



ASCENDING IN
A NEW
DIRECTION

Annual Report 2021

AMANAHRAYA ■ REIT

Offices

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

Education

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



Industrial

- RHF Stone Factory, Nusajaya

Hospitality

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



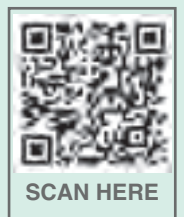
Retail

- Selayang Mall, Selayang



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CORPORATE DIRECTORY



MANAGER

AmanahRaya-Kenedix REIT Manager
Sdn Bhd
Registration No. 200901013113
(856167-A)
(Incorporated in Malaysia)

MANAGER'S REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

BOARD OF DIRECTORS OF THE MANAGER

Independent Non-Executive Directors

Mahadzir Bin Azizan
(Chairman)

Dato' Haji Che Pee Bin Samsudin

Zulazman Bin Zulkifli

Datuk Mohd Radzif Bin Mohd Yunus
(Appointed w.e.f. 31 January 2022)

Tunku Rozita Binti Tunku Abdul Malek
(Appointed w.e.f. 31 January 2022)

Dr Iskandar Bin Ismail
(Resigned w.e.f. 8 April 2021)

Non-Independent Non-Executive Directors

Keisuke Ogawa

Shahlan Bin Md Shukor @ Kadari

Naoto Kojima
(Appointed w.e.f. 31 January 2022)

Adenan Bin Md Yusof
(Resigned w.e.f. 4 May 2021)

Michio Izawa
(Resigned w.e.f. 31 December 2021)

Azmeen Bin Adnan
(Appointed w.e.f. 9 September 2021)
(Resigned w.e.f. 31 December 2021)

AUDIT COMMITTEE

Dato' Haji Che Pee Bin Samsudin
(Chairman)

Zulazman Bin Zulkifli

Keisuke Ogawa

INVESTMENT COMMITTEE

Zulazman Bin Zulkifli
(Chairman)

Dato' Haji Che Pee Bin Samsudin
(Appointed w.e.f. 4 October 2021)

Datuk Mohd Radzif Bin Mohd Yunus
(Appointed w.e.f. 31 January 2022)

Naoto Kojima
(Appointed w.e.f. 31 January 2022)

Adenan Bin Md Yusof
(Resigned w.e.f. 4 May 2021)

Michio Izawa
(Resigned w.e.f. 31 December 2021)

Dr Iskandar Bin Ismail
(Resigned w.e.f. 8 April 2021)

Azmeen Bin Adnan
(Appointed w.e.f. 9 September 2021)
(Resigned w.e.f. 31 December 2021)

CORPORATE DIRECTORY

(CONT'D)

TENDER COMMITTEE

Zulazman Bin Zulkifli (*Chairman*)

Naoto Kojima
(*Appointed w.e.f. 31 January 2022*)

Tunku Rozita Binti Tunku Abdul Malek
(*Appointed w.e.f. 31 January 2022*)

Michio Izawa
(*Resigned w.e.f. 31 December 2021*)

COMPANY SECRETARIES OF THE MANAGER

Jerry Jesudian s/o Joseph Alexander
(MAICSA 7019735)

Leong Shiak Wan
(MAICSA 7012855)

Rizana Binti Ahmad Rithauddeen
(LS 0009663)

MANAGEMENT TEAM

Abdul Aziz Bin Abdul Rasheed
Chief Executive Officer
(*Resigned w.e.f. 31 December 2021*)

Yusoff Iskandar Bin Mohd Zaki
Acting Chief Executive Officer/
Head of Investment
(*Appointed w.e.f. 31 December 2021/
19 March 2020*)

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

Roslin Bin Zainuddin
Head of Property Management

Justhinderpal Kaur d/o Pritam Singh
Head of Legal and Compliance
(*Appointed w.e.f. 3 May 2021*)

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

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

TRUSTEE

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

REGISTRAR AND TRANSFER OFFICE

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

PROPERTY MANAGERS

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

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

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

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

PMC Facilities & Real Estate Sdn Bhd
20160134040 (1204981-V)
D-10-05, Menara Mitraland, PJU 5,
No. 13A, Jalan PJU 5/1, Kota Damansara,
47810 Petaling Jaya, Selangor
Tel. No. : 03-7610 2922
Fax No. : 03-7610 2923

AUDITOR

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel. No. : 03-77213388
Fax No. : 03-77213399

FINANCIERS

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

BURSA MALAYSIA STOCK CODE

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

ABOUT AMANAHRAYA REIT

ABOUT AMANAHRAYA REIT

AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT" or "the Trust") is a Malaysia domiciled real estate investment trust constituted pursuant to the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be referred to as "the Trust Deed") between AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("the Manager") and CIMB Islamic Trustee Berhad ("the Trustee"). The Trust Deed is regulated by the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. AmanahRaya REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provision of Clause 26 of the Trust Deed dated 10 October 2006. AmanahRaya REIT is listed on the Main Market of Bursa Malaysia Securities Berhad. On 13 May 2019, the Manager, CIMB Islamic Trustee Berhad and Pacific Trustees Berhad entered into a Supplementary Deed to effect the change of trustee of AmanahRaya REIT from CIMB Islamic Trustee Berhad to Pacific Trustees Berhad ("the Trustee"). The change of trustee took effect on 21 May 2019 upon registration with the Securities Commission and lodgement was made on 24 May 2019.

Subsequently, the Manager has entered into an Amended and Restated Trust Deed dated 5 December 2019 with the Trustee which has been registered and lodged with the Securities Commission on 10 January 2020 and 16 January 2020 respectively in compliance with the amendments made to the Securities Commission's Guidelines on Listed Real Estate Investment Trusts. The Amended and Restated Trust Deed dated 5 December 2019 supersedes the Trust Deed.

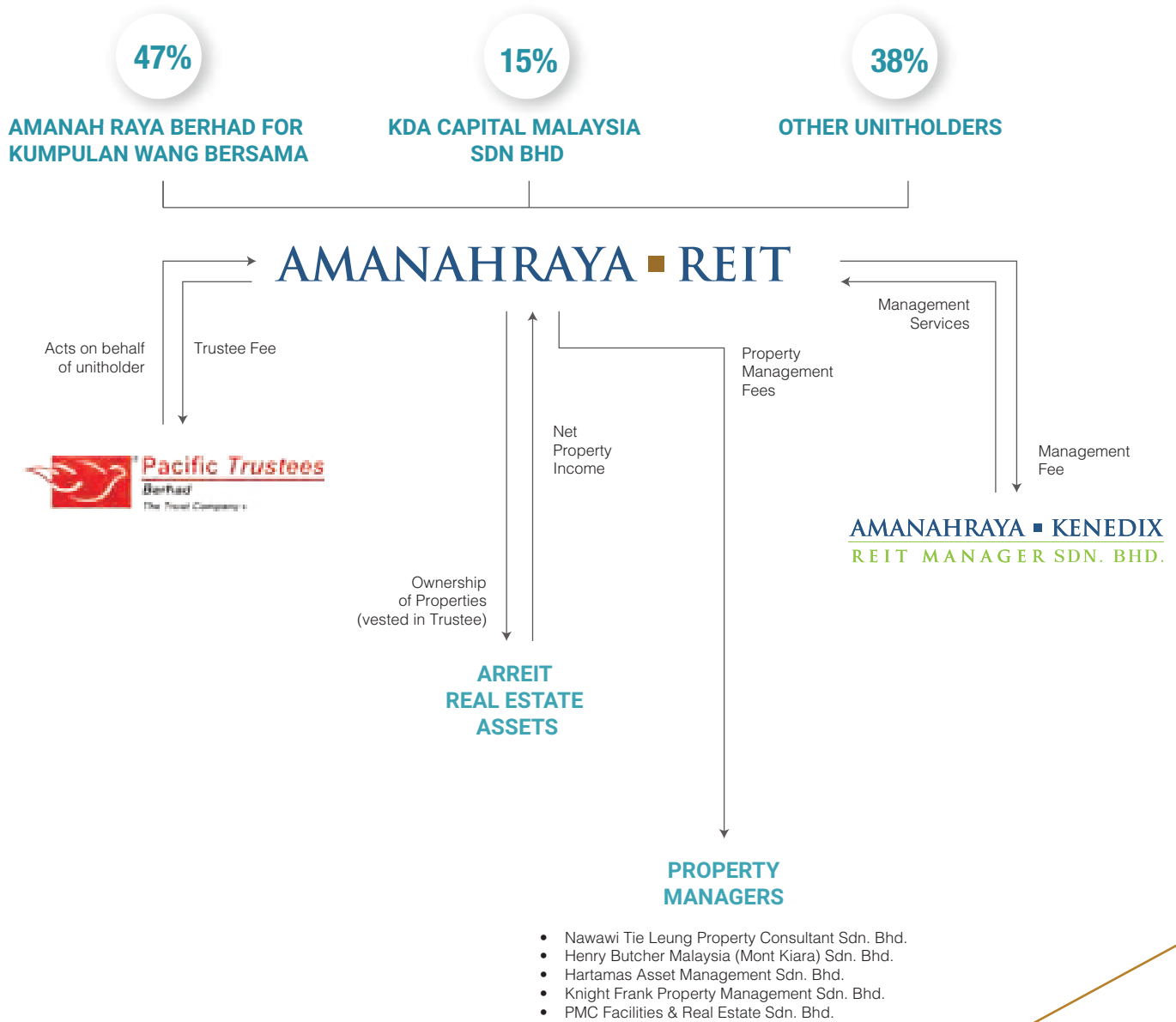
ABOUT AMANAHRAYA-KENEDIX REIT MANAGER SDN. BHD.

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

The Manager is principally responsible for the management of ARREIT investment strategies to meet its investment objectives. Its primary investment objective is to provide and administer ARREIT on behalf of the unitholders in accordance with the Amended and Restated Deed dated 5 December 2019 and the Guidelines on Listed Real Estate Investment Trusts by the Securities Commission and Bursa Malaysia Securities Berhad. The Manager's main role is to ensure stable and sustainable return to ARREIT unitholders.



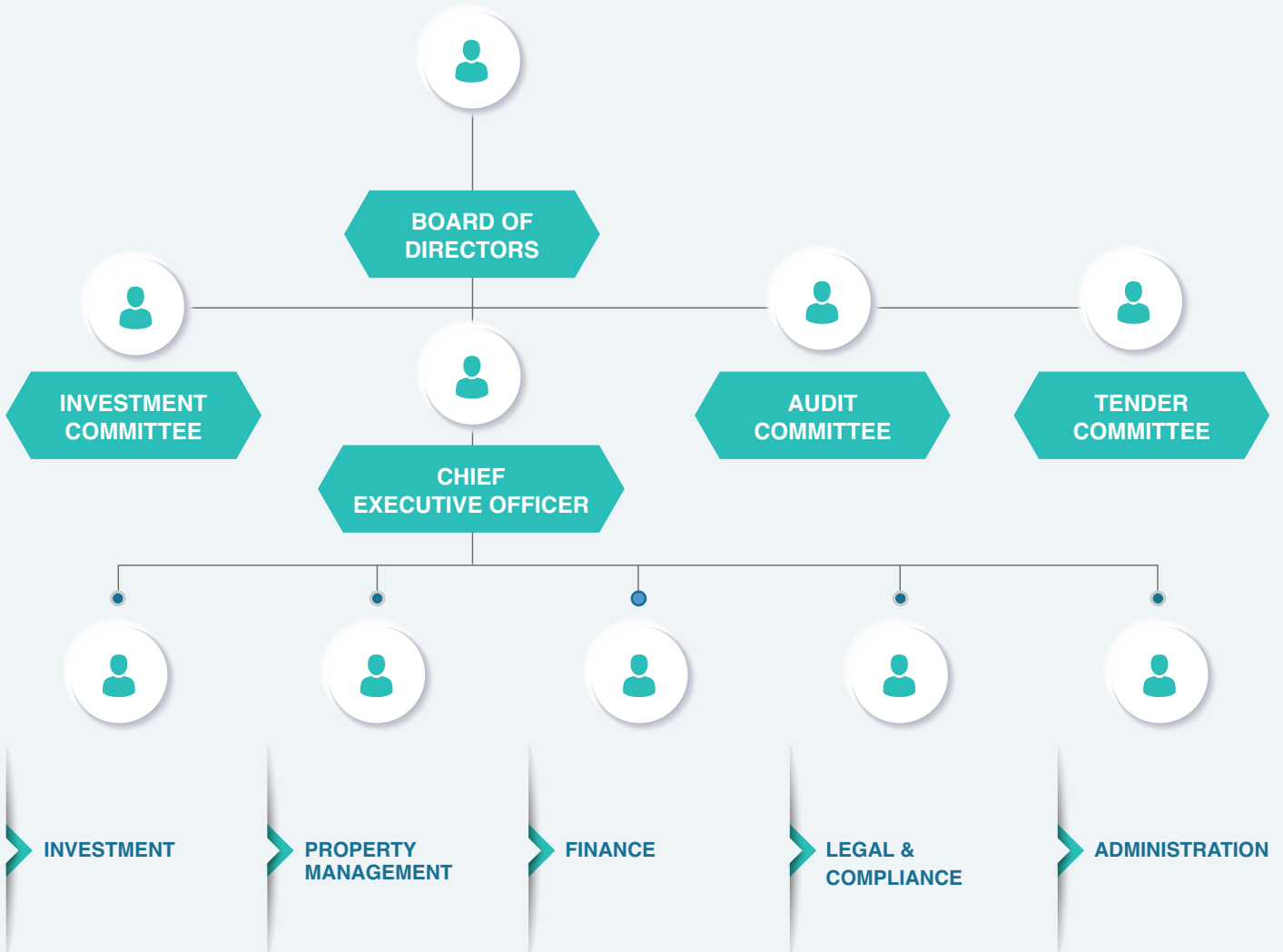
AMANAHRAYA REIT's STRUCTURE



MANAGER'S STRUCTURE



ORGANISATION CHART



SALIENT FEATURES OF AMANAHRAYA REIT

| | |
|---|--|
| Fund Category | Real Estate Investment Trust |
| Fund Type | Income and Growth |
| Duration of Fund/ Termination Date | The earlier of: <ul style="list-style-type: none"> the occurrence of any termination events set out under the provisions of the Trust Deed 80 years after 20 October 2006 or until such further period as the law may permit |
| Approved Fund Size | 573,219,858 |
| Investment Objective | To provide unitholders with stable and growth potential returns over a long term period |
| Performance Benchmark | <ul style="list-style-type: none"> Management expense ratio Total returns Average annual return Distribution yield Net asset value (NAV) |
| Distribution Policy | <ul style="list-style-type: none"> Semi-annual income distribution Distribution of at least 90% (or such percentage as determined by the Manager at its absolute discretion) |
| Revaluation Policy | The investment properties shall be revalued annually by the registered independent valuers |
| Financial Year End | 31 December |
| Listing | Main Market of Bursa Malaysia Securities Berhad |
| Stock Name | ARREIT |
| Stock Code | 5127 |
| Date of Listing | 26 February 2007 |
| Initial Public Offering Price | <ul style="list-style-type: none"> RM0.895 - retail RM0.94 - institutional |

FINANCIAL HIGHLIGHTS

SNAPSHOT OF AMANAHRAYA REIT AS AT 31 DECEMBER 2021



RM1.431 Billion
TOTAL ASSET VALUE



13
TOTAL NO. OF PROPERTIES



1.3007
NET ASSET VALUE (NAV)
PER UNIT



573,219,858
TOTAL UNIT ISSUED



44.99%
GEARING RATIO



5.0264
DISTRIBUTION PER UNIT 2021
(SEN PER UNIT)



RM378,325,106
MARKET CAPITALIZATION



25,633,300
TRADING VOLUME (UNIT)
(JANUARY-DECEMBER 2021)



RM0.66 sen
PRICE AS AT
31 DECEMBER 2021
(PER UNIT)



RM0.58 sen
LOWEST PRICE 2021

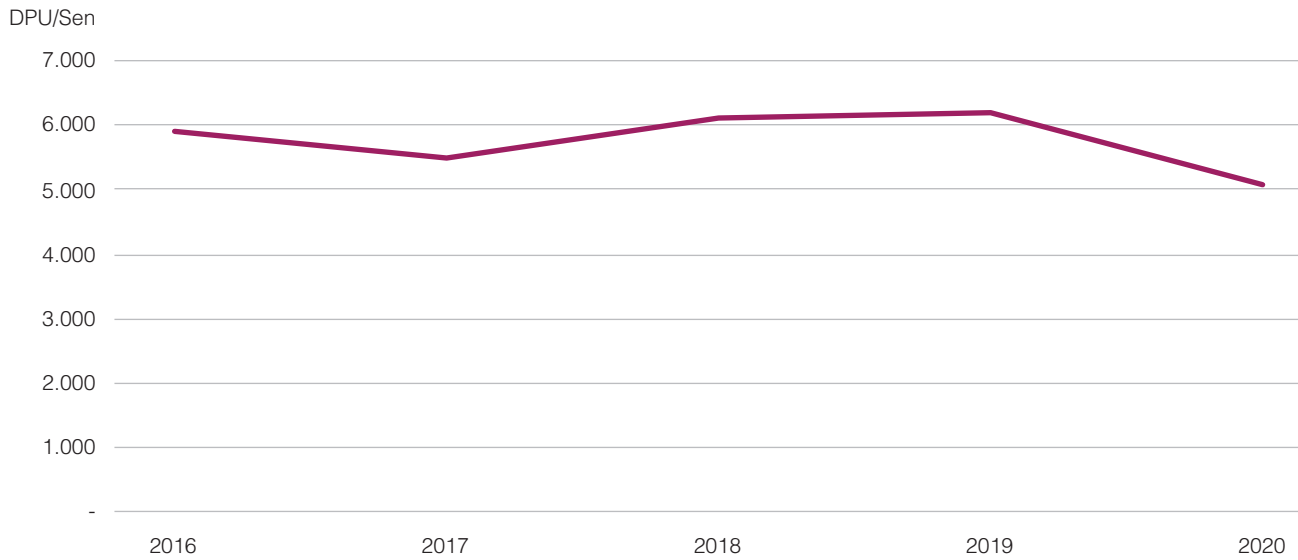


RM0.68 sen
HIGHEST PRICE 2021

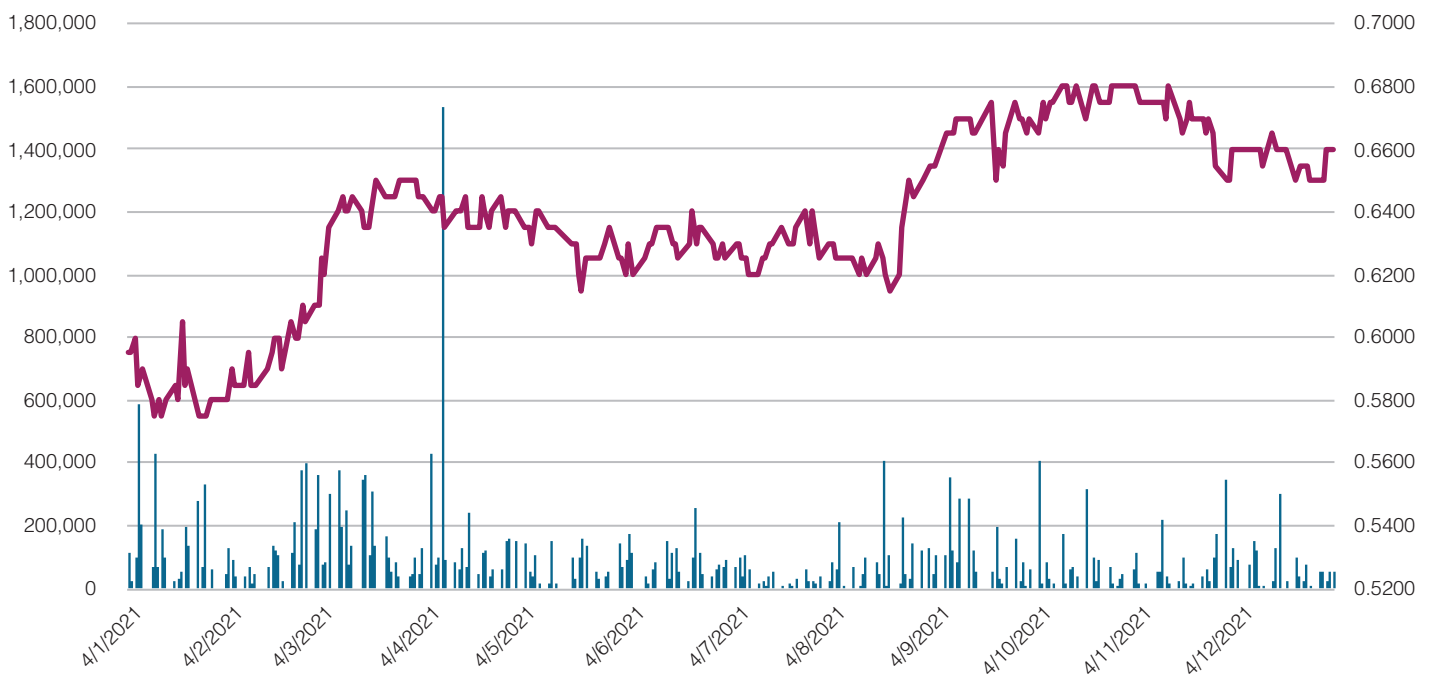
FINANCIAL HIGHLIGHTS

SNAPSHOT OF AMANAHRAYA REIT AS AT 31 DECEMBER 2021 (CONT'D)

Distribution Per Unit (sen)



