## 4. Investment properties (continued)

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

	Note	2018 RM	2017 RM
Rental income			
- Realised		96,684,553	60,417,996
- Unrealised (in relation to unbilled lease income receivable)		559,485	617,855
		<hr/>	<hr/>
Property operating expenses	13	97,244,038 (17,673,739)	61,035,851 (7,236,581)
		<hr/>	<hr/>
Net property income		79,570,299	53,799,270
		<hr/>	<hr/>

#### 4.1 Fair value information

Fair value of investment properties are categorised as follows:

	2018 Level 3 RM	2017 Level 3 RM
Land and buildings	1,401,700,000	928,700,000
	<hr/>	<hr/>

#### Level 3 fair value

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

	2018 Level 3 RM	2017 Level 3 RM
At 1 January	928,700,000	986,400,000
Acquisition	455,000,000	-
Enhancement	4,451,704	1,696,379
Gains and losses recognised in profit or loss		
change in fair value	49,148,296	42,603,621
Reclassified as asset held for sale	(35,600,000)	(102,000,000)
	<hr/>	<hr/>
At 31 December	1,401,700,000	928,700,000
	<hr/>	<hr/>

# 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
The investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process.	<ul style="list-style-type: none"> <li>Risk-adjusted capitalisation rates ranging from 5.50% - 6.50%.</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>Risk-adjusted capitalisation rates were lower (higher).</li> </ul>
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	<ul style="list-style-type: none"> <li>Risk-adjusted discount rate ranging from 6.00% - 7.00%.</li> </ul>	<ul style="list-style-type: none"> <li>Risk-adjusted discount rates were lower (higher).</li> </ul>
The comparison method considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, the property being valued is compared with sales of similar properties that have been transacted in the open market.	<ul style="list-style-type: none"> <li>The occupancy rates are 0% – 100%.</li> <li>Adjusted land value ranging from RM186.67 per sq. ft. – RM559.42 per sq. ft.</li> <li>Weighted average value: RM423 per sq. ft.</li> </ul>	<ul style="list-style-type: none"> <li>Average occupancy rate was higher (lower).</li> <li>Adjusted land value per square foot was higher (lower).</li> <li>Weighted average value per square foot was higher (lower).</li> </ul>
Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transactions used for comparison.		

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 4. Investment properties (continued)

#### 4.1 Fair value information (continued)

##### Level 3 fair value (continued)

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<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, 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"> <li>• Land value at RM2.75 per sq. ft.</li> <li>• Main floor area cost ranging from RM106.34 per sq. ft.</li> <li>• Replacement cost ranging from RM30 per sq. ft. – RM150 per sq. ft.</li> <li>• Depreciation rates at 15%.</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• Land value per square foot was higher (lower).</li> <li>• Main floor area value per sq. ft. was higher (lower).</li> <li>• Replacement cost per square foot was higher (lower).</li> <li>• Depreciation rates were lower (higher).</li> </ul>

##### Valuation process applied by AmanahRaya REIT for Level 3 fair value

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

##### Highest and best use

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



# NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

## 5. Other non-current asset

Included in other non-current asset in previous year was deposit placed for the proposed acquisition of Investment Property (see Note 24) which is completed during the year.

## 6. Trade and other receivables

	Note	2018 RM	2017 RM
<b>Trade</b>			
Trade receivables	6.1	675,464	264,375
<b>Non-trade</b>			
Other receivables		4,306,396	1,976,307
Deposits		1,521,664	502,174
Prepayment		123,241	254,213
		5,951,301	2,732,694
		6,626,765	2,997,069

### 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 (2017: 7 days to 30 days).

## 7. Security deposits in trust accounts

	Note	2018 RM	2017 RM
Security deposits placed with ITA-ARB	7.1	20,628,182	21,151,817
		20,628,182	21,151,817

### 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% (2017: 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.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 8. Cash and cash equivalents

	Note	2018 RM	2017 RM
Cash and bank balances		2,061,940	254,490
Deposits placed with licensed financial institutions	8.1	32,647,848	196,513,505
		<u>34,709,788</u>	<u>196,767,995</u>

#### 8.1 Deposits placed with licensed financial institutions

The deposits are placed with licensed financial institutions at interest rates ranging from 3.00% to 3.70% (2017: 3.00% to 3.50%) per annum.