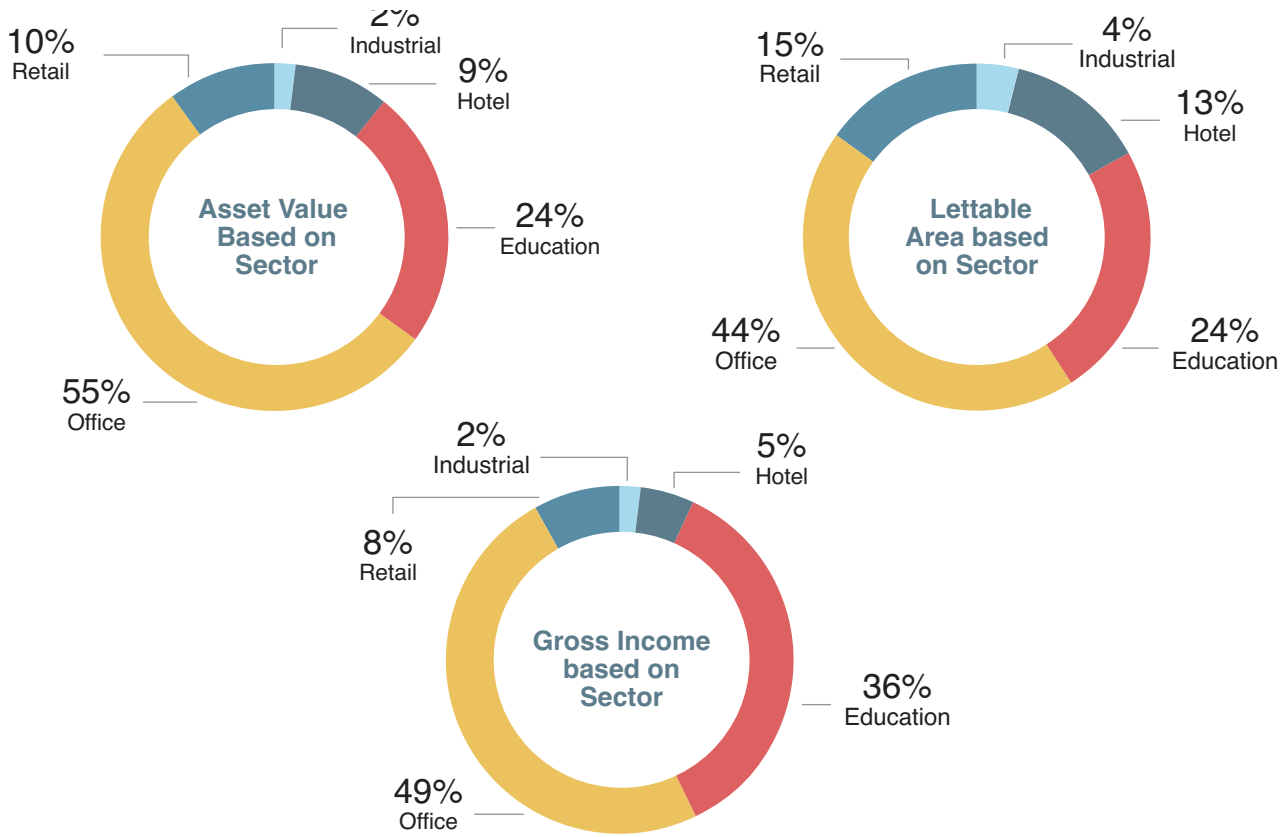
ARREIT VOLUME VS PRICE



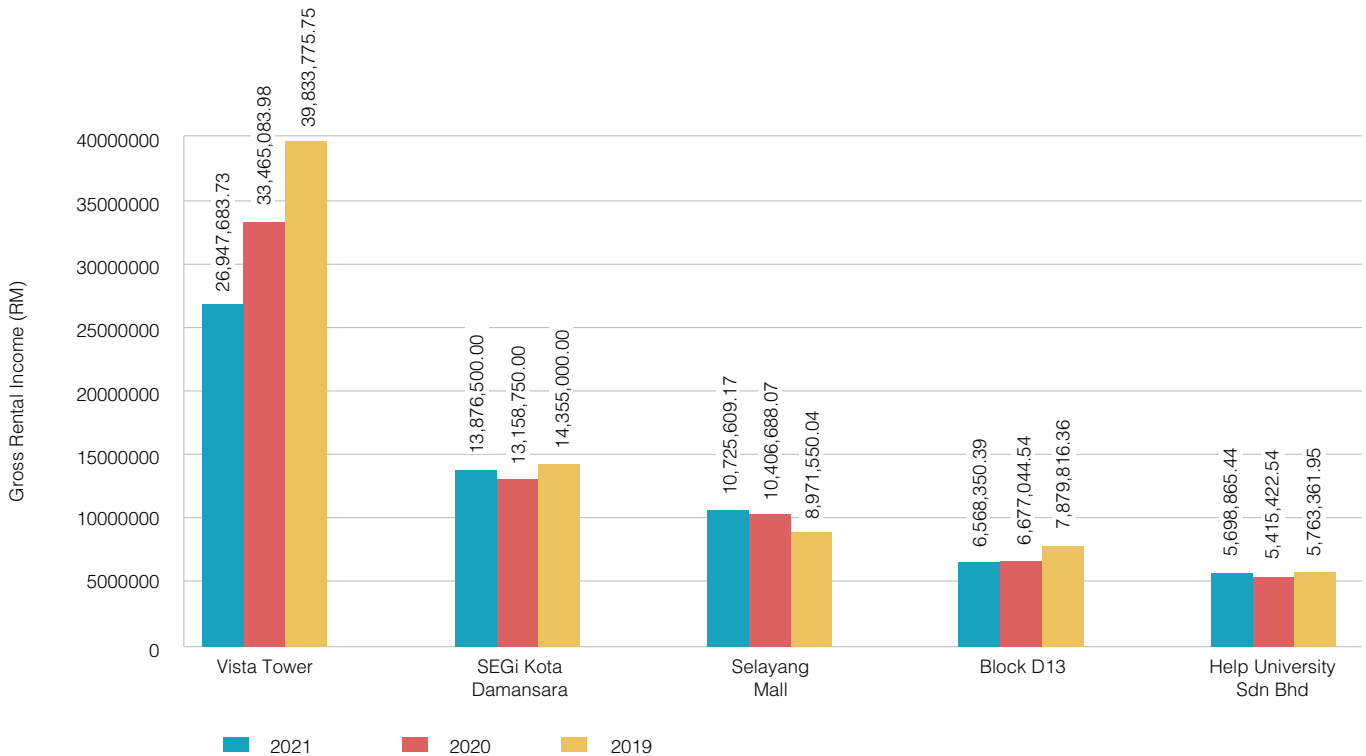
ASSET UNDER MANAGEMENT

| Real Estate(s) | Location | Type of Building | Initial Cost of Acquisition (RM'000) | Appreciation in Value (RM'000) | Occupancy | Unexpired Lease / Tenancy Period (approximate) | Investment in Real Estate Value* (RM'000)(a) | Value over Total Asset Value (%) (a/b) |
|---|---------------------------------------|---------------------------|--------------------------------------|--------------------------------|-----------|--|--|--|
| Hospitality | | | | | | | | |
| Ex-Holiday Villa Alor Setar | Alor Setar, Kedah | Hotel | 31,000 | -5,000 | Vacant | Vacant | 26,000 | 1.82% |
| Holiday Villa Langkawi | Langkawi, Kedah | Resort Hotel | 55,000 | 45,000 | 100% | 4.50 yrs | 100,000 | 6.99% |
| Higher Education Building | | | | | | | | |
| SEGi College, Subang Jaya | Subang Jaya, Selangor | Higher Education Building | 52,500 | 17,500 | 100% | 1.40 yrs | 70,000 | 4.89% |
| SEGi University, Kota Damansara | Petaling Jaya, Selangor | Higher Education Building | 145,000 | 40,000 | 100% | 6.00 yrs | 185,000 | 12.93% |
| HELP University, Jalan Semantan | Damansara Heights, Kuala Lumpur | Higher Education Building | 53,000 | 21,000 | 100% | 17.80 yrs | 74,000 | 5.17% |
| Office Building | | | | | | | | |
| Block A & B, South City Plaza | Plaza Seri Kembangan, Selangor | Office Building | 18,300 | -9,800 | 50% | 1.00 yrs | 8,500 | 0.59% |
| Wisma Comcorp | Glenmarie, Shah Alam | Office Building | 30,000 | 6,500 | 88% | Multiple Period | 36,500 | 2.55% |
| Dana13, Dana 1 Commercial Centre | Ara Damansara Petaling Jaya, Selangor | Office Building | 99,120 | 18,880 | 54% | Multiple Period | 118,000 | 8.25% |
| Vista Tower | The Intermark, Kuala Lumpur | Office Building | 455,000 | 68,000 | 53% | Multiple Period | 523,000 | 36.55% |
| Contraves | Cyberjaya, Selangor | Office Building | 40,000 | 2,000 | 100% | 2.30 yrs | 42,000 | 2.94% |
| Toshiba TEC | Glenmarie, Shah Alam | Office Building | 32,000 | - | 100% | 0.40 yrs | 32,000 | 2.24% |
| Industrial | | | | | | | | |
| RHF Stone Factory | Nusajaya, Johor | Industrial Factory | 24,000 | 2,000 | 100% | 6.60 yrs | 26,000 | 1.82% |
| Retail | | | | | | | | |
| Selayang Mall | Selayang, Selangor | Retail Mall | 128,165 | 8,835 | 94% | Multiple Period | 137,000 | 9.57% |
| Real Estate-Related Assets | | | | | | | 1,378,000 | 96.31% |
| Cash and security deposits | | | | | | | 47,310 | 3.31% |
| Others (Trade and Other Receivables) | | | | | | | 5,535 | 0.39% |
| Total Asset Value (RM'000)(b) | | | | | | | 1,430,844 | 100.00% |

PROPERTY PORTFOLIO



AMANAHRAYA REIT: TOP PROPERTIES



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT



OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

Vista Tower, Kuala Lumpur

Location

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

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

Description

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

Date of acquisition

16 January 2018

Cost of acquisition

RM455,000,000.00

Valuation as at December 2021

RM523,000,000.00

Age of property

Approximately 27 years

Valuer

Rahim & Co International Sdn Bhd

Tenure

Freehold

Carrying Amount

RM523,000,000.00

Tenancy period

Multi-tenanted

Master Lessee

-

Total Land Area

228,948 sq.ft.

Occupancy rates

53%

Gross Floor Area

776,196 sq.ft.

Property Manager

Knight Frank Property Management Sdn Bhd

Net lettable area

552,135 sq.ft.

Existing use

Office Building

Parking spaces

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

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



SEGi University, Kota Damansara

Location

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

Address

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

Title Details

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

Property type

Institutional building

Description

A purpose-built private university comprising of 1 block of 6-storey administrative building annexed with 1 block of 4-storey academic building, 1 block of 2-storey multi-purpose hall, and 1 block of 5-storey hostel

Age of property

Approximately 15 years

Tenure

Leasehold for 99 years

Unexpired lease

87 years

Lease period

5+5 years commencing from January 2018

Land Area

425,605 sq.ft.

Gross Built-up Area

577,031 sq.ft.

Net lettable area

337,710 sq.ft.

Existing use

A college campus under the brandname of SEGi

Parking spaces

334 car parking bays and 1,031 motorcycle parking bays

Date of acquisition

28 December 2007

Cost of acquisition

RM145,000,000.00

Valuation as at December 2021

RM185,000,000.00

Valuer

CH Williams Talhar & Wong Sdn Bhd (CBRE WTW)

Carrying Amount

RM185,000,000.00

Master Lessee

SEG International Bhd

Occupancy rates

100%

Property Manager

Hartamas Asset Management Sdn Bhd

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

Selayang Mall, Selayang

Location

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

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



Description

4-storey retail space with 6-storey car park

Age of property

Approximately 25 years

Tenure

Leasehold for 99 years

Unexpired lease

58 years

Land Area

175,742 sq.ft.

Gross Built-up Area

868,305 sq.ft.

Net lettable area

367,484 sq.ft.

Existing use

A shopping complex under the brand name of Selayang Mall

Parking spaces

900 parking bays

Date of acquisition

7 May 2010

Cost of acquisition

RM128,165,000.00

Valuation as at December 2021

RM137,000,000.00

Valuer

Knight Frank Malaysia Sdn Bhd

Carrying Amount

RM137,000,000.00

Occupancy rates

94%

Net rental (per month)

Multi-tenanted

Property Manager

Knight Frank Property Management Sdn Bhd

Address

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

Title Details

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

Property type

Shopping Mall

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Dana 13, Dana 1 Commercial Centre

Location

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

Address

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

Title Details

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

Property type

Office building

Description

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

Age of property

Approximately 12 years

Tenure

Leasehold for 99 years

Unexpired lease period

76 years

Gross Floor Area

355,365 sq.ft.

Net lettable area

256,972 sq.ft.

Existing use

Office Block with MSC status

Parking spaces

Available within the compound of the property

Date of acquisition

7 May 2010

Cost of acquisition

RM99,120,000.00

Valuation as at December 2021

RM118,000,000.00

Valuer

Jones Lang Wootton

Carrying Amount

RM118,000,000.00

Occupancy rates

54%

Property Manager

Hartamas Asset Management Sdn Bhd

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

HELP University, Jalan Semantan



Location

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

Description

A 11-storey purpose-built office building inclusive of a 4-level car park

Age of property

Approximately 22 years

Tenure

Leasehold for 99 years

Unexpired lease

- 1) HSD 83465 - 52 years
- 2) PN 46441 - 52 years

Lease period

25 years commencing from September 2014

Total Land Area

35,387 sq.ft.

Gross Built-up Area

170,000 sq.ft.

Net lettable area

125,227 sq.ft.

Existing use

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

Parking spaces

261 parking bays

Date of acquisition

26 February 2007

Cost of acquisition

RM53,000,000.00

Valuation as at December 2021

RM74,000,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn Bhd

Carrying Amount

RM74,000,000.00

Master Lessee

Help University Sdn Bhd

Occupancy rates

100%

Property Manager

PMC Facilities and Real Estate Sdn Bhd

Address

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

Title Details

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

Property type

Office building

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Holiday Villa, Langkawi

Location

The property is located along one of the most popular beach known as Pantai Tengah. Along the same stretch are other notable hotel resorts including Langkawi Beach Resort, Sunset Beach Resort, Moonlight Bay Resort, Tanjung Mali Beach Resort and Pelangi Beach Resort. Langkawi International Airport is located 6 km to the north of the property.

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

Address

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

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 4-star 238 rooms and suites, international class beach resort with swimming pool and spa facilities

Age of property

Approximately 30 years

Tenure

Freehold

Lease period

5+5 years commencing from July 2016

Total Land Area

427,672 sq.ft.

Gross Built-up Area

183,190 sq.ft.

Net lettable area

Not Applicable

Existing use

A hotel under the brand name of Hotel Holiday Villa

Parking spaces

55 parking bays

Date of acquisition

26 February 2007

Cost of acquisition

RM55,000,000.00

Valuation as at December 2021

RM100,000,000.00

Valuer

Rahim & Co International Sdn Bhd

Carrying Amount

RM100,000,000.00

Master Lessee

Langkawi Holiday Villa Sdn Bhd

Occupancy rates

100%

Property Manager

Hartamas Asset Management Sdn Bhd

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

SEGi College, Subang Jaya

Location

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



Description

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

Age of property

Approximately 16 years

Tenure

Freehold

Lease period

15 years commencing from May 2006

Land Area

51,957 sq.ft.

Gross Built-up Area

280,575 sq.ft.

Net lettable area

131,387 sq.ft.

Existing use

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

Parking spaces

206 parking bays and 400 motorcycle parking bays

Date of acquisition

26 February 2007

Cost of acquisition

RM52,500,000.00

Valuation as at December 2021

RM70,000,000.00

Valuer

C H Williams Talhar & Wong Sdn Bhd (CBRE WTW)

Carrying Amount

RM70,000,000.00

Master Lessee

SEG International Berhad

Occupancy rates

100%

Property Manager

Hartamas Asset Management Sdn Bhd

Address

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

Title Details

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

Property type

Higher education building

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Wisma Comcorp, Shah Alam

Location

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

Address

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

Title Details

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

Property type

Office building

Description

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

Age of property

Approximately 17 years

Tenure

Freehold

Total Land Area

55,090 sq.ft.

Gross Built-up Area

116,473 sq.ft.

Net lettable area

80,523 sq.ft.

Existing use

Workshop cum office

Parking spaces

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

Date of acquisition

23 April 2014

Cost of acquisition

RM30,000,000.00

Valuation as at December 2021

RM36,500,000.00

Valuer

Knight Frank Malaysia Sdn Bhd

Carrying Amount

RM36,500,000.00

Occupancy rates

88%

Property Manager

PMC Facilities and Real Estate Sdn Bhd

OVERVIEW OF 13 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.



Description

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

Age of property

Approximately 22 years

Tenure

Freehold

Tenancy period

3+3 years commencing from April 2018

Total Land Area

89,470 sq.ft.

Gross Built-up Area

93,804 sq.ft.

Net lettable area

75,014 sq.ft.

Existing use

Office Building

Parking spaces

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

Date of acquisition

16 June 2016

Cost of acquisition

RM40,000,000.00

Valuation as at December 2021

RM42,000,000.00

Valuer

Jones Lang Wootton

Carrying Amount

RM42,000,000.00

Master Lessee

Contraves Sdn Bhd

Occupancy rates

100%

Property Manager

PMC Facilities and Real Estate Sdn Bhd

Address

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

Title Details

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

Property type

Office building

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Toshiba TEC, Shah Alam

Location

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

Address

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

Description

A four story office building cum warehouse

Age of property

Approximately 17 years

Tenure

Freehold

Lease period

6 years commencing from May 2016

Total Land Area

67,371 sq.ft.

Gross Built-up Area

74,104 sq.ft.

Net lettable area

74,104 sq.ft.

Existing use

Office

Parking spaces

Available within the compound of the property

Date of acquisition

25 March 2016

Cost of acquisition

RM32,000,000.00

Valuation as at December 2021

RM32,000,000.00

Valuer

Nawawi Tie Leung Property Consultants Sdn Bhd

Carrying Amount

RM32,000,000.00

Master Lessee

Toshiba Tec Malaysia Sdn Bhd

Occupancy rates

100%

Property Manager

Hartamas Asset Management Sdn Bhd

Title Details

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

Property type

Office building

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

RHF Stone Factory, Nusajaya

Location

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



Description

A single storey factory annexed with three storey office building

Age of property

Approximately 9 years

Tenure

Freehold

Lease period

9+3 years commencing from March 2019

Total Land Area

130,685 sq.ft.

Gross Built-up Area

107,666 sq.ft.

Net lettable area

95,035 sq.ft.

Existing use

Factory

Parking spaces

Available within the compound of the property

Date of acquisition

20 April 2016

Cost of acquisition

RM24,000,000.00

Valuation as at December 2021

RM26,000,000.00

Valuer

Savills Malaysia Sdn Bhd

Carrying Amount

RM26,000,000.00

Master Lessee

RHF Stone Sdn Bhd

Occupancy rates

100%

Property Manager

Hartamas Asset Management Sdn Bhd

Address

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

Title Details

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

Property type

Industrial Factory

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)



Ex-Holiday Villa, Alor Setar

Location

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

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

Address

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

Title Details

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

Property type

Hotel

Description

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

Age of property

Approximately 86 years

Tenure of Master Title

Leasehold for 99 years

Unexpired lease

Approximately 87 years

Tenancy period

-

Gross Floor Area

150,000 sq.ft

Existing use

Vacant since 2018

Date of acquisition

26 February 2007

Cost of acquisition

RM31,000,000.00

Valuation as at December 2021

RM26,000,000.00

Valuer

Rahim & Co International Sdn Bhd

Carrying Amount

RM26,000,000.00

Master Lessee

Vacant since June 2018

Occupancy rates

0%

Property Manager

Hartamas Asset Management Sdn Bhd

OVERVIEW OF 13 PROPERTIES UNDER AMANAHRAYA REIT

(CONT'D)

Block A & B, South City Plaza

Location

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



Description

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

Age of property

Approximately 16 years

Tenure of Master Title

Leasehold for 99 years

Unexpired lease

72 years

Tenancy period

2 years commencing from January 2018 (Block B)

Gross Floor Area

68,317 sq.ft.

Net lettable area

66,606 sq.ft.

Existing use

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

Parking spaces

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

Date of acquisition

26 February 2007

Cost of acquisition

RM18,300,000.00

Valuation as at December 2021

RM10,000,000.00

Valuer

Knight Frank Malaysia Sdn Bhd

Carrying Amount

RM8,500,000.00

Master Lessee

Block A - Vacant
Block B - Paramount Vintage Sdn Bhd

Occupancy rates

50%

Property Manager

Hartamas Asset Management Sdn Bhd

Address

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

Title Details

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

Property type

Office building

MESSAGE FROM THE CHAIRMAN

Dear Unitholders,

On behalf of the Board of Directors of AmanahRaya-Kenedix REIT Manager Sdn Bhd (AKRM), the Manager of AmanahRaya Real Estate Investment Trust (ARREIT), it is my pleasure and privilege to present the Annual Report and Audited Financial Statements for the financial year ended 31 December 2021 (FY2021).

MAHADZIR BIN AZIZAN

Chairman



MESSAGE FROM THE CHAIRMAN

(CONT'D)

We continue to work closely with our tenants in building a sustainable relationship, enhancing operational efficiency, and embarking on asset enhancement initiatives that will benefit all parties involved.

This past year was another challenging time, as the country was still recovering from the effects of the Covid-19 pandemic which affected all sectors, including real estate. In June 2021, the Government announced the country would go into a four-phase strategy under the National Recovery Plan whereby movement control measures will be gradually eased as Malaysia moves from one phase to the next. Optimism grew towards Q4 2021 when the Government reported more than 80% of Malaysia's adult population have been fully vaccinated, while 93.2% have already received at least one vaccine dose.

The majority of ARREIT's properties are located within the Klang Valley, and these remained under Phase 1 until September 2021. Movement was restricted, which resulted in uncertainties for the businesses of our tenants operating within the retail and hospitality industry.

However, the fast rollout of the National Covid-19 Immunisation Programme has boosted confidence and provided clarity in working towards recovery. Nonetheless, we remain cautious and vigilant of new variants which could hamper progress.

ECONOMIC OVERVIEW

In 2021, Malaysia was largely still in the early stages of recovery. Quarterly GDP was recorded within the range of RM335 billion to RM343 billion for the first three quarters, bolstered by the Government's various stimulus programmes, assistance packages and measures under Budget 2021. Overall, cumulative GDP for the first three quarters of 2021 improved 3% y-o-y (1Q-3Q 2020: -6.3%), signifying persistent economic recovery.

The labour market remained highly volatile in 2021 because of the challenging economy posed by the pandemic. Broadly, the unemployment rate remained elevated between 4.5% – 4.8%, caused by longer and stricter movement restrictions.

After a minor change in 1Q 2021, headline inflation increased by 2.2% in 3Q 2021 due to the base effects of the low domestic retail fuel prices last year and the lapse from the tiered electricity tariff rebate. In terms of monthly trajectory, headline inflation peaked at 4.7% in April 2021.

On the other hand, Business Conditions Index (BCI) registered some 12.4% increase y-o-y, from 86.3 in 3Q 2020 to 97.0 in 3Q 2021. The BCI has been trending higher since 2Q 2021, as the Government eased restrictions and the businesses regained confidence in the wake of the new normal.

BNM has maintained the Overnight Policy Rate (OPR) at a historical low of 1.75% since 3Q 2020 to support the economy. Along with the fiscal and financial measures that continue to cushion the economic impact on businesses and households and provide support to economic activity, BNM continued utilising its policy levers to encourage a sustainable economic recovery.

All states in Malaysia have moved into Phase 4 of the National Recovery Plan in early October 2021, with 97.6% of the adult population fully vaccinated as at end-2021. In this phase, the public and private sectors can operate at 100% capacity with a relaxed Standard Operating Procedure (SOP). With interstate travel allowed for fully vaccinated individuals, Malaysia is steadily progressing towards international travel in 2022. With recovery gaining momentum in 4Q 2021, Bank Negara Malaysia (BNM) estimates that domestic economy will achieve an annual growth rate of 3.0% to 4.0% in 2021 and will further expand by 5.5% to 6.5% in 2022.

MESSAGE FROM THE CHAIRMAN

(CONT'D)

Malaysia's Industrial Production Index (IPI) increased 2.5% y-o-y in September 2021, supported by an increment of 4% in the manufacturing index and 0.4% in the electricity index. Consumer confidence rebounded at the start of the vaccine rollout in early 2021 and continued as travel restrictions for fully vaccinated individuals were lifted in August.

According to the Malaysia Institute of Economic Research (MIER), the consumer sentiment index improved significantly in 3Q 2021 to 101.7 points, passing the 100-point optimism threshold. This is a massive increase by 50.6 points from the lowest figure ever recorded in 1Q 2020, at 51.1 points. The expectation of better income and job opportunities in the immediate future will likely prompt healthier spending and increase consumers' appetite to shop.

PROPERTY OVERVIEW

The hybrid working model for the office sector is expected to remain a mainstay in Malaysia for the foreseeable future. More companies are expected to relocate to spaces that offer flexible and more technologically advanced working environments. Additionally, owners will continue to re-optimize their office space to suit hybrid working arrangements.

The industrial sector has remained resilient despite the Covid-19 situation mainly due to the accelerated adoption of e-commerce which has contributed positively to the logistics industry and has led to increased demand for industrial services, mainly last-mile logistics services providers.

The education sector is likely to remain challenging, as the market is still riddled with the lack of clarity over the containment of virus spread and its unpredictable variants. As students have an increased awareness of multiple study options available online, student enrolment for conventional full-time courses may continue to fall. Professional short courses, workshops and skill improvement programs are expected to become more popular.

As for the retail sector, several factors will continue to place pressure on malls' occupancy, thereby affecting rental rates. Factors include changes in consumer spending patterns, the inability of tenants to pay rent despite assistance, and loss of attractiveness in terms of the mall's offerings. However, occupancy rates of prime retail malls remain stable, mainly due to the financial ability of major landlords to maintain zero tenancy termination. The presence of more creative and collaborative commercial terms between landlords and retailers is expected to shift from the conventional rental structures towards a more participative and profit-sharing approach.

PERFORMANCE OVERVIEW

On our end, the various lockdown measures imposed in 2020 and 2021 have affected occupancy rates, especially in our office spaces within central Kuala Lumpur. A few of our tenants had decided to downsize their office space and work from home, while leasing activities slowed down overall. Nonetheless, occupancy rates of other properties within our diversified portfolio remained steady.

For 2021, the net property income eased to RM67.62 million from RM72.65 million in 2020. The 7% decline is mainly attributable to lower rental income from Vista Tower and the change of triple-net lease to multi-tenant property for Wisma Comcorp. However, the lower rental income is mitigated by savings in property operating expenses which improved to RM18.9 million in 2021 as compared to RM19.4 million in 2020.

ARREIT has, throughout this challenging period, fostered much closer collaborations with its tenants across all sectors. We realise the importance of working together towards a common goal to be on stronger footing for recovery post Covid-19. Hence, in 2021, ARREIT continued adopting the approach applied in 2020 of providing targeted tenants with rental relief packages, including rental rebates, deferred rental payment, staggered payment plans, and allowance for utilities. The rental relief package provided in 2021 was approximately RM4.37 million, which was lower compared to RM5.56 million in 2020. The rental package was mostly for the retail, hospitality, education, and office tenants who were the most impacted during the year.

The total distribution to unitholders is RM28.81 million for 2021, a 1% decrease from RM29.14 million in 2020. The total distribution is 5.03 sen in 2021, compared to 5.08 sen previously.

The fair value of ARREIT's investment portfolio saw a slight increase to RM1,370 million in 2021 from RM1,363 million in 2020. The improvement was mainly contributed by the improved valuation of Holiday Villa, Langkawi.

ARREIT's financial position remains healthy and robust, with a gearing level of 44.99% as at 31 December 2021, below the mandated threshold of 50%.

PROGRESSING TOGETHER

2021 has indeed been a year of new lessons learned and we remain flexible, agile, proactive, and accommodating to our tenants' needs.

We continue to work closely with our tenants in building a sustainable relationship, enhancing operational efficiency, and embarking on asset enhancement initiatives that will benefit all parties involved.

MESSAGE FROM THE CHAIRMAN

(CONT'D)



CHANGES IN THE BOARDROOM AND MANAGEMENT

I am pleased to welcome Encik Yusoff Iskandar Bin Mohd Zaki as Acting Chief Executive Officer, effective from 31 December 2021. The Board is confident that with his vast experience and abilities, he will steer ARREIT to greater success.

I'd also like to welcome on board Tunku Rozita Binti Tunku Abdul Malek and Datuk Mohd Radzif Bin Mohd Yunus as Independent, Non-Executive Directors, and Naoto Kojima as Non-Independent, Non-Executive Director.

Both Datuk Mohd Radzif and Mr Kojima have also been appointed as Members of the Investment Committee.

I look forward to working with all of you.

I'd also like to express my appreciation to Encik Abdul Aziz Bin Abdul Rasheed for his contributions as Chief Executive Officer following his resignation on 31 December 2021. My thanks also go to Michio Izawa, Dr Iskandar Bin Ismail, and Encik Adenan Bin Md Yusof for their contributions during their tenure as Non-Independent, Non-Executive Directors.

ACKNOWLEDGEMENTS

I wish to take this opportunity to express my sincere gratitude to the members of the Board, Committee Members, Management, and employees for their continued dedication and commitment in delivering their utmost, despite the challenges. With their presence, ARREIT's focus remains unchanged in delivering top value to our unitholders.

In closing, I would like to thank all our unitholders, tenants, and business partners for your unwavering support throughout 2021.

Stay safe, and stay healthy. Together, we will see ARREIT as a stronger, more resilient and sustainable business heading into 2022.

MAHADZIR BIN AZIZAN

Chairman

PROFILE OF THE BOARD OF DIRECTORS



1

MAHADZIR BIN AZIZAN
Independent
Non-Executive Chairman



2

**DATO' HAJI CHE PEE BIN
SAMSUDIN**
Independent
Non-Executive Director



3

ZULAZMAN BIN ZULKIFLI
Independent
Non-Executive Director



4

**TUNKU ROZITA BINTI
TUNKU ABDUL MALEK**
Independent
Non-Executive Director



5

**DATUK MOHD RADZIF BIN
MOHD YUNUS**
Independent
Non-Executive Director



6

**SHHLAN BIN MD SHUKOR
@ KADARI**
Non-Independent
Non-Executive Director



7

KEISUKE OGAWA
Non-Independent
Non-Executive Director



8

NAOTO KOJIMA
Non-Independent
Non-Executive Director

PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

1

MAHADZIR BIN AZIZAN Independent Non-Executive Chairman

Nationality / Age / Gender:

Malaysian / 73 / Male

Date of Appointment:

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

Present Directorship:

Listed Company

- ECM Libra Financial Group Berhad
- RCE Capital Berhad

Other Public Companies

- Nil

Board Committee Membership:

- Nil

Working Experience and Occupation:

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

He also sits on the Board of ECM Libra Financial Group Berhad and RCE Capital Berhad.

Academic/ Professional Qualifications:

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

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn Bhd
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn Bhd
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021

2

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

Nationality / Age / Gender:

Malaysian / 65 / Male

Date of Appointment:

- 23 August 2011 (Non-Independent, Non-Executive Director)
- 22 December 2017 (Redesignated as an Independent, Non-Executive Director)
- 11 February 2019 (Redesignated as Chairman, Audit Committee)
- 4 October 2021 (Appointed as Independent Investment Committee Member)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- AmanahRaya Trustees Berhad

Board Committee Membership:

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

Working Experience and Occupation:

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

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

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

Academic/ Professional Qualifications:

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

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn Bhd
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn Bhd
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021

PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

3

ZULAZMAN BIN ZULKIFLI Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 54 / Male

Date of Appointment:

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

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Nil

Board Committee Membership:

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

Working Experience and Occupation:

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

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

Academic/ Professional Qualifications:

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

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn Bhd
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn Bhd
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021

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TUNKU ROZITA BINTI TUNKU ABDUL MALEK Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 53 / Female

Date of Appointment:

- 31 January 2022 (Independent, Non-Executive Director)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Nil

Board Committee Membership:

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

Working Experience and Occupation:

Tunku Rozita began her career as a Business Manager in NCR (M) Sdn Bhd and was responsible for the sale of ATMs to various financial institutions. Since October 1994 until September 2011, she joined CIMB as Senior Vice-President, Institutional Sales. Tunku Rozita continue her career with Rohfe Trading Sdn Bhd as a Director that specialized in Sales of Biodegradable Degreaser mainly to ports from October 2011 to December 2012.

Subsequently, from January 2013 until December 2016, she joined RNS Distributor Sdn Bhd as a Partner that responsible for the daily operations, trading sales and marketing for Halal products. Her main clients was Kemaman Supply Base and Malaysia Airlines Berhad. From January 2017 until September 2020, Tunku Rozita joined Inspire UK as a Commercial Representative for Southeast Asia.

Tunku Rozita currently serves as Consultant at Capillary Technologies, Business Development Representative at RAPL Asian Sdn Bhd and Independent Director at Aberdeen Standard Islamic Investments (M) Sdn Bhd.

Academic/ Professional Qualifications:

- Member of 30% Club
- Member Institute of Corporate Directors Malaysia
- Was a member of LeadWomen Sdn Bhd
- Bachelor of Science Management Information System, Indiana University of Pennsylvania

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn Bhd
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn Bhd
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021

PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

5

DATUK MOHD RADZIF BIN MOHD YUNUS Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 64 / Male

Date of Appointment:

- 31 January 2022 (Independent, Non-Executive Director)

Present Directorship:

Listed Company

- DuoPharma BioTech Berhad
- Heitech Padu Berhad

Other Public Companies

- Amanah Raya Berhad

Board Committee Membership:

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

Working Experience and Occupation:

Datuk Mohd Radzif has held various leadership positions in healthcare, banking, property consultancy, real estate development, construction and investment. In 2003, he was appointed as the Chief Executive Officer of Institut Jantung Negara Sdn. Bhd. He then assumed the position as Group Managing Director of IJN Holdings Sdn. Bhd. in 2006 prior to his appointment as Managing Director of Small Medium Enterprise Development Bank Malaysia (SME Bank) in 2010.

Subsequently, in 2014, he was redesignated as Group Managing Director of SME Bank, the last executive post he held until June 2017. He was awarded the Malaysian Business Leadership Award for Healthcare in 2009. In 2015, he was accorded the CEO of the Year award by the Association of Development Financing Institutions in Asia and the Pacific in recognition of his remarkable achievement in transforming SME Bank.

Datuk Mohd Radzif currently sits on the Boards of DuoPharma Biotech Berhad and Heitech Padu Berhad.

Academic/ Professional Qualifications:

- Member Institute of Corporate Directors Malaysia
- Certified Risk Director by Institute Enterprise Risk Management
- Registered Valuer, Real Estate Professional and Property Manager, Board of Valuers Malaysia
- Bachelor's Degree in Applied Science Property Resource Management with Finance, University of South Australia, Australia
- Diploma in Land Survey, Universiti Teknologi Malaysia

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn Bhd
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn Bhd
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021

6

SHANLAN BIN MD SHUKOR @ KADARI Non-Independent Non-Executive Director

Nationality / Age / Gender:

Malaysian / 50 / Male

Date of Appointment:

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

Present Directorship:

Listed Company

- Syarikat Jaminan Kredit Perumahan Berhad
- Syarikat Jaminan Pembiayaan Perniagaan Berhad

- Pengurusan Danaharta Nasional Berhad

Other Public Companies

- Nil

Board Committee Membership:

- Nil

Working Experience and Occupation:

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

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

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

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

Academic/ Professional Qualifications:

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

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn Bhd
- No conflict of interest with AmanahRaya-Kenedix REIT Manager Sdn Bhd
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021

PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

7

KEISUKE OGAWA

Non-Independent Non-Executive Director

Nationality / Age / Gender:

Japanese / 45 / Male

Date of Appointment:

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

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Nil

Board Committee Membership:

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

Working Experience and Occupation:

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

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

Academic/ Professional Qualifications:

- Bachelor of Architecture and Civil Engineering, Kobe University, Japan
- 1st class licensed Architect in Japan
- Certified Master of ARES (The Association for Real Estate Securitization)

Declarations:

- No family relationship with any Director/ Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn Bhd
- Executive Director at Kenedix Asia Pte. Ltd. and KDA Capital Malaysia Sdn Bhd
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021

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NAOTO KOJIMA

Non-Independent Non-Executive Director

Nationality / Age / Gender:

Japanese / 60 / Male

Date of Appointment:

- 31 January 2022 (Non-Independent, Non-Executive Director)

Present Directorship:

Listed Company

- Nil

Other Public Companies

- Nil

Board Committee Membership:

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

Working Experience and Occupation:

Naoto Kojima started his carrier in April 1986 as Assistant Manager/Manager in Nippon Life Insurance Company. Since May 1991 until March 1996, he joined NLI International Limited in the U.K. (wholly owned subsidiary of Nippon Life) as an Associate Director. In the middle of his tenure as Associate Director, Naoto Kojima was appointed as a Delegate for Nippon Life in Banco Bilbao Vizcaya in Spain from October 1992 to December 1992.

In April 1996, Naoto Kojima was promoted as a Chief Manager in Nippon Life Insurance Company and continue the position for a period of two (2) years until March 1998. In April 1998 until March 2000, Naoto Kojima served NLI Properties East, Inc in the U.S.A. as a Senior Vice President. Naoto Kojima then continued his career as a President in NLI Properties West, Inc. in the U.S.A. from April 2000 to September 2002.

Subsequently, Naoto Kojima joined Ikoma CB Richard Ellis K.K. as a Senior Consultant from November 2002 until March 2004. In April 2004 until March 2006, Naoto Kojima joined AMB Blackpine as a Director, Acquisition. In April 2006, Naoto Kojima then joined Kenedix Inc as a Senior Manager/General Manager.

Since October 2021, Naoto Kojima has been serving as Chief Executive Officer of Kenedix Asia Pte. Ltd.

Academic/ Professional Qualifications:

- Bachelor of Arts (Spanish Language, International Law), Kobe City University of Foreign Studies, Japan

Declarations:

- No family relationship with any Director/Major Shareholder of AmanahRaya-Kenedix REIT Manager Sdn Bhd
- Chief Executive Officer at Kenedix Asia Pte. Ltd.
- Never been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2021

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.

- Shahlan Bin Md Shukor @ Kadari is the Nominee of the Ministry of Finance of Malaysia, which is a major shareholder of Amanah Raya Berhad.
- Keisuke Ogawa and Naoto Kojima are the representatives of Kenedix Asia Pte. Ltd.

Convictions for Offences

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

Attendance at Board of Director's Meetings

The Board comprises of eight (8) directors, of which five (5) are Independent Non-Executive and three (3) are Non-Independent Non-Executive.

During the financial year, the Board met six (6) times, two (2) of which were special board meetings. The number of meetings attended by each Director is as follows:-

| Directors | Number of Board meetings held during Directors' tenure in office | Number of meetings attended by Directors |
|---|--|--|
| Mahadzir Bin Azizan | 6 | 6 |
| Dato' Haji Che Pee Bin Samsudin | 6 | 6 |
| Zulazman Bin Zulkifli | 6 | 6 |
| Keisuke Ogawa | 6 | 6 |
| Shahlan Bin Md Shukor @ Kadari | 6 | 6 |
| Dr Iskandar Bin Ismail (Resigned w.e.f 8 April 2021) | 2 | 2 |
| Adenan Bin Md Yusof (Resigned w.e.f. 4 May 2021) | 2 | 2 |
| Michio Izawa (Resigned w.e.f. 31 December 2021) | 6 | 6 |
| Azmeen Bin Adnan (Appointed w.e.f. 9 September 2021) (Resigned w.e.f. 31 December 2021) | 1 | 1 |
| Naoto Kojima (Appointed w.e.f. 31 January 2022) | Not Applicable | Not Applicable |
| Datuk Mohd Radzif Bin Mohd Yunus (Appointed w.e.f. 31 January 2022) | Not Applicable | Not Applicable |
| Tunku Rozita Binti Tunku Abdul Malek (Appointed w.e.f. 31 January 2022) | Not Applicable | Not Applicable |

PROFILE OF INVESTMENT COMMITTEE MEMBERS

INVESTMENT COMMITTEE

Zulazman Bin Zulkifli (Chairman)
(please refer to page 32 for profile)

Datuk Mohd Radzif Bin Mohd Yunus
(please refer to page 33 for profile)

Dato' Haji Che Pee Bin Samsudin
(please refer to page 31 for profile)

Naoto Kojima
(please refer to page 34 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.

- Naoto Kojima is the representative of Kenedix Asia Pte. Ltd.

Convictions for Offences

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

Attendance at Investment Committee Meetings

The Investment Committee currently comprises of three (3) Independent members.

During the financial year, the Investment Committee met three (3) times. The number of meetings attended by each current Member is as follows:-

| Investment Committee Members | Number of Investment Committee meetings held during the Members' tenure in office | Number of meetings attended by Members |
|---|---|--|
| Zulazman Bin Zulkifli | 3 | 3 |
| Dato' Haji Che Pee Bin Samsudin (Appointed w.e.f. 9 September 2021) | 1 | 1 |
| Dr Iskandar Bin Ismail (Resigned w.e.f. 8 April 2021) | 1 | 1 |
| Adenan Bin Md Yusof (Resigned w.e.f. 4 May 2021) | 2 | 1 |
| Michio Izawa (Resigned w.e.f. 31 December 2021) | 3 | 3 |
| Azmeen Bin Adnan (Appointed w.e.f. 9 September 2021) (Resigned w.e.f. 31 December 2021) | 1 | 1 |
| Datuk Mohd Radzif Bin Mohd Yunus (Appointed w.e.f. 31 January 2022) | Not Applicable | Not Applicable |
| Naoto Kojima (Appointed w.e.f. 31 January 2022) | Not Applicable | Not Applicable |

CORPORATE CALENDAR 2021

9th Annual General Meeting



The AGM was in line with the Government's Initiative and the Securities Commission Malaysia Guidance Note, as the precautionary measure amid COVID-19, ARREIT has conducted its 9th Annual General Meeting ("AGM") on a fully virtual basis via live streaming and online remote voting on 8 April 2021.

The Broadcast Venue of the 9th AGM at the Manager's Office (1st Floor, Wisma AmanahRaya, No.2 Jalan Ampang, 50508 Kuala Lumpur) was strictly for the purpose complying with Section 327 (2) of the Companies Act, 2016, which requires the Chairman of the meeting to be at the main venue. No Unitholders/Proxy(ies) was allowed to be physically present at the Broadcast Venue on the day of the 9th AGM.

The voting of all resolutions set out in the notice of the 9th AGM was conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. All Directors of the Manager were present at the 9th AGM to engage with Unitholders. Besides, the Trustee, the Management Team, and external auditors were in attendance to address questions or concerns raised by Unitholders. The Chairman and CEO presented the progress and performance of ARREIT and encouraged unitholders to participate in the Q&A session.

THE MANAGEMENT TEAM

YUSOFF ISKANDAR BIN MOHD ZAKI

Acting Chief Executive Officer/
Head of Investment

Date of Appointment

31 December 2021/
19 March 2020

Academic/Professional Qualification/Membership(s)

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

Working Experience

Yusoff, a Malaysian aged 36, joined AKRM as the Head of Investment on 19 March 2020. Prior to joining AKRM, he was attached with a boutique shariah-compliant Private Equity firm. He brings along more than ten years of experience encompassing audit, accounting and finance, investment analysis and portfolio management.

Other than as disclosed, he does not hold directorship in other public companies in Malaysia. He does not have any family relationship with any Directors and/or under major Unitholders of AmanahRaya REIT nor does he have any conflict of interests with AmanahRaya REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

ROSLIN ZAINUDDIN

Head of Property Management Department

Date of Appointment

15 July 2019

Academic/Professional Qualification/Membership(s)

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

Working Experience

Roslin, a Malaysian aged 49, joined AKRM as the Head of Property and Facilities Management in July 2019.

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

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

Other than as disclosed, he does not hold directorships in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of AmanahRaya REIT nor does he have any conflict of interests with AmanahRaya REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

THE MANAGEMENT TEAM

(CONT'D)

SAHRUL NIZAM BIN MOHD SALLEH

Head of Finance

Date of Appointment

2 February 2021

Academic/Professional Qualification/Membership(s)

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

Working Experience

Sahrul Nizam, a Malaysian aged 45, joined AKRM as the Manager, Finance Department in February 2021. He is responsible for financial reporting, capital management, general accounting and treasury of AKRM and ARREIT. He has working experience for almost 15 years in several local and MNC companies in Malaysia.

Other than as disclosed, he does not hold directorship in other public companies in Malaysia. He does not have any family relationship with any Directors and/or major Unitholders of AmanahRaya REIT nor does he have any conflict of interests with AmanahRaya REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

JUSTHINDERPAL KAUR a/p PRITAM SINGH @ JESSY

Head of Legal & Compliance

Date of Appointment

3 May 2021

Academic/Professional Qualification/Membership(s)

- Bachelor's In Law, University Malaya
- Master's In Law, University Malaya
- Qualified as Registered Person with Securities Commission

Working Experience

Jessy, a Malaysian aged 56, joined AKRM as the Head of Legal and Compliance in May 2021. She brings along more than twenty years' experience including legal (both as a legal practitioner and in-house legal counsel), compliance and compliance risk management.