### 9. Asset classified as held for sale

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

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

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.

The disposal of Silverbird Factory was completed on 24 May 2018.

### 10. Total unitholders' fund

#### 10.1 Unitholders' capital

	Number of units 2018	2018 RM	Number of units 2017	2017 RM
Issued and fully paid	573,219,858	519,685,915	573,219,858	519,685,915
		<u>519,685,915</u>		<u>519,685,915</u>

# NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

## 10. Total unitholders' fund (continued)

### 10.2 Unitholdings of related parties

As at 31 December 2018, 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
<b>Direct unitholdings in AmanahRaya REIT of the parties related to the holding company of the Manager</b>			
<b>2018</b>			
AmanahRaya Berhad	271,186,379	47.31	222,372,831
KDA Capital Malaysia Sdn. Bhd.	85,982,979	15.00	70,506,043
AmanahRaya Capital Sdn. Bhd.	2,032,600	0.35	1,666,732
	359,201,958	62.66	294,545,606
<b>2017</b>			
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

The market value is determined by using the closing market price of AmanahRaya REIT as at 31 December 2018 of RM0.82 (2017: RM0.91) per unit.

## 11. Borrowings

	Note	2018 RM	2017 RM
<b>Non-current</b>			
Term loan I	<b>11.1</b>	85,000,000	85,000,000
Term loan II	<b>11.1</b>	103,230,000	111,230,000
Term loan III	<b>11.1</b>	-	60,000,000
Term loan IV	<b>11.2</b>	33,920,000	33,920,000
Unrated medium term notes	<b>11.3</b>	450,000,000	450,000,000
Less: Unamortised transaction costs		(1,665,885)	(2,018,313)
		670,484,115	738,131,687
<b>Current</b>			
Revolving Credit	<b>11.4</b>	-	25,000,000
		670,484,115	763,131,687

The term loans are secured by way of first legal charge on investment properties amounting to RM1,285,000,000 (2017: RM856,800,000), as disclosed in Note 4 to the financial statements.

Borrowing costs are payable in arrears on a monthly basis.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 11. Borrowings (continued)

#### 11.1 Term loans I, II and III

Term loans I, II and III bear interest based on Cost of Funds ("CoF") plus 1.0% (2017: CoF plus 0.5%) per annum and are each repayable on 7 May 2020. Term loan III has been fully settled on 25 May 2018.

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

As 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 1.0% per annum, have a tenure of 1, 3 and 6 months, and are repayable subject to rollover at the Bank's discretion upon maturity. The facility has been fully settled on 25 May 2018.

### 12. Trade and other payables

	Note	2018 RM	2017 RM
<b>Non-current</b>			
<u>Non-trade</u>			
Tenants' deposits	12.1	16,018,913	8,994,960
<b>Current</b>			
<u>Trade</u>			
Trade payable	12.2	363,658	410,663
<u>Non-trade</u>			
Tenants' deposits	12.1	9,923,732	6,478,949
Other payables and accrued expenses	12.3	21,396,986	19,310,035
		31,684,376	26,199,647
		47,703,289	35,194,607

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 12. Trade and other payables (continued)

#### 12.1 Tenants' deposits

Included in tenant deposits are refundable deposits of RM12,858,585 (2017: RM13,918,583) 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	12,316,500	Equivalent to three (3) years' rental
SEG International Berhad	SEGi University	14,355,000	Equivalent to one (1) year' 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	2,400,000	Equivalent to one (1) year's rental
Seal Incorporated Berhad	Selayang Mall	2,242,888	Equivalent to three (3) months' rental
Secure Parking Corporation Sdn. Bhd.	Vista Tower	329,593	Prescribed proportion
Total		42,194,348	

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.

#### 12.2 Trade payables

Included in trade payables are amounts owing to the Manager amounting to RM16,912 (2017: RM68,290) which are unsecured, interest-free and repayable on demand. The normal trade credit term granted to AmanahRaya REIT is 30 days (2017: 30 days).