Other than as disclosed, she does not hold directorship in other public companies in Malaysia. She does not have any family relationship with any Director and/or under major Unitholders of AmanahRaya REIT. She does not have any conflict of interests with AmanahRaya REIT. She has not been convicted for any offences, other than traffic offences (if any), within the past 5 years.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (“AKRM”), the Manager of AmanahRaya Real Estate Investment Trust (“ARREIT”) is pleased to present the Annual Report of ARREIT and the Audited Financial Statements of ARREIT for the financial year ended 31 December 2021.

ABOUT ARREIT AND AKRM

ARREIT was established pursuant to the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009 and the Second Supplemental Trust Deed dated 27 August 2009) (collectively be referred to as the “Trust Deed”) between AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (“the Manager”) and CIMB Islamic Trustee Berhad (“the Trustee”). The Trust Deed is regulated by the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. On 13 May 2019, the Manager, CIMB Islamic Trustee Berhad and Pacific Trustees Berhad entered into a Supplementary Deed to effect the change of trustee of AmanahRaya REIT from CIMB Islamic Trustee Berhad to Pacific Trustees Berhad (“the Trustee”). The change of trustee took effect on 21 May 2019 upon registration with the Securities Commission and lodgement was made on 24 May 2019. Subsequently, the Manager has entered into an Amended and Restated Trust Deed dated 5 December 2019 with the Trustee which has been registered and lodged with the Securities Commission on 10 January 2020 and 16 January 2020 respectively in compliance with the amendments made to the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts. The Amended and Restated Trust Deed dated 5 December 2019 supersedes the Trust Deed. ARREIT is classified as a real estate investment fund and was listed on the Bursa Malaysia Securities Berhad on 26 February 2007.

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

INVESTMENT STRATEGIES AND POLICIES

The Manager’s investment strategy seeks to acquire properties that are able to provide strong, continuous and sustainable returns with stable growth potential in terms of rental yield and capital values. The acquisition and assessment of properties follows a stringent policy involving site visits, financial analysis, preliminary technical and legal due-diligence, risk assessment and market studies before being proposed to the Investment Committee and Board of Directors for their endorsement. The 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 tenable condition. A technical due diligence exercise, which includes examining the condition of mechanical and electrical equipment and structural components are conducted by the Manager’s appointed consultants prior to completing any acquisition. All properties acquired must also comply with the requirements and guidelines set by relevant authorities.

Diversified Portfolio

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

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Covenant's strength

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

FINANCIAL REVIEW

FUND'S PERFORMANCE

In 2021, ARREIT recorded a net property income of RM67.62 million against RM72.65 million in the previous year. The decrease was mainly contributed by the decrease in rental income from Vista Tower, followed by Selayang Mall and Wisma Comcorp.

However, the decrease in rental income was mitigated by savings in property operating expenses which saw improvement to RM18.95 million from RM19.36 mainly in the previous year due to savings from service contracts and maintenance costs.

Due to the ongoing Covid-19 situation, ARREIT continued to provide rental rebates to selected tenants impacted from the pandemic amounting to RM4.37 million in 2021, lower compared to RM5.59 million in the previous year.

Following the annual revaluation exercise, ARREIT recognised a gain from fair value adjustments of the investment properties amounting to RM0.98 million in comparison to a loss from fair value adjustment of the investment properties amounting to RM38.1 million in 2020.

The increase in fair value adjustment of the investment properties in 2021 was mainly contributed from increase in fair value of Holiday Villa, Langkawi, amounting to RM15.0 million. However, the increase is mitigated by the decrease in fair value from Segi College, Dana 13, and Wisma Comcorp.

Meanwhile ARREIT's expenses saw a decrease by 11.8% to RM37.9 million as compared to RM42.2 million in the previous year. The improvement was mainly attributed from savings in finance cost, and administrative expenses. Overall, net realised income in 2021 stabilised at RM30.6 million as compared to RM30.7 million in the previous year.

Review of Performance

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|
| Total Asset Value (RM) | 1,430,844,387 | 1,434,826,370 | 1,471,855,117 | 1,499,264,735 | 1,526,616,881 |
| Total Net Asset Value (RM) | 745,605,425 | 746,851,505 | 776,591,192 | 775,213,754 | 728,290,587 |
| 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) | 1.301 | 1.303 | 1.355 | 1.352 | 1.271 |
| Highest Net Asset Value Per Unit (RM) | 1.321 | 1.361 | 1.364 | 1.397 | 1.271 |
| Lowest Net Asset Value Per Unit (RM) | 1.301 | 1.303 | 1.354 | 1.352 | 1.197 |
| Market Price per unit (RM) as at 31 December | 0.66 | 0.66 | 0.74 | 0.82 | 0.91 |
| Highest Traded Price for the Twelve Months Period (RM) | 0.68 | 0.77 | 0.87 | 0.92 | 0.97 |
| Lowest Traded Price for the Twelve Months Period (RM) | 0.58 | 0.51 | 0.73 | 0.82 | 0.91 |

Results of ARREIT's Performance

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|
| Total Gross Rental Income | 86,252,295 | 91,516,844 | 95,877,818 | 96,684,553 | 60,417,996 |
| Total Property Expenses | 18,948,164 | 19,359,656 | 16,210,440 | (17,673,739) | (7,236,581) |
| Net Property Income (NPI) | 67,620,823 | 72,645,326 | 80,665,650 | 79,570,299 | 53,799,270 |
| Interest and Other Income | 1,202,330 | 735,044 | 1,186,193 | 1,428,555 | 1,379,529 |
| Total Non-Property Expenses | (37,902,449) | (42,184,741) | (42,985,977) | (45,473,626) | (22,910,639) |
| Realised Earnings | 30,604,012 | 30,707,491 | 37,136,577 | 37,965,743 | 31,650,305 |
| Changes in Fair Value of Investment Properties | 981,226 | (38,107,358) | 3,116,979 | 49,148,296 | 42,603,621 |
| Earnings Before Taxation | 31,585,238 | (7,399,867) | 35,494,133 | 81,250,462 | 74,253,926 |

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|-------------|------------|------------|------------|
| Taxation* | NIL | NIL | NIL | NIL | NIL |
| Earnings After Taxation | 31,425,238 | (7,399,867) | 35,494,133 | 81,250,462 | 74,253,926 |
| Earnings Per Unit (EPU) after Taxation (sen) (Realised + Unrealised) | 5.482 | (1.29) | 6.19 | 14.17 | 12.95 |
| EPU Yield (%) (Based on Closing Market Price) | 8.31 | (1.96) | 8.36 | 17.28 | 14.23 |
| Distribution Per Unit (DPU) (sen) | 5.026 | 5.084 | 6.200 | 6.100 | 5.503 |
| Distribution Yield (%) | 7.62 | 7.70 | 8.38 | 7.44 | 6.05 |
| MER (%) | 1.08 | 1.17 | 1.35 | 1.20 | 1.10 |
| Annual Total Return (%)** | 8.15 | 7.89 | 7.73 | 7.23 | 5.81 |
| Annual Total Return (3 years) (%) | 7.92 | 7.62 | 6.92 | 6.50 | 6.50 |
| Annual Total Return (5 years) (%) | 7.36 | 7.02 | 6.79 | 6.91 | 7.57 |

* 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 semi annual | Second semi annual | Total |
|-------------------|--------------------|--------|
| 2.8128 | 2.2136 | 5.0264 |

For 2021, ARREIT distributed a total income of RM28.81 million or 5.03 sen, which was slightly lower than 2020's income distribution of 5.08 sen. The second and final income distribution of RM12.69 million has been declared at 2.21 sen per unit payable on 13 April 2022. Analysis of income distribution:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------|--------|--------|--------|--------|
| Income distribution per unit (sen) | | | | | |
| First interim income distribution | - | - | 1.5000 | 1.5000 | 1.3545 |
| Second interim income distribution | - | - | 1.5000 | 1.5000 | 1.9394 |
| Third interim income distribution | - | - | 1.5000 | 1.5000 | 1.3545 |
| Proposed Fourth and final income distribution | - | - | 1.7000 | 1.6000 | 1.4516 |
| Proposed semi-annual income distribution | 2.8128 | 2.1972 | - | - | - |
| Proposed final income distribution | 2.2136 | 2.8868 | - | - | - |
| | 5.0264 | 5.0840 | 6.2000 | 6.1000 | 5.5027 |

Net Asset Value

Net Asset Value (NAV) as at 31 December 2021 stood at RM1.301 per unit.

The net asset value of ARREIT since 2017 is tabulated as follows:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------|-------|-------|-------|-------|
| Total net asset value ("NAV") RM: | | | | | |
| Before provision for income distributions | 1.301 | 1.303 | 1.355 | 1.352 | 1.271 |
| After provision for income distributions | 1.279 | 1.274 | 1.323 | 1.324 | 1.257 |

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Units in Issue

As at 31 December 2021, the total number of units issued was 573,219,858.

Gearing Level

As at 31 December 2021, ARREIT's total debt was RM643.85 million with a gearing ratio of 44.99%.

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|-------------------|-------|-------|-------|-------|-------|
| Gearing ratio (%) | 44.99 | 44.85 | 43.81 | 44.72 | 49.99 |

Other Performance Benchmarks

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|------|------|------|------|------|
| Total returns (%) ¹ | 8.15 | 7.89 | 7.73 | 7.23 | 5.81 |
| Asset Portfolio Turnover (times) ² | - | - | 0.02 | 0.35 | - |
| Management Expense Ratio ("MER") % ³ | 1.08 | 1.17 | 1.35 | 1.20 | 1.10 |

1. Total return is calculated based on the actual gross income distribution and the net change in the weighted average market price for the financial year, over the weighted average market price of ARREIT for the respective year.
2. Asset Portfolio Turnover is based on the average of total acquisitions and total disposals of investment in ARREIT for the financial year ended 31 December 2021 to the average net asset value for the financial year calculated on a daily basis.
3. The calculation of MER is based on the total expenses incurred by ARREIT, including Manager's fee, Trustee's fee, audit fees, tax agent's fee and administrative expenses, to the average net asset value of ARREIT for the financial year calculated on a daily basis.

OPERATIONAL REVIEW

PROPERTY MANAGEMENT

The Property Management Department is responsible for the management of all properties in ARREIT's portfolio with the main aim to preserve the values of all properties and ensuring that they are always in good tenable condition. This is done through comprehensive maintenance programs. Periodic inspections are carried out on a quarterly basis by the appointed Property Managers. In 2021, total property expenses incurred was RM18.95 million including statutory payments and insurances.

Asset Enhancement Initiatives

In 2021, the Manager awarded a contract sum of RM1.81 million for various projects. The major project awarded relates to painting works for external and internal common area at Selayang Mall. Smaller project completed in 2021 include asset enhancement works such as sprinkler tank repair works and building defect rectification at Wisma Comcorp, and electrical panel and wiring rectification works at HELP University. In addition, as a preventive measure to reduce the spread of Covid-19 virus, and to improve the building air quality, the Manager had installed UV lighting to the fan coil unit at Level 20, 24 and concourse level at Vista Tower as a pilot project.

Occupancy

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

| Property | Net Lettable Area (sqft) | Type | Occupancy Rate |
|------------------------|--------------------------|---------------|----------------|
| Industrial | | | |
| RHF Stone Factory | 95,035 | Single tenant | 100% |
| Hospitality | | | |
| Holiday Villa Langkawi | 183,190 | Single tenant | 100% |

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

| Property | Net Lettable Area (sqft) | Type | Occupancy Rate |
|-------------------------------|--------------------------|---------------|----------------|
| Education | | | |
| SEGI University | 337,710 | Single tenant | 100% |
| SEGI College | 131,387 | Single tenant | 100% |
| HELP University | 125,227 | Single tenant | 100% |
| Office | | | |
| Vista Tower | 552,135 | Multi tenant | 53% |
| Dana 13 | 256,972 | Multi tenant | 54% |
| Contraves | 75,014 | Single tenant | 100% |
| Block A & B, South City Plaza | 66,606 | Single tenant | 50% |
| Wisma Comcorp | 80,523 | Multi tenant | 88% |
| Toshiba TEC | 74,104 | Single tenant | 100% |
| Shopping Mall | | | |
| Selayang Mall | 367,484 | Multi tenant | 94% |

CAPITAL MANAGEMENT

The Manager adopted a prudent capital management strategy and strive towards reducing its gearing level. In addition to the above, the Manager has also complied with the provisions of the Trust Deed and all applicable rules and guidelines prescribed by the Securities Commission in financing ARREIT. As at 31 December 2021, ARREIT achieved a debt level of 44.99% of the total asset level as compared to 44.85% in the previous year. The Manager endeavours towards reducing its debt level to at least 42% by end 2022 through asset recycling.

The following are the debt instruments undertaken by ARREIT:

| Type | Financier | Amount | Rate | Expiry |
|--------------------|--------------------|-----------------|------------|---------------|
| Medium Term Note 1 | Public Bank Berhad | RM450 million | COF + 0.5% | December 2025 |
| Medium Term Note 2 | Public Bank Berhad | RM161 million | COF + 0.5% | March 2025 |
| Term Loan | Public Bank Berhad | RM33.92 million | COF + 0.5% | December 2025 |

RISK MANAGEMENT

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

Acquisition and Investment Risk

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

Operational Risk

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

Tenancy Risk

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

Financial Process Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Alternate Site / Disaster Recovery Centre (“DRC”)

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

Compliance Risk

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

Interest Rate Risk

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

Market Risk

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

Human Capital Risk

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

Authority Limits

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

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

Internal Audit and Audit Committee

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

MOVING FORWARD

Acquisition

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

Leasing

The Manager will continue to focus its efforts in filling up the available spaces to improve the average occupancy rate of ARREIT properties. At present, the average occupancy rate is at 79.9%, and the Manager aims to increase it to 85% by the end of 2022.

Financial Performance

As the overall property market has not shown any improvement in 2021, the future poses a challenge for ARREIT. In view of this, the Manager strive to maintain the DPU in the region of between to 5.5 to 6.0 sen per unit. In order to cushion the impact of lower DPU due to lower occupancy and rental pressure, the Manager will ensure that the operating cost is kept at minimum. Moving forward, the Manager will also continue to dispose non-performing assets that are not in line with long term strategy of ARREIT portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Capital Management

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

SOFT COMMISSION

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

MATERIAL LITIGATION

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

CHANGES IN THE STATE OF AFFAIRS

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

MATERIAL CONTRACT

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

DIRECTORS OF THE MANAGER

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

Mahadzir Bin Azizan (Chairman)

Adenan Bin Md Yusof (resigned with effect from 4 May 2021)

Michio Izawa (resigned with effect from 31 December 2021)

Keisuke Ogawa

Dato' Haji Che Pee Bin Samsudin

Shahlan Bin Md Shukor @ Kadari

Zulazman Bin Zulkifli

Tunku Rozita Binti Tunku Abdul Malek (appointed with effect from 31 January 2022)

Datuk Radzif Bin Mohd Yunus (appointed with effect from 31 January 2022)

Naoto Kojima (appointed with effect from 31 January 2022)

Dr Iskandar Bin Ismail (resigned with effect from 8 April 2021)

Azmeen Bin Adnan (appointed with effect from 9 September 2021) (resigned with effect from 31 December 2021)

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 21 to the financial statements of the ARREIT.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangement to which the Manager or ARREIT was a party, whereby the Directors of the Manager might acquire benefits by means of acquisition of shares or debentures of the Manager or any other body corporate or the acquisition of units of ARREIT.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

DIRECTORS' INTEREST

None of the directors of the Manager in office at the end of the financial year had any interest in ARREIT during the financial year ended 31 December 2021.

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 2021.

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

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

AUDIT AND NON-AUDIT FEE

The amount of audit and non-audit fees paid or payable to the external auditors for the financial year ended 31 December 2021 are as follows:-

| | FY2021 |
|----------------|---------------|
| Audit Fee | RM145,000 |
| 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 2021 other than those disclosed in the Statement of Changes in Net Asset Value.

INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

OTHER STATUTORY INFORMATION

The Manager states that:

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

The Manager opines:

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

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

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

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

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

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

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

AUDITORS

The auditor, Messrs KPMG, has indicated their willingness to accept reappointment.

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

Mahadzir Azizan
Chairman
Kuala Lumpur
25 February 2022

SUSTAINABILITY STATEMENT

INTRODUCTION

The Board of Directors (the “Board”) of AmanahRaya-Kenedix REIT Manager Sdn. Bhd. (“AKRM”) views the management of economic, environmental, and social (“EES”) risks and opportunities as integral towards the business sustainability of AmanahRaya REIT (“ARREIT”). This Sustainability Statement for the financial year ended 31 December 2021 (“FY2021”) presents the EES matters which are material to ARREIT. AKRM places emphasis on managing and monitoring these material sustainability matters (“MSMs”) as they are either significant EES impacts to AKRM and ARREIT or substantively influence the assessments and decisions of AKRM and ARREIT’s stakeholders.

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

Where relevant, we have also considered and disclosed in this Statement, alignment of our practices against the Sustainable Development Goals (“SDG”), which was adopted by all United Nations Member States (Malaysia included) in 2005, a global partnership which aims to provide peace and prosperity for people and the planet, now and into the future.

SCOPE

The scope of this Sustainability Statement includes all 13 properties in ARREIT’s portfolio as of 31 December 2021 as follows:

| Segment | Property | Location |
|------------|-----------------------------------|----------------|
| Office | Vista Tower, The Intermark | Kuala Lumpur |
| | Dana 13, Dana 1 Commercial Centre | Petaling Jaya |
| | Contraves | Cyberjaya |
| | Toshiba TEC Malaysia | Shah Alam |
| | Wisma Comcorp | Shah Alam |
| | Block A & B, South City Plaza | Seri Kembangan |
| Hotel | Holiday Villa | Langkawi |
| | Lot 162 & 163 (Ex-Holiday Villa) | Alor Setar |
| Education | SEGI University | Kota Damansara |
| | HELP University, Jalan Semantan | Kuala Lumpur |
| | SEGI College | Subang Jaya |
| Industrial | RHF Stone Factory | Nusajaya |
| Retail | Selayang Mall | Selayang |

OUR SUSTAINABILITY MANAGEMENT PROCESS AND GOVERNANCE

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

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

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

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

SUSTAINABILITY STATEMENT

(CONT'D)

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

OUR STAKEHOLDERS

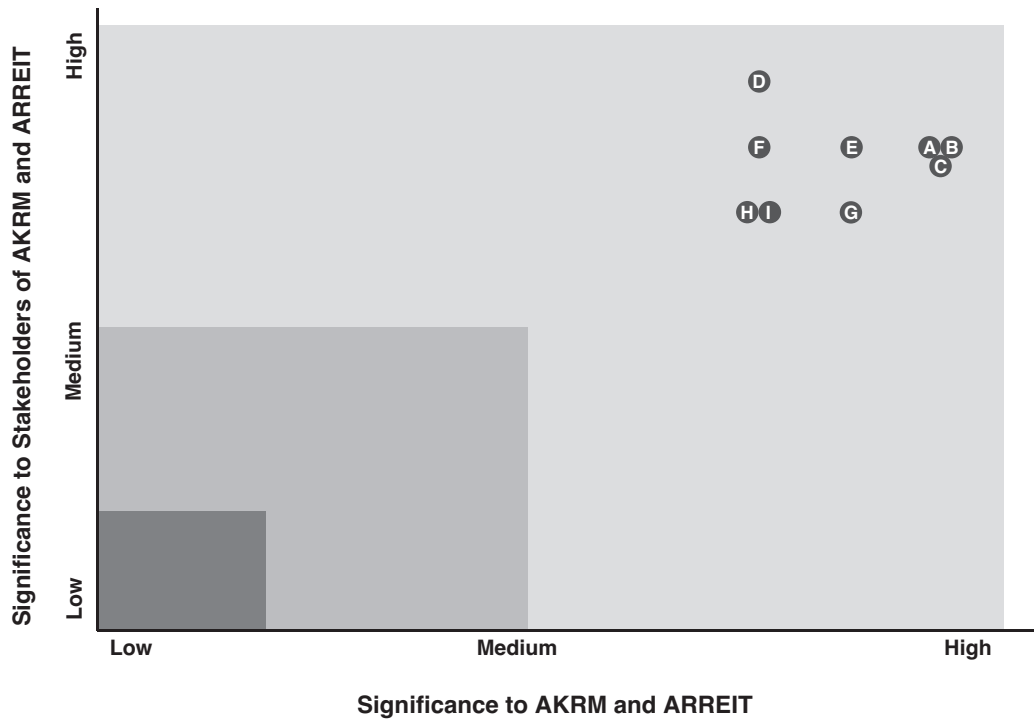
As a responsible business, AKRM recognises its role in preserving and creating value for its key stakeholders, including in economic, environmental, and social terms as well as financial terms. Via various engagement methods and channels, AKRM seeks to understand the stakeholders, their concerns, and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

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

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

SUSTAINABILITY STATEMENT
(CONT'D)

MATERIAL SUSTAINABILITY MATTERS (“MSMs”)



For the financial year under review, AKRM’s Management conducted a materiality assessment review and noted that ARREIT’s MSMs remain unchanged compared to the previous year. ARREIT’s MSMs are summarised as follows:

| Material Sustainability Matters | Description |
|---|---|
| A Growth and Financial Stability | ARREIT’s main investment objective is to continuously provide sustainable returns to its investors and unitholders and nurture quality growth of its portfolio. Maintaining financial stability and sustainable growth is key to obtaining continuous support from investors and unitholders. |
| B Compliance with Law and Regulations | It is crucial for ARREIT and AKRM to comply with relevant laws and regulations. It is the responsibility of ARREIT and AKRM to ensure the rule of law of its business environment is upheld to protect the society and stakeholders which the laws and regulations are enacted to protect. |
| C Ethical Business Practices and Integrity | AKRM believes in business sustainability fostered by ethical business environment and practices. Upholding business ethics and integrity instills confidence and trust in the relationship between AKRM, ARREIT, and their stakeholders. |
| D Health, Safety, and Security | AKRM takes seriously the health, safety, and security of people involved in ARREIT’s business, including employees and tenants and users of ARREIT’s properties, and as such, aims to create a secure and safe environment for users of ARREIT’s properties as well as a healthy and safe workplace for its employees. |
| E Water Management | Freshwater supply is a basic necessity for all, including businesses, tenants, and users of ARREIT properties. AKRM aims to provide adequate access to water supply to the tenants of ARREIT properties and minimise water shortage impacts in the event of water supply disruption at the municipal level, especially for properties in Selangor area. |

SUSTAINABILITY STATEMENT

(CONT'D)

| Material Sustainability Matters | Description |
|--|--|
| F Talent Retention, Professional Development, and Succession Planning | Innovation and intellectual capital are increasingly pivotal to value creation and AKRM places strong emphasis on human capital development. Without the presence of suitable talents, skills and leadership in management, ARREIT would not be able to optimise its value even in the most ideal presence of all other business factors. |
| G Equal Opportunity and Non-Discrimination | AKRM views all people as equal and shall have equal opportunity and no one shall be discriminated on any basis, including race, colour, religion, national origin, gender, age, marital status, disability, or veteran status. AKRM upholds meritocracy in its workforce. |
| H Property Maintenance and Enhancement | ARREIT's properties are key tangible assets core to the revenue generating capacity of the business. Hence, it is vital for ARREIT to ensure its properties are fit for the purposes they are meant to serve and satisfy the demands and requirements of tenants. A well-maintained property, with due consideration given to environmental and social aspects, is not only favourable to renewal of leases but also creates better market demand. |
| I Employment Benefits | AKRM respects the employer-employee relationship it has with its workforce. AKRM aims to provide appropriate benefits that incentivise performance while supporting healthy work-life balance of its employees. |

GROWTH AND FINANCIAL STABILITY

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

Growth and financial performance of ARREIT for the FY2021 are reported and discussed in detail in the **Management Discussion and Analysis** section of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

Amongst others, the Compliance Officer's role is to ensure AKRM as the manager of ARREIT maintains its Capital Markets Services Licence and complies with Bursa's Main Market Listing Requirements and the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia, and other regulations which may impede continuous operations or cause other serious repercussions if not complied with.