#### 12.3 Other payables and accrued expenses

Included in other payables and accrued expenses is interest of RM7,769,598 (2017: RM7,233,234) generated from security deposits placed with ITA-ARB as disclosed in Note 7 to the financial statements. In addition to that, the Manager declared a third interim income distribution of RM7,764,334 (2017: RM8,020,492) or RM1.355 sen (2017: RM1.400 sen) per unit which will be paid on 11 January 2019 (2017: 12 January 2018).

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 13. Property operating expenses

	2018 RM	2017 RM
Assessment and quit rent	3,449,546	1,365,394
Service contracts and maintenance	11,420,973	4,747,532
Property management fees	1,827,729	747,272
Insurance	975,491	376,383
	17,673,739	7,236,581

### 14. Income tax expense

	2018 RM	2017 RM
<b>Recognised in profit or loss</b>		
<b>Current tax expense</b>		
- Current year	-	-
<b>Deferred tax expense</b>		
- Effect of changes in real property gains tax rate	5,863,577	-
	5,863,577	-
Total tax expense	5,863,577	-
<b>Reconciliation of tax expense</b>		
Income before taxation	87,114,039	74,253,926
Income tax using Malaysian tax rate at 24%	20,907,369	17,820,942
Non-deductible expenses	696,251	408,081
Effect of interest income not subject to tax	(321,307)	(190,055)
Effect of changes in fair value of investment properties not subject to tax	(12,179,591)	(26,339,558)
Effect of income exempted from tax	(9,102,722)	8,300,590
Real property gains tax	5,863,577	-
Total tax expense	5,863,577	-

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

As AmanahRaya REIT has met the abovementioned threshold, its total income for the financial year is exempted from tax.

#### Real property gains tax

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

# NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

## 15. Earnings per unit

The earnings per unit before Manager's fee of 15.361 sen (2017: 13.978 sen) is calculated by dividing the net income after taxation but before deduction of Manager's fees for the financial year of RM88,050,095 (2017: RM80,122,196) by the weighted average number of units in circulation during the financial year of 573,219,858 (2017: 573,219,858).

The earnings per unit after Manager's fee of 14.174 sen (2017: 12.954 sen) is calculated based on the net income after taxation of RM81,250,462 (2017: RM74,253,926) for the financial year and on the weighted average number of units in circulation during the financial year of 573,219,858 (2017: 573,219,858).

## 16. Distributions to unitholders

Distributions to unitholders are from the following sources:

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Net realised rental income	96,684,553	60,417,996
Interest income	1,338,781	791,896
Other income	89,774	587,633
	98,113,108	61,797,525
Less: Expenses	(63,147,365)	(30,147,220)
	34,965,743	31,650,305
Less: Undistributed income	(1,016)	(106,451)
	34,964,727	31,543,854
Distribution per unit (sen)	6.100	5.503

## 17. Portfolio turnover ratio

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Portfolio Turnover Ratio ("PTR") (times)	0.22	-

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 18. Management expense ratio

	2018 RM	2017 RM
Management expense ratio ("MER") (%)	1.20	1.10

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

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

### 19. Financial instruments

#### 19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as

- (a) Amortised cost ("AC");
- (b) Loans and receivables ("L&R"); and
- (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount 2018 RM	AC 2018 RM	Carrying amount 2017 RM	L&R/(FL) 2017 RM
<b>Financial assets</b>				
Trade and other receivables	6,503,524	6,503,524	277,742,856	277,742,856
Security deposits in trust accounts	20,628,182	20,628,182	21,151,817	21,151,817
Cash and cash equivalents	34,709,788	34,709,788	196,767,995	196,767,995
	61,841,494	61,841,494	495,662,668	495,662,668
<b>Financial liabilities</b>				
Borrowings	670,484,115	670,484,115	763,131,687	763,131,687
Trade and other payables	47,703,289	47,703,289	35,194,607	35,194,607
	718,187,404	718,187,404	798,326,294	798,326,294



# NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

## 19. Financial instruments (continued)

### 19.2 Net gains and losses arising from financial instruments

	2018 RM	2017 RM
Net gains/(losses) on:		
Financial assets at amortised cost	1,338,781	791,896
Financial liabilities at amortised cost	(36,023,502)	(15,327,652)

### 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 exposures to credit risk arising from receivables are represented by the carrying amounts in the statement of financial position.

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

The exposure of credit risk for trade receivables as at the end of the reporting period amounts to RM675,464 (2017: RM264,375) and are secured by tenants' deposits.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 19. Financial instruments (continued)

#### 19.4 Credit risk (continued)

##### *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
<b>2018</b>			
Past due 1 - 30 days	331,986	-	331,986
Past due 31 - 60 days	181,114	-	181,114
Past due more than 120 days	162,364	-	162,364
	675,464	-	675,464
<b>2017</b>			
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

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

## 19. Financial instruments (continued)

### 19.5 Liquidity risk (continued)

#### *Maturity analysis*

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

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1 - 5 years RM	More than 5 years RM
<b>2018</b>						
<b>Financial liabilities</b>						
Trade and other payables	47,703,289	-	47,703,289	30,978,982	8,370,715	8,353,592
Borrowings	670,484,115	4.60 – 5.35	816,614,384	33,290,407	278,570,423	504,753,554
	<u>718,187,404</u>		<u>864,317,673</u>	<u>64,269,389</u>	<u>286,941,138</u>	<u>513,107,146</u>
<b>2017</b>						
<b>Financial liabilities</b>						
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
	<u>798,326,294</u>		<u>981,421,727</u>	<u>86,423,157</u>	<u>424,362,957</u>	<u>470,635,613</u>

### 19.6 Market risk

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

#### **Interest rate risk**

##### *Exposure to interest rate risk*

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

	2018 RM	2017 RM
<b>Financial asset</b>		
<i>Fixed rate instrument</i>		
Security deposits in trust accounts	20,628,182	21,151,817
Deposits placed with licensed financial institutions	32,647,848	196,513,505
	<u>53,276,030</u>	<u>217,665,322</u>
<b>Financial liabilities</b>		
<i>Floating rate instruments</i>		
Borrowings	670,484,115	763,131,687

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 19. Financial instruments (continued)

#### 19.6 Market risk (continued)

##### **Interest rate risk (continued)**

##### *Interest rate risk sensitivity analysis*

##### *(a) Fair value sensitivity analysis*

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

	<b>Profit/(Loss)</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
	<b>RM</b>	<b>RM</b>
<b>2018</b>		
Floating rate instruments	(6,704,841)	6,704,841
	<hr/>	<hr/>
<b>2017</b>		
Floating rate instruments	(7,631,317)	7,631,317
	<hr/>	<hr/>

**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.

2018	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		
<b>Financial liabilities</b>										
Borrowings	-	-	-	-	-	-	703,082,859	703,082,859	703,082,859	670,484,115
Tenants' deposits	-	-	-	-	-	-	25,942,645	25,942,645	25,942,645	25,942,645
	-	-	-	-	-	-	729,025,504	729,025,504	729,025,504	696,426,760
<b>2017</b>										
<b>Financial liabilities</b>										
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

# 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% (2017: 3.75%) per annum.
Borrowings	Discounted cash flows using interest rate of 5.35% (2017: 4.60%) 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 2017.

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 2017 and 31 December 2018.

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.

	2018 RM	2017 RM
Total borrowings	670,484,115	763,131,687
Total assets	1,499,264,735	1,526,616,881
Gearing ratio	44.72%	49.99%

### 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:

	2018 RM	2017 RM
Less than one year	51,039,081	19,379,023
Between two to five years	102,996,210	49,174,120
More than five years	19,573,330	10,634,437
	173,608,621	79,196,580

# 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.

	2018 RM	2017 RM
Security deposits from lessees placed with the holding company of the Manager (Note 7)	20,628,182	21,151,817
Manager's fees	6,799,633	5,868,270
Repair and maintenance expense incurred from a related company of the Manager	-	1,186,792
Deposit placed for the acquisition of Vista Tower from a related company of KDA Capital	-	275,000,000
	-	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 AmanahRaya 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 31 December 2018