Relevant training is also provided to AKRM personnel to ensure they are kept abreast of existing and recently introduced laws and regulations and compliance matters. In FY2021, our employees have attended various training, including Cyber Risk Management and Governance, Corporate Liability – Section 17A Malaysian Anti-Corruption Commission ("MACC") Act 2009 and Strengthening Organisation's Integrity Against Money Laundering and Terrorism Financing (Note: Other training attended by AKRM personnel during FY2021 are disclosed in the **Talent Retention, Professional Development, and Succession Planning** section of this Sustainability Statement). Senior Management personnel are entrusted with the responsible for ensuring their respective functions and team members comply with the relevant laws and regulations in their day-to-day work.

There were no fines being levied on ARREIT and AKRM in relation to non-compliance with laws and regulations for financial year 2021.

SUSTAINABILITY STATEMENT

(CONT'D)

ETHICAL BUSINESS PRACTICES AND INTEGRITY

AKRM is committed to fostering a business culture of integrity and ethical business practices. The overarching business culture of ARREIT is provided and communicated clearly in the Code of Business Ethics which AKRM has adopted from its parent company group, the Amanah Raya Berhad group of companies ("AmanahRaya Group"). Amongst others, the Code of Business Ethics provides for key business matters including the following:

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

All employees of AKRM are required to sign and acknowledge their understanding and commitment to the Code of Business Ethics. For the financial year under review, all employees of AKRM have signed and acknowledged compliance with the Code of Business Ethics. Apart from employees of AKRM, suppliers, business partners and vendors of AKRM are also required to observe the business ethics principles and policies provided in the AmanahRaya Group's Vendor Code of Ethics, which governs tender practices, including non-collusion in the submission of tender. This includes provision for the vendor to independently assess the tender price without colluding with other bidders, not to communicate with other parties on the tender price, as well as not to induce or influence other parties to submit or not to submit a tender.

The Board of AKRM does not tolerate any forms of corrupt practices in ARREIT's business and such culture of integrity is instilled in the working environment through leadership, culture, and tone from the top. Integrity briefings and training are also provided to employees from time to time. Apart from integrity briefings and training, AKRM has adopted the policies and procedures in relation to anti-money laundering and counter financing of terrorism, anti-bribery and anti-corruption, no-gift, due diligence, anti-fraud, sexual harassment, integrity management and conflict of interest during the financial year.

The stance of our Board and practices to combat unethical business practices, including bribery and corruption, is in line with Goal 16 of SDG, "*peace, justice and strong institutions*", contributing to reducing corruption and bribery in all their forms.



Whistleblowing Mechanism

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

During the financial year under review and the immediate preceding financial year, there were no incidents of corruption or whistleblowing cases reported.

SUSTAINABILITY STATEMENT

(CONT'D)

HEALTH, SAFETY, AND SECURITY

Health, Safety and Security of ARREIT's Properties

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

We are pleased to report that there were no major incidents or accidents reported by the Property Managers for the past two (2) financial years.

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

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

Health, Safety and Security at the Workplace

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

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

Furthermore, during the financial year under review, fire drill was conducted at our premise and all our employees attended training in relation to safety conducted by the Fire Rescue Department, details of which are as follows:

- Virtual Seminar on Fire Safety & Prevention Awareness;
- Virtual Health Talk: How to Avoid Depression, Anxiety and Stress?; and
- Mental Health During This Pandemic COVID-19.

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

Responding to COVID-19

For FY2021, significant emphasis was placed on health and safety due to the COVID-19 pandemic which affected the economy and livelihood of Malaysians, as well as the entire world. Guided by the federal and state governments, ARREIT's properties continued to operate while tenants were subjected to different levels of operational restrictions due to the various degrees of movement control order ("MCO") imposed by the government.

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

SUSTAINABILITY STATEMENT

(CONT'D)

During the financial period under review, AKRM has together with one of its Property Manager, implemented a pilot project in installing UV light in the centralised air-conditioning system to purify the air throughout the property.

Apart from encouraging online meeting and working from home by rotation, AKRM employees were also provided with briefing and training focusing on personal hygiene relating to preventing COVID-19 and coping with working from home to ensure employees maintain physical and mental health in dealing with the pandemic. AKRM also ensures all of the employees are fully vaccinated and provides coverage for employees who wish or need to perform swab tests for COVID-19.

PROPERTY MAINTENANCE AND ENHANCEMENT

Maintenance of Properties

The day-to-day maintenance of ARREIT's properties are generally managed by the respective Property Managers. AKRM monitors the maintenance of ARREIT's properties via monthly reports submitted by Property Managers and via quarterly inspections performed by AKRM's Property Management Department. During inspection, assessments are made on the physical and aesthetic conditions of properties. The assessment considers, amongst others, building safety, ingress and egress, structural soundness, cleanliness, lighting, etc. Maintenance of ARREIT's properties constitute a major portion of AKRM's assessment of Property Managers which contributes to decisions to appoint or reappoint Property Managers. Other factors considered in the assessment of Property Managers include complaints received (if any), incident reports (if any), pricing terms and conditions, etc.

During FY2021, AKRM has renewed the property management services for 7 property and appointed 1 new Property Manager to another property in place of an expiring contract. Further information on ARREIT's properties and their respective Property Managers is provided in the **Overview of Properties under AmanahRaya REIT** section in this Annual Report.

Property Enhancement and Refurbishment

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

Major property enhancement and refurbishment works committed during the financial year include works on replacement of entrance glass canopy at Selayang Mall and replacement of LED lighting at Vista Tower. Smaller enhancement projects have also been undertaken on other ARREIT's properties, which includes façade cleaning, central air-conditioning repair, and water ingress rectification.

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

Resource Conservation

Usage of electricity is commonly one of the major expenses in the operations of a building. While ARREIT does not directly incur the electrical expenses, it nevertheless receives electrical use reports from the Property Managers. For properties maintained under full-management arrangements, ARREIT receives monthly electrical usage reports from the Property Managers. On the other hand, for properties leased under a triple net arrangement, electricity use is monitored by the lessee and quarterly electrical usage reports are submitted to ARREIT. AKRM has undertaken an energy conservation study with one of ARREIT's Property Managers to explore energy conservation opportunities and has since controlled the usage of cooling tower and air-handling units (AHU) according to real time usage (i.e. central air-conditioning system), to address the main electricity consumption contributor.

WATER MANAGEMENT

As there are a number of water disruption incidents in some of ARREIT's properties in FY2020, Property Managers are more aware and prepared for potential water disruptions, and hence frequently monitor water tank levels to ensure they are at maximum capacity at all times and have contingency plans such as ready access to water suppliers in the event of another water disruption. AKRM also undertakes initiatives to enhance water efficiency at ARREIT properties. Amongst others, these initiatives include reducing consumption of water used for property maintenance and reminders to tenants to conserve water usage. These initiatives aim to preserve water and avoid wasting water especially in times of water shortages.

Fortunately for ARREIT, the impact arising from water disruption to our properties in FY2021 was minimal and was also further reduced by the initiatives that were implemented as above.

SUSTAINABILITY STATEMENT

(CONT'D)

EQUAL OPPORTUNITY AND NON-DISCRIMINATION

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

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

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

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

The principle and practices of promoting equal opportunities and prohibiting discrimination is in line with Goals 4 and 10 of SDG on "*gender equality*" and "*reduced inequalities*", contributing to reducing discrimination in all forms and promote equal opportunities to all, regardless of race, colour, religion, gender, age, etc.



TALENT RETENTION, PROFESSIONAL DEVELOPMENT, AND SUCCESSION PLANNING

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

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

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

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

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

SUSTAINABILITY STATEMENT

(CONT'D)

Ongoing personal and professional development programs and training are provided to AKRM's employees. During the financial year under review, the training sessions attended by AKRM's employees, ranging from technical skills to personal development skills, includes the following subject matters, amongst others:

- Virtual seminar on fire safety & prevention awareness;
- Mental health during this pandemic COVID-19;
- Online team engagement with AKRM staff;
- Virtual health talk: how to avoid depression, anxiety and stress?; and
- Malaysian Institute of Accountants ("MIA") International Accountants Conference 2021, titled "Navigating a Sustainable Future with Agility and Resilience".

All AKRM employees are required to attend at least 16 hours of training per year. During the financial year under review, half of the employees attended at least 16 hours of training.

The practice of encouraging our employees to upskill themselves through relevant training borne by the Company is in line with Goal 4 of SDG, "quality education", eliminating discrimination in education and providing equal access to technical education.



EMPLOYMENT BENEFITS

AKRM strives to create a workplace that supports career satisfaction, promotes positive thinking, personal and professional development, work-life balance and general wellbeing.

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

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

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

CONCLUSION

In challenging business environment like what the world has faced in FY2021, AKRM continues to acknowledge the importance of balancing business performance in all aspects including financial, economic, environmental, and social considerations to remain resilient and sustain business. AKRM will continue to monitor and review both financial and non-financial aspects to manage existing and emerging risks and harness opportunities.

STATEMENT ON CORPORATE GOVERNANCE

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

In ensuring the implementation and operation of proper corporate governance, AKRM is guided by the principles and recommendations stipulated in Securities Commission’s Guidelines on Real Estate Investment Trusts (“REIT Guidelines”), Malaysian Code on Corporate Governance 2021 (“MCCG 2021”), Capital Markets & Services Act 2007 (“CMSA 2007”) and Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) (“MMLR”).

THE MANAGER OF ARREIT

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

Other main functions of the Manager are as follows:

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

DIRECTORS OF THE MANAGER

The Board of Directors

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

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

Board Balance and Composition

The Board currently comprises of five (5) Independent Non-Executive Directors and three (3) 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 2021 and exceeding the minimum one-third (1/3) requirement as set out in the MMLR.

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

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

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

Board Meetings

Board meetings are scheduled regularly at least once every quarter. Special Board meetings are also held to discuss urgent issues, as and when necessary. Throughout 2021, six (6) Board meetings were held, two (2) of which were Special Board meetings. Pursuant to the MMLR, all Directors have complied with the requirement to attend at least 50% of Board meetings held in a financial year. The number of meetings attended by each Director during the financial year ended 31 December 2021 ("FYE2021") are as follows:-

| Directors | Designation | Attendance |
|---|--|------------|
| Mahadzir Bin Azizan | Independent Non-Executive Director | 6/6 |
| Dato' Haji Che Pee Bin Samsudin | Independent Non-Executive Director | 6/6 |
| Zulazman Bin Zulkifli | Independent Non-Executive Director | 6/6 |
| Keisuke Ogawa | Non-Independent Non-Executive Director | 6/6 |
| Shahlan Bin Md Shukor @ Kadari | Non-Independent Non-Executive Director | 6/6 |
| Naoto Kojima ^(a) | Non-Independent Non-Executive Director | - |
| Datuk Mohd Radzif Bin Mohd Yunus ^(b) | Independent Non-Executive Director | - |
| Tunku Rozita Binti Tunku Abdul Malek ^(c) | Independent Non-Executive Director | - |
| Dr Iskandar Bin Ismail ^(d) | Independent Non-Executive Director | 2/2 |
| Adenan Bin Md Yusof ^(e) | Non-Independent Non-Executive Director | 2/2 |
| Michio Izawa ^(f) | Non-Independent Non-Executive Director | 6/6 |
| Azmeen Bin Adnan ^(g) | Non-Independent Non-Executive Director | 1/2 |

Notes:-

- (a) *Appointed with effect from 31 January 2022*
- (b) *Appointed with effect from 31 January 2022*
- (c) *Appointed with effect from 31 January 2022*
- (d) *Resigned with effect from 8 April 2021*
- (e) *Resigned with effect from 4 May 2021*
- (f) *Resigned with effect from 31 December 2021*
- (g) *Appointed with effect from 9 September 2021*
Resigned with effect from 31 December 2021

Access to and Supply of Information and Advice

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

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

Appointment to the Board

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

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

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 FYE2021 the Directors have attended the trainings as indicated below:-

| DIRECTOR | ORGANISER | TITLE OF PROGRAM |
|---|---|---|
| Mahadzir Bin Azizan | Messrs. Ernst & Young | EY Budget 2022 Webinar |
| Dato' Haji Che Pee Bin Samsudin | Securities Industry Development Corporation | Recognising and Managing Conflicts of Interest for Organisational Interest |
| | Securities Industry Development Corporation | Strengthening Organisation's Integrity Against Money Laundering and Terrorism Financing |
| | Securities Industry Development Corporation | Corporate Liability – Section 17A MACC Act 2009 for Board of Directors |
| | Securities Industry Development Corporation | Board's Role in Cyber Risk Management and Governance |
| Zulazman Bin Zulkifli | Royal Institution of Chartered Surveyors | Professional Member of The Royal Institution of Chartered Surveyors |
| | Institute of Corporate Directors Malaysia | Board and Executive Remuneration in Times of Crisis |
| | MIT Sloan Executive Education | MIT – Becoming and Entrepreneur |
| | Michigan Online | Innovation in Investment Technology: Artificial Intelligence |
| | IESE Business School | Corporate Finance Essentials |
| | Royal Institution of Chartered Surveyors | APC Review |
| | Bloomberg | Dividends: Importance, Outlook and Strategies |
| | Chartered Institute for Securities & Investment | Why this Bull Market has further to run! |
| Chartered Institute for Securities & Investment | Executive Presence & Leadership | |

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

| DIRECTOR | ORGANISER | TITLE OF PROGRAM |
|--------------------------------------|--|--|
| Zulazman Bin Zulkifli (Continued) | Malaysian Industrial Development Finance Berhad | Conversations with Datuk Seri Amir Hamzah |
| | Universiti Sains Islam Malaysia | Corporate Governance and Leadership in Public Entity |
| | Bloomberg | Credit Risk, where to from here? |
| | Institute of Corporate Directors Malaysia | Board and Executive Remuneration during a time of crisis |
| | Permodalan Nasional Berhad Forum 2021 | Rising above Covid 19: Reimagining work in Malaysia and beyond |
| | New York Institute of Finance | Fundamentals of Market Structure |
| | Fintech Malaysia | Digital Banking Symposium (1) and (2) |
| | Bloomberg | The Evolution of ETFs in Private Banking |
| | Chartered Institute for Securities & Investment | Active Investing & Global Markets |
| | Institute of Corporate Directors Malaysia | Sage 3 Webinar: Board Leadership and Decision Making in Times of Financial Distress |
| | PropTech Insights | Conversations with Lendlease |
| | Institute of Corporate Directors Malaysia | Transforming National Treasures – The Khazanah Nasional Story, Tan Sri Dato' Azman Mokhtar |
| Shahlan Bin Md Shukor @ Kadari | Securities Industry Development Corporation | Corporate Liability – Section 17A MACC Act 2009 for Board of Directors |
| | Securities Industry Development Corporation | Board's Role in Cyber Risk Management and Governance |
| | Jabatan Akauntan Negara Malaysia | Bengkel Penjelasan Nilai Syarikat |
| | Jabatan Akauntan Negara Malaysia | Kursus Keupayaan Menilai Prestasi Kewangan Syarikat |
| Michio Izawa | Securities Industry Development Corporation | Strengthening Organisation's Integrity Against Money Laundering and Terrorism Financing |
| | Securities Industry Development Corporation | Board's Role in Cyber Risk Management and Governance |
| Keisuke Ogawa | The Investment Management Association of Singapore | Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) in Singapore |
| | Nishimura & Asahi | Singapore: Summary of the Personal Data Protection (Amendment) Act 2020 |
| | Monetary Authority of Singapore | MAS-IBF, Powering Our International Financial Centre with a Globalised Singaporean Workforce |
| | Asia Pacific Real Estate Association | Aprea, Future office market |

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

The Board Committees

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

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

AUDIT COMMITTEE

The Audit Committee ("AC") was formed on 9 June 2009 to assist the Board in the execution of its responsibilities. It comprises of two (2) Independent Non-Executive Members and one (1) Non-Independent Non-Executive Member. The full details of the composition and summary of activities of the AC during FYE2021 are set out in the Audit Committee Report of this Annual Report.

INVESTMENT COMMITTEE

The Investment Committee ("IC") was established on 4 August 2006. It operates under the delegated authority from the Board and is represented by members from various fields including banking and property. The IC comprises of three (3) Independent Non-Executive Members and one (1) Non-Independent Non-Executive Member.

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

- To review, deliberate and decide on any investments to be made by ARREIT as recommended by the Management;
- To review, assess and decide on any asset acquisition, disposal and fund raising exercise to be undertaken by the ARREIT before being presented to the Board for final approval;
- Ensure that ARREIT is managed in accordance with:-
 - ARREIT's investment objectives;
 - ARREIT's Trust Deed;
 - ARREIT's Prospectus;
 - The securities laws and these Guidelines;
 - The internal investment restrictions and policies; and
 - Acceptable and efficacious investment management practices within the real estate investment industry
- To select the appropriate strategies to achieve the proper performance of ARREIT in accordance with the investment policies and to recommend the same for Board approval;
- To ensure the investment strategies selected are properly and efficiently implemented by the management company or its fund management (if any);
- Actively monitor, measure and evaluate the performance of the management company or its fund management (if any); and
- Carry out other duties as may be determined from time to time by the Board.

The members of the IC are as follows:

- Zulazman Bin Zulkifli (Chairman)
- Dato' Haji Che Pee Bin Samsudin^(a)
- Datuk Mohd Radzif Bin Mohd Yunus^(b)
- Naoto Kojima^(c)
- Dr Iskandar Bin Ismail^(d)
- Adenan Bin Md Yusof^(e)
- Michio Izawa^(f)
- Azmeen Bin Adnan^(g)

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Notes:-

- (a) *Appointed with effect from 9 September 2021*
- (b) *Appointed with effect from 31 January 2022*
- (c) *Appointed with effect from 31 January 2022*
- (d) *Resigned with effect from 8 April 2021*
- (e) *Resigned with effect from 4 May 2021*
- (f) *Resigned with effect from 31 December 2021*
- (g) *Appointed with effect from 9 September 2021*
Resigned with effect from 31 December 2021

TENDER COMMITTEE

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

The members of the TC are as follows:

- Zulazman Bin Zulkifli (Chairman)
- Naoto Kojima^(a)
- Tunku Rozita Binti Tunku Abdul Malek^(b)
- Michio Izawa^(c)

Notes:-

- (a) *Appointed with effect from 31 January 2022*
- (b) *Appointed with effect from 31 January 2022*
- (c) *Resigned with effect from 31 December 2021*

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

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

COMPANY SECRETARY

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

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

Financial Reporting

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

Relationship with External Auditors

The external auditors, Messrs KPMG 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.

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

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.

Internal Control

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

Compliance Officer

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

MANAGEMENT OF BUSINESS RISK

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

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

RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

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

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

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

WHISTLEBLOWING POLICY

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

COMMUNICATION WITH UNITHOLDERS

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

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

AUDIT COMMITTEE REPORT

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

The members of the Audit Committee are as follows:

- Dato Haji Che Pee Bin Samsudin (*Chairman*)
- Zulazman Bin Zulkifli
- Keisuke Ogawa

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

Audit Committee Meetings

The Audit Committee held four (4) meetings during FYE2021. The meeting dates were predetermined in advance in order to ensure availability of each member. Meeting papers were circulated to all the AC members prior to the meetings by way of electronic means and hard copy. The details of attendance of each member are as follows:

| Directors | Designation | Attendance |
|---------------------------------|--|------------|
| Dato' Haji Che Pee Bin Samsudin | Independent Non-Executive Director | 4/4 |
| Zulazman Bin Zulkifli | Independent Non-Executive Director | 4/4 |
| Keisuke Ogawa | Non-Independent Non-Executive Director | 4/4 |

Summary of Activities carried out by the Audit Committee during the Financial Year of 2021

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

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

AUDIT COMMITTEE REPORT

(CONT'D)

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

INTERNAL AUDIT FUNCTION

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

GIAD has the principal responsibility for undertaking a regular and systematic review of the systems and internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. Summary of activities undertaken by GIAD during FYE2021 are listed below:

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Being a Real Estate Investment Trust, AmanahRaya Real Estate Investment Trust (“ARREIT”) is not subjected to Paragraph 15.26(b) of the MMLR of Bursa Malaysia Securities Berhad. Nevertheless, the Board of Directors of AmanahRaya-Kenedix REIT Manager Sdn Bhd (“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 for 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 Pacific Trustees Berhad (“the Trustee”) and the Board are required for matters of certain threshold limits whereas those which do not exceed the threshold limits are delegated to other Board committees or the Chief Executive Officer to facilitate operational efficiency. A set of other authorised personnel have also been identified to approve and release payments for transactions with prior approval in accordance with the authority limits;
- The Manager has adopted a group wide Integrity Plan and Code of Business Ethics towards recognising and resolving ethical issues that may be encountered in conducting its daily operations. The Code of Business Ethics addresses among others, issues on conflict of interest, whistle blowing policy, ethics and responsibility to stakeholders;
- An Enterprise Risk Management Policy which sets out the approaches and expectations in relation to risk management has also been adopted by the Manager. Via the policy, the Board recognises that risk management is an integral part of good management and corporate governance practice;
- 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 2021 amounted to RM14,196. Findings obtained from internal audit activities are reported directly to Audit Committee (“the AC”) and are independent from the management team of the Manager;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

- 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. 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;
- 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. Management is reviewing the audit findings raised by the Group Internal Auditor;
- The IC reviews and scrutinizes all investment, divestment and fund-raising proposals recommended by the management. The reviewing process includes identification of risks involved in such activities towards ensuring that ARREIT is managed in accordance with its objectives. The IC also holds the responsibility of actively monitoring the performance of the Manager and ARREIT;
- All recommendations endorsed by the AC and IC shall be presented for review and approval by the Board.

REVIEW OF THIS STATEMENT

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

This Statement has been tabled and approved by the Board on 25 February 2022.

PROPERTY MARKET OVERVIEW

MARKET INDICATIONS

In 2021, Malaysia was still overcoming the challenges posed by the unprecedented COVID-19 pandemic. The quarterly GDP was recorded in the range of RM335 billion to RM343 billion in the first three quarters of 2021, supported by new stimulus and assistance packages worth RM530 billion and the measures under Budget 2021 worth RM322.5 billion. Overall, cumulative GDP for the first three quarters of 2021 improved 3% y-o-y (1Q-3Q 2020: -6.3%), signifying persistent economic recovery.

The labour market remained highly volatile in 2021 because of the challenging economy posed by the pandemic. Broadly, the unemployment rate remained elevated between 4.5% – 4.8%, caused by longer and stricter movement restrictions.

After a minor change in 1Q 2021, headline inflation increased by 2.2% in 3Q 2021 due to the base effects of the low domestic retail fuel prices last year and the lapse from the tiered electricity tariff rebate. In terms of monthly trajectory, headline inflation peaked at 4.7% in April 2021.

On the other hand, Business Conditions Index (BCI) registered some 12.4% increase y-o-y, from 86.3 in 3Q 2020 to 97.0 in 3Q 2021. The BCI has been trending higher since 2Q 2021, as the government eased restrictions and the businesses regained confidence in the wake of the new normal.

BNM has maintained the Overnight Policy Rate (OPR) at a historical low of 1.75% since 3Q 2020 to support the economy in this trying time. Along with the fiscal and financial measures that continue to cushion the economic impact on businesses and households and provide support to economic activity, BNM continued utilising its policy levers to encourage a sustainable economic recovery.

All states in Malaysia have moved into Phase 4 of the National Recovery Plan since early October 2021, with 97.6% of the adult population fully vaccinated as of end-2021. In this phase, the public and private sectors can operate at 100% capacity with a relaxed Standard Operating Procedure (SOP). With interstate travel allowed for fully vaccinated individuals, Malaysia steadily moves towards international travel in 2022. With the recovery gaining momentum in 4Q 2021, Bank Negara Malaysia (BNM) estimates that the domestic economy will achieve an annual growth rate of 3.0% to 4.0% in 2021 and further expand by 5.5% to 6.5% in 2022.

On a positive note, Malaysia's Industrial Production Index (IPI) increased at 2.5% y-o-y in September 2021, supported by an increment of 4% in the manufacturing index and 0.4% in the electricity index.

Approved Investment, 2019 to 3Q 2021

| Malaysia | 2019 | 2020 | 3Q 2021 |
|--|------------|-----------|-----------|
| Number of Approved Projects | 5,287 | 4,758 | 3,037 |
| Domestic Investment (RM Million) | 128,475.3 | 103,199.1 | 71,705.5 |
| Foreign Investment (RM Million) | 82,908.20 | 64,197.0 | 106,136.1 |
| Total Capital Investment (RM Million) | 211,383.50 | 167,396.1 | 177,841.6 |

Source: Malaysia Investment Development Authority (MIDA)

For the period 1Q-3Q 2021, Malaysia recorded 3,037 approved projects worth RM177.8 billion in the manufacturing, services and primary sectors, representing a 33.9% increase y-o-y from the previous corresponding period (1Q-3Q 2020: RM117.4 billion). Of the RM177.8 billion investments, 58.4% (RM103.9 billion) were from the manufacturing sector, followed by the services sector (32.5% share, RM57.8 billion) and the primary sector (9.1% share, RM16.1 billion)

In terms of sources of investments, 59.7% (RM106.1 billion) were foreign direct investments (FDIs), while the remaining 40.3% were domestic investments (RM71.7 billion). Followingly, 86.4% (RM91.7 billion) of the FDIs were invested in the manufacturing sector, of which the top five contributing countries were Singapore (RM43.7 billion), followed by China (RM14.5 billion), Austria (RM10.9 billion), Korea (RM6.3 billion) and Japan (RM6.2 billion).

PROPERTY MARKET OVERVIEW

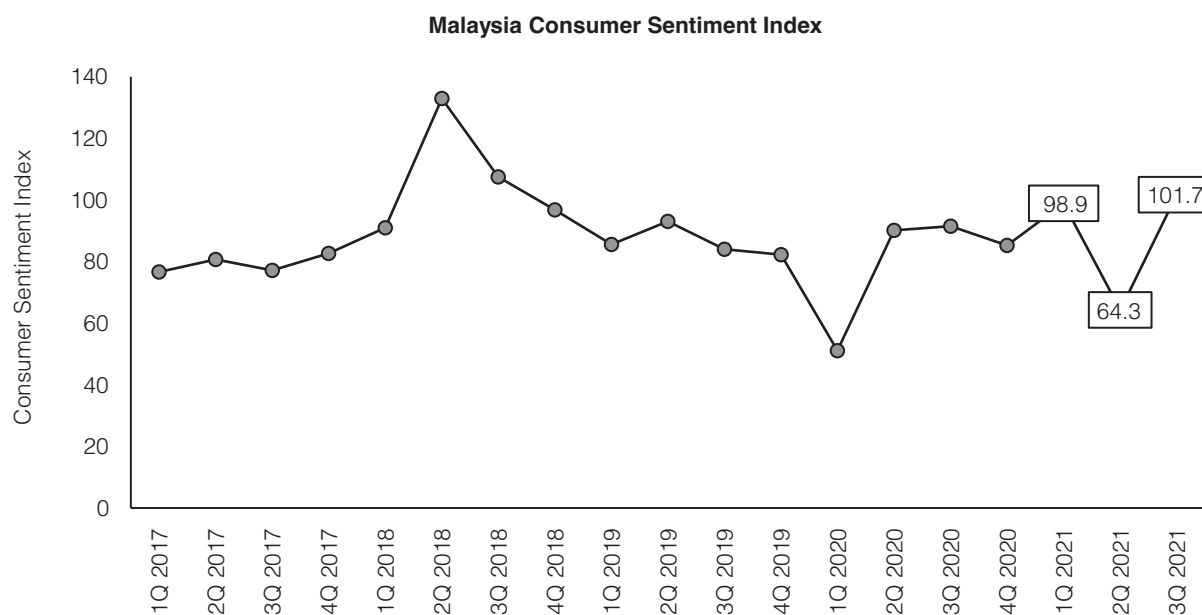
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RETAIL MARKET

1.0 MALAYSIA: RETAIL PERFORMANCE

Consumer confidence has seen rebounded when the COVID-19 vaccine rollout started in February 2021 and the ease of movement restrictions by the Malaysian government for those who are fully vaccinated in August 2021. According to the Malaysia Institute of Economic Research (MIER), the consumer sentiment index has improved significantly in 3Q 2021 to 101.7 points passing the 100-point optimism threshold set by MIER. This is a massive increase by 50.6 points from the lowest figure ever recorded of Malaysia consumer sentiment index in 1Q 2020 at 51.1 points, following the economic fallouts because of the country's first move into a complete lockdown in March 2020. The expectation of a better income and job opportunities in the immediate future due to the resumption of businesses will likely prompt healthier spending plans and increase consumers' appetite to shop.

Malaysia: Consumer Sentiment Index, 1Q 2017 – 3Q 2021



Source: Malaysia Institute of Economic Research (MIER)

The Department of Statistics Malaysia reported that Malaysia retail sales have increased by 4.5% year on year (y-o-y) to RM485.1 billion in the first eleven months of 2021 after a decline of 5.2% in the same period of 2020. The top 5 retail trade categories with the highest growth are 1) retail sale of any kind of products not in stores, stalls, or markets, i.e., via mail order, internet, television; 2) retail sale of automotive fuel in specialised stores, 3) retail sale via stalls and markets, 4) retail sale in non-specialized stores and 5) retail sale of food & beverage and tobacco. However, in terms of total sales value, the retail sale in supermarkets or convenience stores, personal items, i.e., clothing, beauty & wellness, and household equipment, contributed the largest share.

PROPERTY MARKET OVERVIEW

(CONT'D)

Malaysia: Retail Sales Growth, 2018 to November 2021



Source: Department of Statistics Malaysia & Savills Research

2.0 GREATER KL

2.1 Supply: Existing and Future

As of 3Q 2021, the cumulative retail space supply in Greater KL registered at 68.1 million sq ft of net lettable area (NLA), spread across a total of about 180 retail malls. Of the total retail space supply, 58.0% are in Outer KL, while the remaining 42.0% are in Kuala Lumpur.

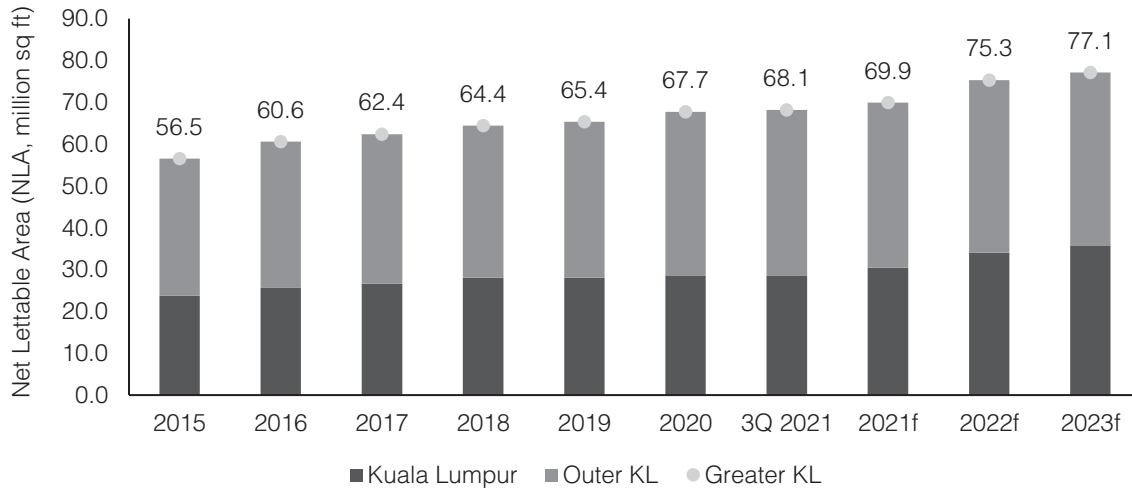
Setia City Mall Phase 2 in Shah Alam was completed in the first quarter of 2021, adding about 400,000 sq ft of retail space to the existing Setia City Mall, bringing a total of about 1.1 million sq ft. The anchor tenant, Lulu Hypermarket and Departmental stores from the Middle East occupy about 150,000 sq ft of space across three floors. This was the only mall completed up to 3Q 2021.

Greater KL will see 13 new malls completion in the next three years, adding at least 8.9 million sq ft of NLA to the market. Outer KL is expected to see 1.9 million sq ft (four malls), KL Suburbs, 3.0 million sq ft (three malls) and KL City, 3.9 million sq ft (six malls). The major future completions include Pavilion Bukit Jalil, which will be completed in 4Q 2021, followed by IOI City Mall 2, Pavilion Damansara Heights, The Exchange TRX and Mitsui Shopping Park Lalaport. Nevertheless, further delays in the opening are likely because of continued uncertainties in the retail market.

PROPERTY MARKET OVERVIEW

(CONT'D)

Greater KL: Cumulative Supply of Retail Space, 2015 to 2023f

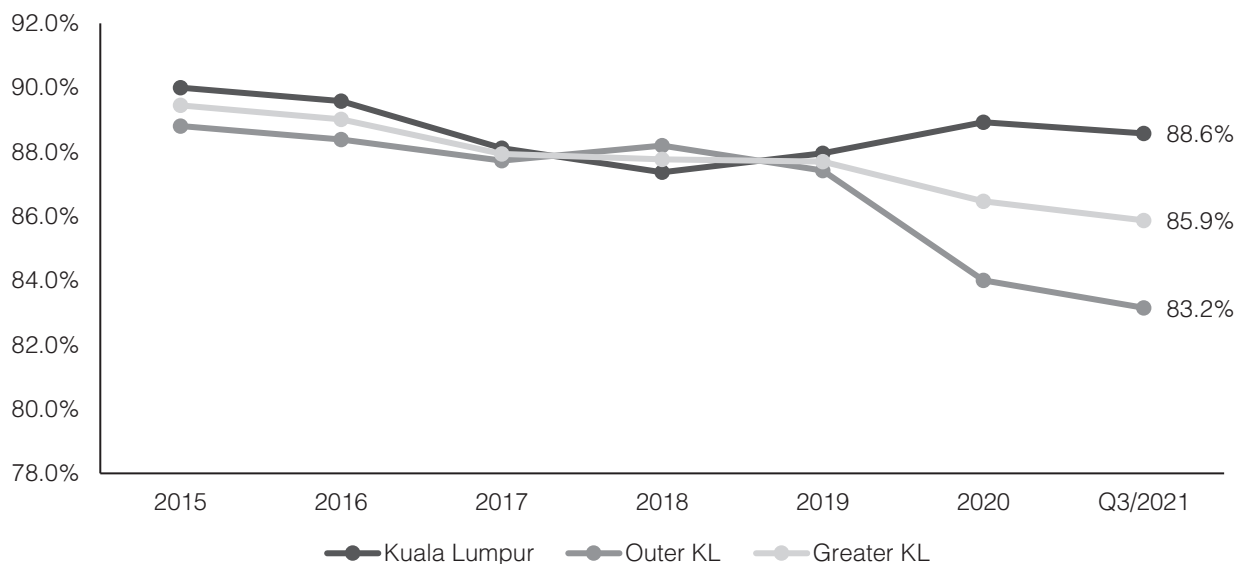


Source: Savills Research

2.2 Occupancy Rates

Various lockdown measures imposed in 2020 and 2021 have unintentionally affected the occupancy rates of retail malls. Greater KL retail malls have seen a slight decline in occupancy rates by 0.7% to 85.9% in 3Q 2021 from 86.5% in 2020. This is due to the closure of businesses, particularly in non-performing malls, and a subtle progression in leasing activities brought about by the pandemic. Nevertheless, occupancy rates of established malls remained steady, mainly due to major landlords' financial abilities to maintain zero tenancy termination.

Greater KL: Retail Space Occupancy Trend, 2015 to 3Q 2021



Source: Savills Research

PROPERTY MARKET OVERVIEW

(CONT'D)

2.3 Rental Rates

Based on the selected retail malls below, prime malls in Selangor such as One Utama and Sunway Pyramid have achieved the highest rental rates range between RM7.00 and RM50.00 per sq ft per month, depending on the location, size, floor level and other factors of the retail lots within the mall.

Melawati Mall and Central i-City, the most recent neighbourhood malls opened in Selangor, have commanded rental ranges between RM4.98 and RM32.60 per sq ft per month. At the same time, other neighbourhood malls, including Subang Parade and IOI Mall Puchong, achieved a rental range between RM4.00 and RM33.27 per sq ft.

As reported by the National Property Information Centre (NAPIC), rental rates of these malls have remained stable compared to 2H 2020.

Rental Levels of Retail Space in Selected Retail Malls, 1H 2021

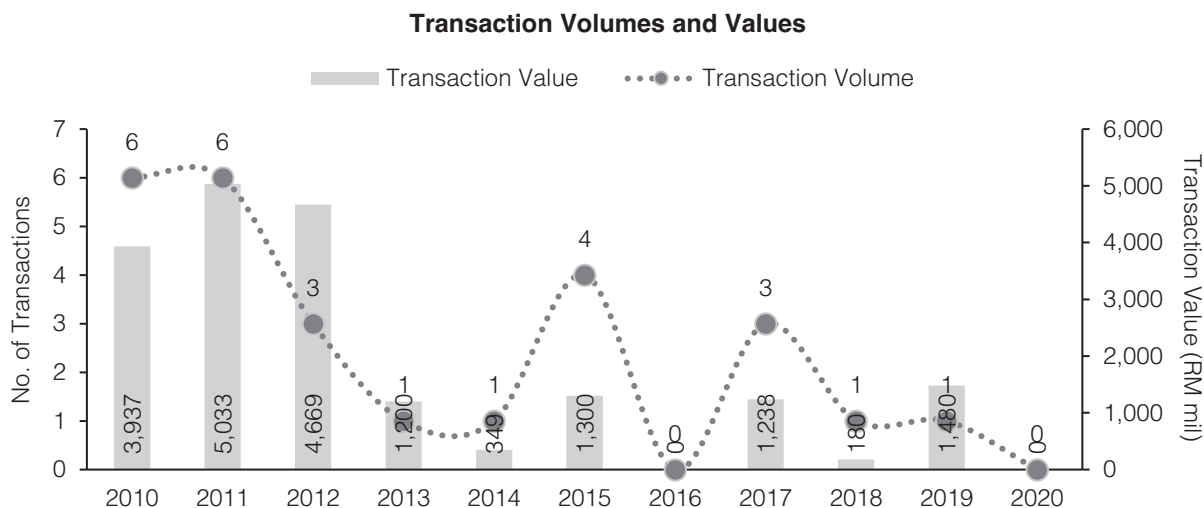
| Retail Mall | Location | Floor Level | Retail Space (sq ft) | Rental Range (RM per sq ft per month) |
|----------------|----------------|--------------|----------------------|---------------------------------------|
| One Utama | Bandar Utama | LG | 323 - 1,981 | 12.00 - 50.00 |
| | | G | 1,345 - 2,669 | 14.00 - 34.00 |
| | | 1 | 560 - 1,378 | 13.00 - 37.00 |
| | | 2 | 463 - 1,830 | 7.00 - 31.00 |
| Sunway Pyramid | Bandar Sunway | LG2 | 635 - 7,739 | 16.80 - 33.15 |
| | | LG1 | 538 - 3,337 | 13.60 - 45.30 |
| | | G | 592 - 1,991 | 21.60 - 43.79 |
| | | 1 | 108 - 3,391 | 17.50 - 58.62 |
| Subang Parade | Subang Jaya | LG | 538 - 4,510 | 7.80 - 20.62 |
| | | G | 463 - 2,659 | 12.00 23.35 |
| | | 1 | 1,419 | 4.00 |
| Central i-City | Shah Alam | LG | 388 - 4,036 | 6.00 - 17.00 |
| | | G | 581 - 3,789 | 10.00 - 23.00 |
| | | 1 | 581 - 2,207 | 8.00 - 30.00 |
| | | 2 | 764 - 1,970 | 6.00 - 16.00 |
| | | 3 | 1,173 - 2,454 | 8.00 - 13.01 |
| IOI Mall | Bandar Puchong | G | 355 - 3,143 | 9.00 - 33.27 |
| | | 1 | 657 - 3,746 | 6.00 - 16.50 |
| | | 2 | 560 - 2,390 | 9.25 - 15.00 |
| Melawati Mall | Taman Melati | LG | 151 - 2,024 | 5.60 - 18.80 |
| | | G | 484 - 1,539 | 8.60 - 32.60 |
| | | 1 | 323 - 1,787 | 4.98 - 8.60 |
| | | 2 | 452 - 904 | 6.10 - 18.60 |
| | | 3 | 172 - 25.94 | 9.25 - 22.60 |
| | | 4 | 506 - 1,453 | 5.30 - 18.10 |
| | | 5 | 506 - 969 | 5.40 - 14.50 |
| 6 | 1,023 - 1,851 | 5.60 - 10.60 | | |

Source: NAPIC & Savills Research

PROPERTY MARKET OVERVIEW

(CONT'D)

2.4 Capital Values



Source: Savills Research

On the investment front, retail investment activities have toned down due to the uncertainty of retail malls recovery, at least in the short term. While the pandemic profoundly affected the retail sector, the delay in recovery has impacted the investor's decisions. Thus, no known major transactions have been recorded since 202 until to date. Nevertheless, retail investment deals are forecast to increase with economic growth.

3.0 RETAIL MARKET OUTLOOK

Shopper traffic for prominent located and established retail malls improved, thanks to the easing of domestic movement restrictions. Following that, retail sales have picked up, especially in food, information & communication equipment, household, recreational and personal items.

The response seen after the reopening of the retail malls has boosted the confidence of the entire retail sector, and it has also reaffirmed the fact that brick & mortar retail will never die. However, there needs to be the right balance between online and offline, channels supporting and driving traffic to each other.

Continuous pressure on malls' occupancy is likely to affect further pressure on rents caused by the pandemic through several factors. These factors include changes in consumer spending patterns, the inability of tenants to pay rents despite assistance, and loss of attractiveness in terms of the mall's offerings. However, occupancy rates of prime retail malls remain stable, mainly due to the financial ability of major landlords to maintain zero tenancy termination. The presence of more creative and collaborative commercial terms between landlords and retailers is expected to shift from the conventional rental structures towards a more participative and profit-sharing approach.

Focus on food and beverage (F&B) and other services will continue as a trend as these are the sectors that are seeing higher levels of rebound and recovery. Additionally, athleisure sports and health-related activities are expected to see continued growth.

As a result of the pandemic, we expect to see much closer collaborations between landlords and retailers across retail brands and retail concepts by realising the importance of working together to reach out to a broader audience. The market could expect more creative initiatives offered by retailers towards enhanced services and experiences by combining resources and products offerings, such as adopting omnichannel solutions to complement the existing brick & mortar and multichannel marketing strategies.