TOTAL UNITHOLDERS: 4,553

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.	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	7,671,000	1.34
5.	VALUECAP SDN. BHD.	7,179,000	1.25
6.	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. YAYASAN HASANAH (AUR-VCAM)	6,922,600	1.21
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)	2,339,700	0.41
12.	AMANAH RAYA BERHAD		
13.	AMANAH RAYA CAPITAL SDN. BHD. MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MOHD ISKANDAR LAU BIN ABDULLAH	2,032,600	0.35
14.	HLB NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR LIEW SUN YICK	1,613,800	0.28
15.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	1,585,000	0.28
16.	YEO ENG SENG	1,505,000	0.26
17.	TEE KIAM HENG	1,199,400	0.21
18.	MALAYSIAN RATING CORPORATION BERHAD	1,100,000	0.19
19.	CITIGROUP NOMINEES (ASING) SDN. BHD. CBHK PBGHK FOR SABLE INVESTMENT CORPORATION	1,095,000	0.19
20.	ANG SIEW SIANG	1,063,800	0.19
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR PEE SIEW BOON (8057713)	1,050,000	0.18
22.	SEG EQUITY SDN. BHD.	1,030,000	0.18
23.	STATE INSURANCE BROKERS SDN. BHD.	1,000,000	0.17
24.	LABUAN REINSURANCE (L) LTD	1,000,000	0.17
25.	TEW SOO CHIM	995,500	0.17
26.	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR RHB EMERGING OPPORTUNITY UNIT TRUST	979,000	0.17
27.	BOH PLANTATIONS SDN BERHAD	890,000	0.16
28.	SZE SEE CHUEN	880,600	0.15
29.	CHAI WAN CHON	853,900	0.15
30.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. MCIS INSURANCE BERHAD (GRP LIFE FD)	840,000	0.15
		825,000	0.14
<b>TOTAL</b>		<b>450,815,258</b>	<b>78.63</b>



# ANALYSIS OF UNITHOLDINGS

## DISTRIBUTION OF UNITHOLDERS AS AT 31 DECEMBER 2018

Unit Class	Unitholders	%	Unitholdings	%
Less than 100	22	0.48	455	0.00
100 – 1,000	636	13.97	465,445	0.08
1,001 – 10,000	2,183	47.95	12,326,900	2.15
10,001 – 100,000	1,426	31.32	48,710,600	8.49
100,001 to less than 5% of issued holdings	283	6.22	122,187,100	21.32
5% and above the issued holdings	3	0.07	389,529,358	67.95
<b>Total</b>	<b>4,553</b>	<b>100.01</b>	<b>573,219,858</b>	<b>99.99</b>

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

## CATEGORY OF SHAREHOLDERS AS AT 31 DECEMBER 2018

Category of Unitholders	No. of Holders		No. of Holdings			
			Malaysian		Foreign	
	Bumiputra	Non-Bumiputra	Bumiputra	Non-Bumiputra	Bumiputra	Non-Bumiputra
1) Individual	140	3,345	53	1,416,500	95,339,389	1,832,200
2) Body Corporate						
a. Banks / Finance Companies	4	0	0	280,797,979	0	0
b. Investments Trust/ Foundation/ Charities	0	0	0	0	0	0
c. Other Types of Companies	5	49	1	6,226,000	8,804,611	40,000
3) Government Agencies / Institutions	1	0	0	32,360,000	0	0
4) Nominees	587	338	30	22,508,200	118,629,979	5,265,000
5) Others	0	0	0	0	0	0
<b>Total</b>	<b>737</b>	<b>3,732</b>	<b>84</b>	<b>343,308,679</b>	<b>222,773,979</b>	<b>7,137,200</b>

# 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 2018.

### 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

AmanahRaya REIT did not issue any warrants or convertible securities for the financial year ended 31 December 2018.

### 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 2018.

### 5. PROFIT GUARANTEES

There were no profit guarantees given by the Manager during the financial year ended 31 December 2018.

[www.amanahrayareit.com.my](http://www.amanahrayareit.com.my)

**AMANAHRAYA ■ KENEDIX**  
**REIT MANAGER** (856167-A)

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