PROPERTY MARKET OVERVIEW

(CONT'D)

HOTEL MARKET

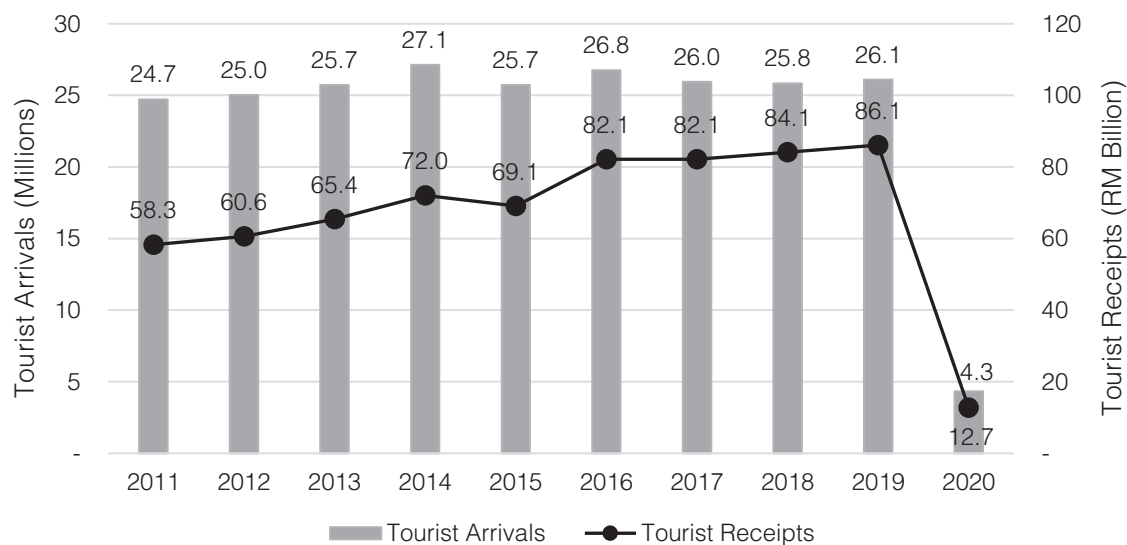
4.0 MALAYSIA: TOURISM MARKET PERFORMANCE

The hospitality sector was one of the hardest-hit sectors during the COVID-19 pandemic. As the international borders have remained closed since early 2020, tourism performance contracted drastically – in 2020, international tourist arrivals and receipts dropped by a staggering 83.4% and 85.2%, respectively, to 4.33 million and RM12.70 billion (2019: 26.10 million arrivals, RM86.14 billion receipts). Before the global outbreak, most tourists visited Malaysia between January and March 2020. Since then, for the rest of 2020, monthly international arrivals fluctuated between 5,411 to 18,660.

Further, in 2021, monthly arrivals will stabilise between 6,000 to 9,800 visitors, owing to proactive government policies. However, total international tourist arrivals dropped by a staggering 98.8% to 50,613 in 1H 2021 (1H 2020: 4.25 million). Domestic tourism was also significantly impacted by restrictions on inter-state travels and hesitation to travel amidst fear of infection.

The federal government was proactively working towards opening international borders to prop up the tourism sector and the economy in general, in tandem with enhanced efforts in combating the virus outbreak. To promote international travel, the Vaccinated Travel Lane (VTL) programme was introduced to allow fully vaccinated travellers without quarantine, subject to COVID-19 testing and further requirements determined by the country of destination. However, with the introduction of new variants, more stringent entry permits and the continuation of strict SOPs, tourist arrivals are likely to remain in the recovery stage in 2022.

Malaysia: Tourist Arrivals and Receipts, 2011 to 2020



Source: Ministry of Tourism Malaysia/ Savills Research

5.0 MALAYSIA & KEDAH

5.1 Supply: Hotel & Room – All-Star Rating

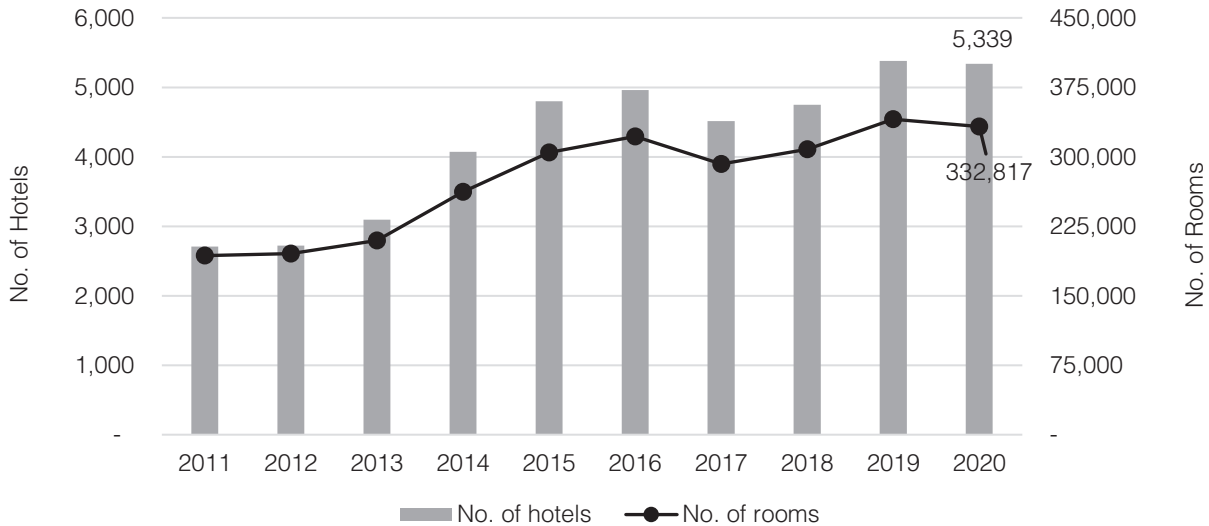
The global pandemic had directly impacted the hotel supply, the effective supply of hotels reduced by 49 units to 5,389 hotels as end-2020. The number of rooms reduced by 7,730 units to 332,817 rooms during the same period (2019: 5382 hotels, 332,817 rooms). According to the Malaysian Association of Hotels (MAH), over 100 hotels were forced to close in early-2020 nationwide because of sustained financial losses.

However, the supply of hotel and hotel rooms has been trending upwards for the last decade, increasing by a CAGR of 7.8% p.a. (2,707 hotels to 5,339 hotels) and 6.2% p.a. (193,340 rooms to 332,817 rooms) respectively between 2011 and 2020.

PROPERTY MARKET OVERVIEW

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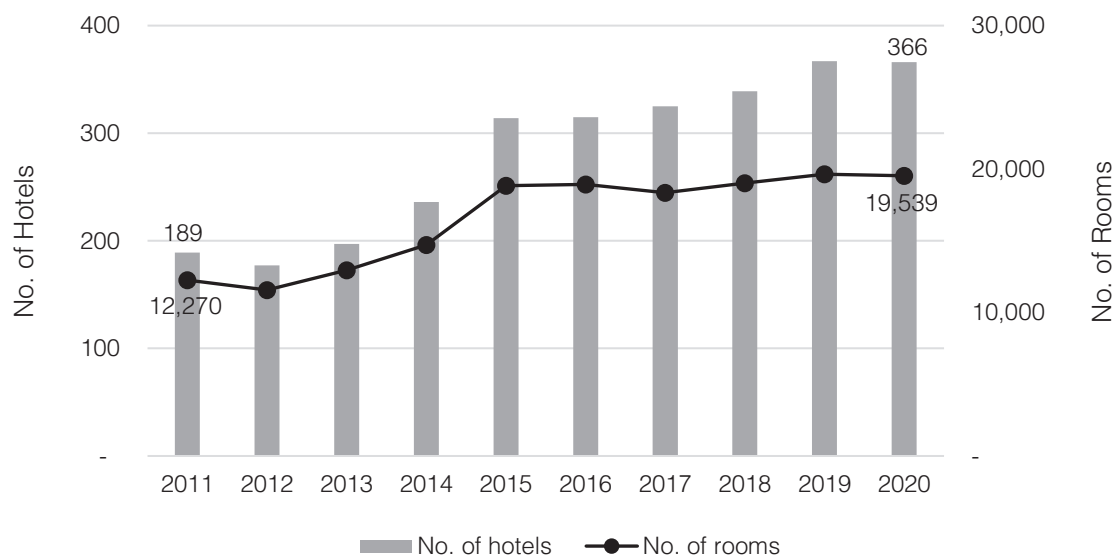
Malaysia: Hotel & Room Supply – All Star Ratings, 2011 to 2020



Source: Ministry of Tourism Malaysia/ Savills Research

Hotels in Kedah were comparatively more resilient due to the popularity of "the Jewel of Kedah", Langkawi as a tourist destination, and the government's efforts to introduce programmes such as 'Langkawi Travel Bubble' 'Cuti-Cuti Malaysia' to promote tourism. Although many hotels had temporarily ceased operations during the MCO, they soon resumed operations as restrictions eased gradually. As of end-2020, effective supply in Kedah reduced by only one hotel to 366 hotels (2019: 367 hotels), whereas the number of rooms reduced by 101 to 19,539 rooms (2020: 19,640 rooms).

Kedah: Hotel & Room Supply – All-Star Rating, 2011 to 2020



Source: Tourism Malaysia / Savills Research

PROPERTY MARKET OVERVIEW

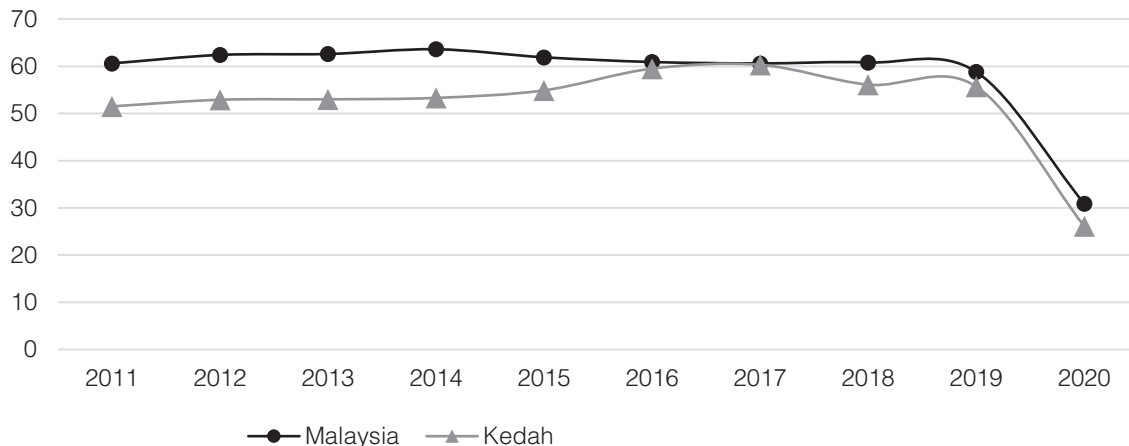
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As per National Property Information Centre (NAPIC), 132 hotels with 27,689 rooms are currently under construction nationwide. Kuala Lumpur tops the list with 33 upcoming hotels offering 8,396 rooms, followed by Penang and Johor with 28 and 12 hotels with 6,005 and 2,822 rooms. In Kedah, six incoming hotels offered 756 rooms as of 3Q 2021.

5.2 Occupancy

Before the pandemic began in 2020, the average hotel occupancy in Malaysia hovered around 60% to 65% between the years 2011 to 2019. With the subsequent implementations of MCOs and closure of international borders, the average hotel occupancy in Malaysia declined to 30.9% in 2020, presumably pushed higher due to the 60% occupancy rates achieved in January and February 2020. In the following months of the virus outbreak, average hotel occupancy bottomed to historical lows of less than 20%.

Malaysia & Kedah: Average Occupancy Rates of All-Star Hotels, 2011 to 2020



Source: Tourism Malaysia / Savills Research

A similar trend was observed in Kedah, where average occupancy since 2015 hovered around 55.0% and subsequently declined to 26.1% in 2020. In this case, the overall domestic tourism in Kedah registered a downward trend in terms of volume and value following the implementation of MCO, i.e. the number of domestic visitor arrivals decreased by 31.8% y-o-y to 10.1 million visitors (2019: 14.8 million), whereas receipts declined by 56.4% to RM2.3 billion (2019: RM5.2 billion).

Moreover, according to Domestic Tourism Survey 2020, the main purposes of tourists travelling to Kedah were visiting relatives & friends (66.5%) and holiday/ leisure/ relaxation (29.4%); however, unpaid accommodation (relatives' & friends' houses) was the most prevalent choice of tourists (67.6%) during these trips. As a result, hotel occupancy remained low in 2020.

Overall, average occupancy in Malaysia for 1Q-3Q 2021 remained low after announcements of MCO 2.0 & 3.0. Thereafter, as National Recovery Plan (NRP) phase 4 kicked in by October 2021 and vaccination roll-out was in full swing, travel restrictions for fully vaccinated individuals were further relaxed, and there were signs of improvements by the end-2021. This was evidenced by high take-up rates amongst hotels in popular holiday destinations during the year-end holiday season, public holidays and long weekends. As a result, average occupancy rates as high as 70% were recorded in popular destinations such as Langkawi, Penang and Genting Highlands in 4Q 2021.

PROPERTY MARKET OVERVIEW

(CONT'D)

6.0 HOTEL MARKET OUTLOOK

In 2021, the government had implemented successive policies to support the industry in these trying times. While leisure travelling was not encouraged during the pandemic, the government initiated a pro-business One Stop Centre (OSC) initiative, recognising the importance of businesses continuing their operations by expediting their entry to do business in Malaysia. This, in turn, provided some support to the local hospitality industry in catering to business travellers. Also, the Malaysian Investment Development Authority (MIDA) has evaluated 18,659 travellers for long-term business travellers, and 90.8% have been approved.

Moving forward, the hospitality industry is gearing up for recovery at the back of a high vaccination rate in Malaysia (around 80% as of January 2022), fewer restrictions on fully-vaccinated individuals, improvements in consumer confidence and initiatives to promote domestic tourism. In this case, resorts across Malaysia are likely to see improved occupancy as the locals are prepared to substitute their overseas tours with resort experiences in Malaysia, as witnessed by success stories such as the Langkawi travel bubble, with high occupancy rates on weekends towards higher-rated hotels. Similarly, in the future, branded hotels are likely to be the choice vacation and staycation spots amidst a heightened sense of hygiene standards.

Likewise, there is still a pent-up demand from people worldwide to travel again, especially after almost two years of protracted war against the pandemic. This scenario is applicable for tourists and more so for business travellers and individuals looking forward to rekindling with family and friends. In this context, the International Air Transport Association forecasts that global passenger numbers will recover to 88% of pre-COVID numbers in 2022, surpassing 105% in 2023. However, a wide range of factors could influence the recovery, such as the pace of vaccine rollout in other countries, the impact of social distancing on capacity, the impact of the pandemic on consumers' discretionary spending power, the threat of potential variants of concerns and lingering doubts among consumers about their safety when travelling.

In this uncertain environment, the Malaysian tourism industry is expected to be planning into 2022 and 2023, such as repositioning of strategies in the short- to mid-term to attract frequent visitors closer to home, i.e. the ASEAN market, led by visitors from Singapore, Thailand, the Philippines and Brunei. In this case, official figures showed that these visitors frequented Malaysia for visiting friends and family (VFR), holidays and shopping, and some 33% of Indonesians frequented Malaysia for health treatment purposes. Nevertheless, these are, but part of the overall recovery process for the tourism industry as Malaysia expects to resume international tourism by 2022. With proper planning and strategies, Malaysia could see a full recovery by late 2023 or early 2024.

OFFICE MARKET

7.0 GREATER KUALA LUMPUR

7.1 Supply: Existing and Future

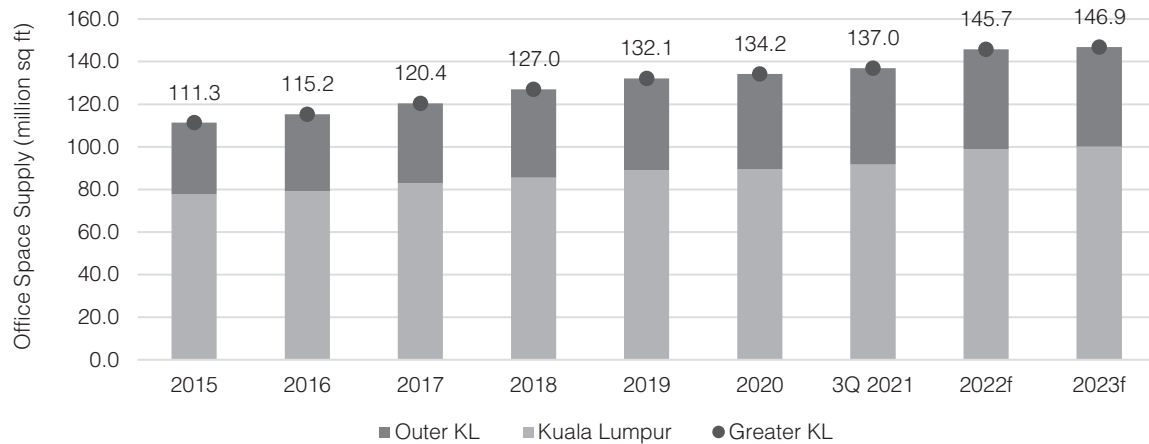
As of 3Q 2021, the existing cumulative supply of office space in Greater KL stood at 137.0 million sq ft, a 3.0% growth from 134.2 million sq ft in 2020. Of the total supply, 67% are located in Kuala Lumpur (91.7 million sq ft).

Greater KL saw nine new office buildings completed in the first nine months of 2021, three of which are in Outer KL, namely Q Tower, Imazium @ Damansara Uptown, and Quill 9 Annexe, totalling 0.69 million sq ft. Menara Legasi, Menara Permata Sapura KLCC, TSLaw Tower, The Five @ Kompleks Pejabat Damansara, Plaza Conlay and Menara Great Eastern 2 are the six buildings in Kuala Lumpur, accounting for 2.06 million sq ft.

PROPERTY MARKET OVERVIEW

(CONT'D)

Greater KL: Cumulative Supply of Office Space, 2015 to 3Q 2021



Source: Savills Research

In the next two years (2022 to 2023), expected new office completions in Greater KL will amount to circa 10 million sq ft, depicting a further supply growth of 7% from existing levels, of which Kuala Lumpur accounts for 84% or approximately 8.3 million sq ft while the rest of 16% is from Selangor (1.5 million sq ft).

Moving forward, 13 new office buildings are expected to be completed in Greater KL by 2022, of which five are in KL City, six in KL Suburban, and the rest in Outer KL. PNB 1194, Menara Warisan Merdeka 118 (PNB 118), LQ Office, and Affin HQ, both in TRX; UOB Tower 2, Riveria City @ KL Central, Mutiara Centro, Pavilion Damansara Heights, The MET Corporate Towers @ KL Metropolis, Menara Sentral RAC and Aspire Tower are among the upcoming completions in Kuala Lumpur. TTDI Gateway Business Suites and Atwater Office Towers, on the other hand, is located in Outer KL.

7.2 Occupancy Rates

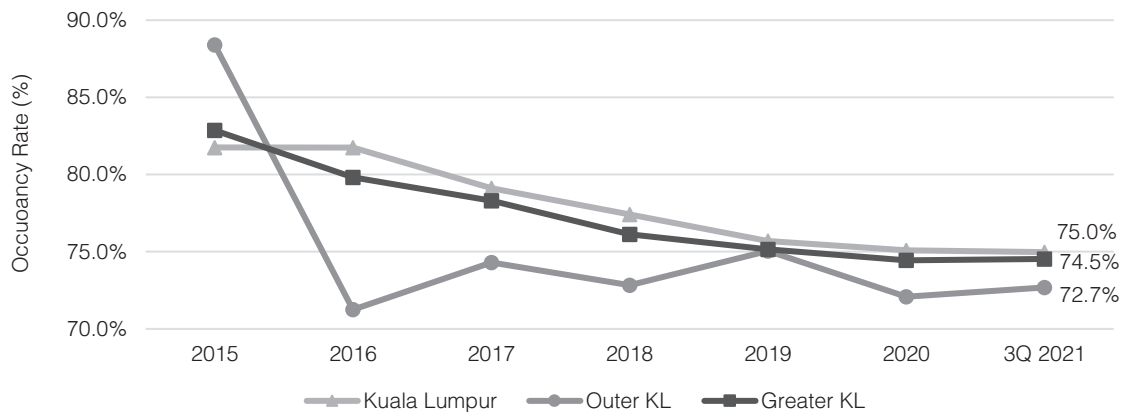
In tandem with the relaxation of COVID-19 restrictions, the Greater KL office leasing market exhibited signs of marginal recovery. The total occupancy rate in Greater KL was recorded at 74.5% in 3Q 2021, a marginal improvement of 0.1% from the previous year (2020). In the Outer KL market, the occupancy rate for offices also climbed marginally to 72.7% (2020: 72.1%).

In contrast, despite an increase in office space supply during the same timeline, the occupancy rate in Kuala Lumpur only fell marginally by 0.1% to 75.0% (2020:75.1%).

PROPERTY MARKET OVERVIEW

(CONT'D)

Greater KL: Office Space Occupancy Trend, 2015 to 3Q 2021

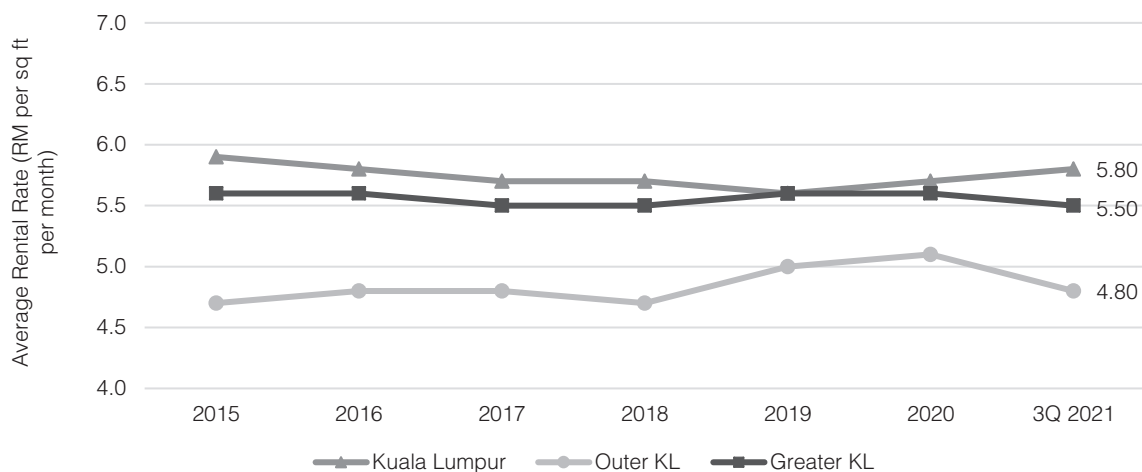


Source: Savills Research

7.3 Rental Rates

In 3Q 2021, the average rental rate in Greater KL was recorded at RM5.50 per sq ft per month, dropping 2% from RM5.60 per sq ft per month in 2020. Similarly, the office rental in Outer KL fell slightly by 6% to RM4.80 per sq ft per month (2020: RM5.10 per sq ft per month).

Greater KL: Office Space Average Rental Rate, 2015 to 3Q 2021



Source: Savills Research

Compared to 2020, the asking rent for offices in Kuala Lumpur rose marginally by 0.1% to RM5.80 per sq ft per month. Notwithstanding this, the current weak sentiment is limiting rental growth, as more tenants demand landlords to offer incentives.

PROPERTY MARKET OVERVIEW

(CONT'D)

7.4 Capital Values

Despite the uncertainties due to the Covid-19 pandemic, significant office transactions in Greater KL remained active. Twelve notable office transactions accounting for RM3.33 billion were witnessed in the first three quarters of 2021, nine of which are related party transactions.

Greater KL: Major Office Transactions, as of 3Q2021

| Year | Property | Location | Net Lettable Area (sq ft) | Price (RM million) | Buyer |
|------|--|-------------|---------------------------|--------------------|---|
| 2021 | Menara IGB & IGB Annexe | KL Suburban | 261,993 | RM189 | IGB Commercial REIT |
| | Centrepoint South | KL Suburban | 232,237 | RM191 | |
| | Centrepoint North | KL Suburban | 232,051 | RM197 | |
| | Boulevard Properties | KL Suburban | 53,715 | RM78 | |
| | Gardens South Tower | KL Suburban | 422,381 | RM392 | |
| | Gardens North Tower | KL Suburban | 425,612 | RM382 | |
| | Southpoint Properties | KL Suburban | 515,501 | RM574 | |
| | Menara Tan & Tan | KL City | 339,385 | RM239 | |
| | GTower | KL City | 746,194 | RM740 | |
| | Hampshire Place Office | KL City | 239,253 | RM181 | |
| | Level 37 of The Met Corporate Office Tower A | KL Suburban | 16,105 | RM19 | Nextgreen Global Berhad |
| | Balai Berita Bangsar | KL Suburban | 327,310 | RM156 | New Straits Times Press (Malaysia) Berhad |

Source: Savills Research

In April 2021, IGB Commercial REIT acquired ten office buildings from IGB Berhad for a total value of RM3.16 billion. These office buildings' total NLA (Net Lettable Area) is circa 3.47 million sq ft.

Nextgreen Global Berhad purchased Level 37 of The Met Corporate Officer Tower A for its use, consisting of 12 stratified office lots totalling 16,105 sq ft. Additionally, New Straits Times Press (Malaysia) Berhad repurchased Balai Berita Bangsar from PNB Development for RM156 million in the same quarter. Balai Berita Bangsar was previously sold to PNB Development in 2018.

8.0 OFFICE MARKET OUTLOOK

Results from Savills Malaysia's "What Workers Want" survey in 2021 revealed that 81% of office workers believe physical workplace will be necessary 'always' or at least for the short term, as Malaysia steps out of the pandemic on its way to recovery.

The Survey also finds that while the hybrid working model will be a mainstay in Malaysia for the foreseeable future, more than 90% of the respondents believe that creativity and collaboration, meeting work targets and achieving career growth are best met in the office environment.

Given the flight-to-quality perspective, more companies are expected to relocate to newer office spaces that offer flexible and technologically-advanced working environments. Additionally, there will be a continued relook at the angle of workspace optimisation due to the hybrid arrangements (working from home and working from the office).

The incentives, aids and tax reliefs announced by the government under Budget 2022 is expected to spur business recovery for the year. Among the highlights is tax relief extension for building / commercial unit owners who provide rental discounts of at least 30% from the initial rate until 31 June.

PROPERTY MARKET OVERVIEW

(CONT'D)

To ensure that businesses comply with the SOPs amid the pandemic, the government also proposed to extend the income tax deductions relating to premise renovation and renewal costs of up to RM300,000 until 31 December 2022. On top of that, an additional tax deduction of up to RM50,000 for companies registered under Safe@Work on the rental expenses of employee accommodation premises has been extended for another year.

In general, the office market will remain a tenants' market as demand lags behind supply in the near future. Matured office buildings in favourable locations could consider undergoing renovations or potentially be readapted or repurposed for higher use as the nation transitions into the new normal.

INDUSTRIAL MARKET

9.0 MALAYSIA: INDUSTRIAL PERFORMANCE

As one of Malaysia's key economic drivers, the manufacturing sector continued to outperform, attracting a total capital investment of RM103.9 billion in 1Q–3Q 2021, a remarkable 60.4% y-o-y increase from RM64.8 billion registered in 1Q–3Q 2020. This positive trend was also observable in the preceding years, a rise from 988 approved projects worth RM82.73 billion in 2019 to 1,050 projects worth RM91.26 billion in 2020, mainly attributable to Foreign Direct Investment (FDIs).

Manufacturing Sector: Investment Overview, 2019 to 3Q 2021

| Malaysia | 2019 | 2020 | 3Q 2021 |
|--|------------------|------------------|-------------------|
| Number of approved projects | 988 | 1,050 | 522 |
| Domestics Investment (RM Million) | 28,840.70 | 34,683.10 | 12,205.20 |
| Foreign Investment (RM Million) | 53,891.90 | 56,579.90 | 91,743.90 |
| Total Capital Investment (RM Million) | 82,732.60 | 91,263.10 | 103,949.10 |

Source: Malaysia Investment Development Authority (MIDA)

In this context, FDIs accounted for about 88.3% (RM91.7 billion) of the said total capital investment in 1Q– 3Q 2021, while domestic investment contributed to the remaining 11.7% (RM12.2 billion). Primary sources of FDI in the manufacturing sector were from Singapore (RM43.7 billion, 52 approved projects), China (RM14.6 billion, 36 approved projects), (RM10.9 billion, two approved projects), Korea (RM6.3 billion, six approved projects) and Japan (RM6.2 billion, 15 approved projects).

Likewise, the top four industrial contributors to the RM103.9 billion in total approved investments were the electrical and electronics industry (61.8% share, RM64.3 billion), followed by fabricated metal product (13.5% share, RM 14.0 billion), rubber products (5.2% share, RM5.4 billion) and basic metals products (5.0% share, RM5.2 billion) respectively.

The robust external demand has contributed to healthy growth in the manufacturing sector, supported further by the rising demand for E&E (electrical and electronic) goods, rubber gloves, and medical devices due to the pandemic. The industrial sector is expected to thrive in the near future, fueled by demand from the e-commerce boom and the accelerated digitalisation in most aspects of our daily lives as the world transitions to the new normal.

PROPERTY MARKET OVERVIEW

(CONT'D)

10.0 JOHOR

10.1 Industrial Sector

For the period 1Q-3Q 2021, Johor recorded 110 approved manufacturing projects with a total investment value of RM4.64 billion, a 14.1% y-o-y drop from RM5.40 billion registered in 1Q-3Q 2020.

Johor: Approved Manufacturing Projects, 2019 to 3Q 2021

| Johor | 2019 | 2020 | 3Q 2021 |
|--|----------|---------|---------|
| Number of Approved Projects | 209 | 232 | 110 |
| Total Capital Investment (RM Million) | 11,455.2 | 6,784.3 | 4,638.0 |

Source: Malaysia Investment Development Authority (MIDA)

Several notable announcements on the investment and expansion plans of industrial facilities in Johor during the year included:

- Wiyynn Corporation, a Taiwan-based IT infrastructure provider, plans to develop a server rack integration plant on a 4.80-hectare land in Johor, totalling RM200 million. The project features a Green Building Index (GBI) building adopting smart technologies and is expected to start production in 2023.
- Petronas Gas Bhd (PGB) has approved a final investment decision to construct a new compressor station in Kluang, Johor, totalling RM460 million. The project aims to increase the gas capacity of Peninsular Gas Utilisation II (PGU II) in the southern region and is estimated to complete in 2024.
- Bridge Data Centres, a Singapore-based data centre service provider, announced the construction of its fourth hyperscale data centre (MY06) in Sedenak, Johor. Sitting on 40-acre land, this project will involve an investment worth RM2.5 billion and is expected to complete in phases in 2022-23.
- Tiong Nam Logistics Solutions Sdn Bhd (TNLS) plans to build a warehouse with a built-up area of around 1.09 million sq ft with a construction cost worth RM200 million. This project will be built on two land parcels measuring 62.62 acres in total, located within a free commercial zone in Senai Airport City, Johor.
- Petronas Chemicals Group Berhad (PCG) and LG Chem Ltd have entered into an agreement to build a nitrile butadiene latex manufacturing plant at Pengerang Integrated Complex (PIC) in Johor; this plant is set to begin operations in 2023 and will have an annual NBL production capacity of 200,000 tons.
- Japanese SANKYU Group is set to invest RM100 million to build its first Human Resources Training Centre outside of Japan in the Medini Central Business District, Johor. The centre is built on 1.67 hectares of land and is expected to begin operations in 2022.
- AME Elite Consortium Bhd's subsidiary AME Construction Sdn Bhd has been awarded an RM359 million contract to construct an integrated production facility, logistics warehouse, and office buildings for Ye Chiu Non-Ferrous Metal (M) Sdn Bhd. The entire project will span a built-up area of 2.55 million sq ft and is poised for completion by May 2023.

PROPERTY MARKET OVERVIEW

(CONT'D)

10.2 Overview

In 2020, 640 industrial properties changed hands with a total value of about RM2.17 billion. The transaction volume saw a decrease of 37% y-o-y from 1,016 units in 2019 to 640 units in 2020. Conversely, the transaction value exhibited a 5.31% increase during the same period, mainly attributed to an RM320-million industrial complex transaction in 2020.

Johor: Industrial Property Volume and Value of Transactions, 2019 to 3Q 2021^(p)

| Industrial Property Type | 2019 | | 2020 | | 3Q 2021 ^(p) | |
|--------------------------|-----------------------|--------------------|-----------------------|--------------------|------------------------|--------------------|
| | Volume (No. of units) | Value (RM Million) | Volume (No. of units) | Value (RM Million) | Volume (No. of units) | Value (RM Million) |
| Terraced | 291 | 197.39 | 184 | 146.96 | 135 | 91.00 |
| Semi-Detached | 257 | 525.79 | 167 | 326.82 | 121 | 238.00 |
| Detached | 176 | 827.48 | 106 | 702.38 | 125 | 642.00 |
| Industrial Complex | 0 | 0 | 1 | 320.00 | 0 | 0 |
| Others ⁽¹⁾ | 292 | 508.88 | 182 | 672.78 | 198 | 610.00 |
| Total | 1,016 | 2,059.54 | 640 | 2,168.94 | 579 | 1,581.87 |

Source: National Property Information Centre (NAPIC)

Notes:

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

(2) (p) = preliminary data

Subsequently, 579 transactions were recorded with RM1.58 billion in 1Q-3Q 2021, of which the "others" category recorded the highest share of volume at 198 units (34.2% share), followed by terraced factories (23.3% share, 135 units), detached factories (21.6% share, 125 units), and semi-detached factories (20.9% share, 121 units).

In terms of transaction value by property types, detached factories aggregated the highest sum at RM642 million in 1Q-3Q 2021. This is followed by the 'others' category at RM610 million, semi-detached factories at RM238 million, and terraced factories at RM91 million.

10.3 Supply: Existing and Future

As of 3Q 2021, the existing cumulative supply of industrial properties in Johor was reported at 18,179 units, an increase of 100 units from 2020. Of the newly added units, 90 units are located in Johor Bahru, whereas the remaining 10 units are located in Batu Pahat.

Johor: Supply of Industrial Properties by Type, 2019 to 3Q 2021

| Type | Existing Supply (No. of Units) | | | Future Supply (No. of Units) | |
|--------------------|--------------------------------|---------------|---------------|------------------------------|------------|
| | 2019 | 2020 | Q3 2021 | Incoming | Planned |
| Terraced | 8,037 | 8,038 | 8,063 | 256 | 122 |
| Semi-Detached | 4,538 | 4,628 | 4,674 | 346 | 312 |
| Detached | 3,854 | 4,016 | 4,045 | 161 | 209 |
| Flatted Factory | 0 | 0 | 0 | 0 | 0 |
| Industrial Complex | 424 | 425 | 425 | 0 | 6 |
| Cluster | 828 | 972 | 972 | 308 | 88 |
| Total | 17,681 | 18,079 | 18,179 | 1,071 | 737 |

Source: National Property Information Centre (NAPIC)

PROPERTY MARKET OVERVIEW

(CONT'D)

In terms of distribution by locality, the top three districts with the largest share of the existing supply are mainly Johor Bahru (62.6% share, 11,373), followed by Kulai (13.3% share, 2,424 units) and Batu Pahat (8.4% share, 1,530 units). Likewise, the top three destinations for the 1,808 units of future supply in Johor Bahru (65.2%, 1,180 units), Kulai (14.4%, 260 units) and Kota Tinggi (8.0%, 144 units).

In terms of distribution by industrial property type, the existing supply was predominantly terraced factories (44.4% share, 8,063 units) followed by semi-detached factories (25.7% share, 4,674 units) and detached factories (22.3% share, 4,045 units). However, semi-detached factories make up most of the future supply (346 units incoming, 312 units planned), followed by cluster (308 units incoming, 88 units planned) and terraced (256 units incoming, 122 units planned).

In short, Johor Bahru will remain one of the main districts with the most industrial properties in the foreseeable future. It hosts at least 60% of the existing total industrial supply and almost two-thirds of the state's future supply. Although the current supply is predominantly of the terraced categories, the supply growth rate has lagged behind its peers (semi-detached, detached and cluster factories) between 2019 and Q3 2021 and more so in the future supply.

Johor: Supply of Industrial Properties by District, 2019 to 3Q 2021

| District | Existing Supply (No. of Units) | | | Future Supply (No. of Units) | |
|--------------|-----------------------------------|---------------|---------------|---------------------------------|------------|
| | 2019 | 2020 | 3Q 2021 | Incoming | Planned |
| Batu Pahat | 1500 | 1,520 | 1,530 | 38 | 9 |
| Johor Bahru | 10,966 | 11,283 | 11,373 | 703 | 477 |
| Kluang | 987 | 987 | 987 | 0 | 57 |
| Kota Tinggi | 395 | 395 | 395 | 62 | 82 |
| Kulai | 2,368 | 2,424 | 2,424 | 210 | 50 |
| Mersing | 66 | 69 | 69 | 0 | 0 |
| Muar | 173 | 173 | 173 | 26 | 21 |
| Pontian | 505 | 507 | 507 | 32 | 27 |
| Segamat | 513 | 513 | 513 | 0 | 14 |
| Tangkak | 208 | 208 | 208 | 0 | 0 |
| Total | 17,681 | 18,079 | 18,179 | 1,071 | 737 |

Source: National Property Information Centre (NAPIC)

10.4 Capital Values

The list below reflects the general capital values of selected industrial properties in Johor.

Johor: Selected Industrial Property Transactions, 2021

| No | Location | Property Details | Land Area (Built-up Area) | Tenure ⁽¹⁾ | Date of Transaction | Consideration (RM Million) |
|----|--|------------------|------------------------------|-----------------------|---------------------|-------------------------------|
| 1 | Ptd 106708, Indahpura Industrial Park, Kulai | Vacant Land | 4.04 acres | FH | September 2021 | 13.1 |
| 2 | Lot 6012, BT 15 ½ Jalan Sg Tiram, Johor Bharu | Detached Factory | 1.15 acres | FH | August 2021 | 11.8 |
| 3 | Block A1-A5 (BLOK E), Batu 14, Tepi Jalan Muar – Tangkak | Detached Factory | 9.52 acres | FH | May 2021 | 23.0 |

PROPERTY MARKET OVERVIEW

(CONT'D)

| No | Location | Property Details | Land Area (Built-up Area) | Tenure ⁽¹⁾ | Date of Transaction | Consideration (RM Million) |
|----|---|------------------|--------------------------------|-----------------------|---------------------|-------------------------------|
| 4 | Ptd 243589, Jalan Jelawat 1, Tmn Pasir Putih, Plentong | Vacant Land | 11.93 acres | FH | May 2021 | 30.1 |
| 5 | 2350, Jalan Selatan, Perindustrian Ringan Pulai, Tebrau | Vacant Land | 4.98 acres | FH | May 2021 | 12.0 |
| 6 | No 1, Jalan Desa Tropika ½, Tmn Perindustrian Tropika, Plentong | Detached Factory | 1.95 acres | FH | February 2021 | 10.6 |
| 7 | Pt 64992, Taman Perindustrian Murni, Senai, Kulaijaya | Detached Factory | 0.98 acres (4,305.56 sq ft) | FH | February 2021 | 10.0 |
| 8 | Lot 2941, Jalan Seelong/Senai, Kulai Jaya | Vacant Land | 7.36 acres | FH | January 2021 | 16.0 |

Source: JPPH/ Savills Research

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

10.5 Rental Values

In 2021, the average asking rentals for detached factories in Pasir Gudang ranged from RM1.00 per sq ft to RM1.50 per sq ft per month; in contrast, similar units in Tanjung Pelepas Port were going from RM1.50 per sq ft to RM2.00 per sq ft per month.

In Gelang Patah, the asking rentals ranged from RM0.90 per sq ft to RM1.40 per sq ft per month, whereas Nusa Cemerlang, Nusajaya (SILC) commanded the monthly asking rental of RM1.00 per sq ft to RM1.60 per sq ft per month.

The monthly asking rentals in Taman Perindustrian Cemerlang, Ulu Tiram ranged between RM0.80 per sq ft and RM1.00 per sq ft per month.

In Senai, the general asking rentals ranged from RM1.10 per sq ft to RM1.30 per sq ft per month, while in Kawasan Perindustrian Senai. iPark @ Senai City, on the other hand, commanded a higher monthly asking rental of RM1.40 per sq ft to RM1.80 per sq ft per month. The similar industrial properties in iPark @ Indahpura commanded asking rentals of RM 1.20 per sq ft to RM1.50 per sq ft per month.

11.0 GREATER KUALA LUMPUR

11.1 Industrial Sector

Greater KL saw a 14.7% y-o-y increase in approved total capital investments from RM17.21 billion in 2019 to RM19.73 billion in 2020, in tandem with the increased number of approved projects from both states, Kuala Lumpur and Selangor, during the same period.

As of 3Q 2021, 197 manufacturing projects worth RM6.21 billion were approved in WP Kuala Lumpur and Selangor, suggesting an additional investment of circa RM13.6 billion required to surpass 2020.

PROPERTY MARKET OVERVIEW

(CONT'D)

Greater Kuala Lumpur: Approved Manufacturing Projects, 2019 to 3Q 2021

| State | 2019 | | 2020 | | 3Q 2021 | |
|------------------------|-----------------|---------------------------------------|-----------------|---------------------------------------|-----------------|---------------------------------------|
| | No. of Projects | Total Capital Investment (RM Million) | No. of Projects | Total Capital Investment (RM Million) | No. of Projects | Total Capital Investment (RM Million) |
| WP Kuala Lumpur | 12 | 174.2 | 17 | 1,306.5 | 15 | 251.1 |
| Selangor | 315 | 17,040.2 | 324 | 18,425.2 | 182 | 5,958.7 |
| Greater KL | 327 | 17,214.4 | 341 | 19,731.7 | 197 | 6,209.8 |

Source: Malaysia Investment Development Authority (MIDA)

Notable industrial sector announcements in Selangor in 2021 include:

- LOGOS SE Asia Pte Ltd has entered into a Joint Venture with Global Vision Logistics Sdn Bhd, to develop an RM1.5 billion integrated logistics, warehousing and e-commerce hub in Section 16 Shah Alam, Selangor. The project will be developed on three land plots measuring 71 acres with a gross leasable area of 5.43 million sq ft.
- Nine Dragons Paper (Holdings) Ltd invests RM4.2 billion in a pulp and paper mill in Banting, Selangor. Together with their manufacturing facility in Pahang, these investments are expected to create 2,180 job opportunities upon its commencement of operations by 2022.
- Ally Logistics Property Co Ltd (ALP), Taiwan's largest warehousing infrastructure developer, has invested RM700 million on a 27-acre OMega logistics park in Bukit Raja Selangor. This is part of the company's plans to invest RM4.14 billion to develop smart warehousing solutions for the logistics sector in Malaysia.
- Leon Fuat Bhd has acquired a 2.46-acre industrial land together with the 37,000 sq ft steel processing factory in Kajang, Selangor, for RM28 million.
- Nestle Malaysia has invested RM150 million to set up a plant-based food manufacturing plant within its existing Shah Alam Industrial Complex in Selangor. This new production site has a built-up size of approximately 60,000 sq ft with an expected annual production capacity of 8,000 tonnes.

11.2 Overview

WP Kuala Lumpur and Selangor: Industrial Property Volume and Value of Transactions, 2019 to 3Q 2021^(p)

| State | Industrial Property Type | 2019 | | 2020 | | 3Q 2021 ^(p) | |
|------------------------|--------------------------|--------------|--------------------|--------------|--------------------|------------------------|--------------------|
| | | Volume (No.) | Value (RM Million) | Volume (No.) | Value (RM Million) | Volume (No.) | Value (RM Million) |
| WP Kuala Lumpur | Terraced | 61 | 90.37 | 38 | 56.83 | 40 | 62.57 |
| | Semi-Detached | 13 | 72.00 | 8 | 42.18 | 7 | 32.35 |
| | Detached | 15 | 110.90 | 11 | 86.93 | 14 | 139.53 |
| | Industrial Complex | 45 | 15.81 | 23 | 10.03 | 4 | 1.62 |
| | Others ⁽¹⁾ | 15 | 88.55 | 5 | 3.24 | 6 | 3.74 |
| Total | | 149 | 377.62 | 85 | 199.21 | 71 | 239.81 |

PROPERTY MARKET OVERVIEW

(CONT'D)

| State | Industrial Property Type | 2019 | | 2020 | | 3Q 2021 ^(p) | |
|------------|--------------------------|--------------|--------------------|--------------|--------------------|------------------------|--------------------|
| | | Volume (No.) | Value (RM Million) | Volume (No.) | Value (RM Million) | Volume (No.) | Value (RM Million) |
| Selangor | Terraced | 942 | 871.22 | 714 | 724.38 | 608 | 621.10 |
| | Semi-Detached | 407 | 1,517.60 | 287 | 1,175.63 | 270 | 983.04 |
| | Detached | 206 | 3,676.32 | 151 | 1,827.63 | 144 | 1,993.26 |
| | Industrial Complex | 33 | 13.84 | 38 | 17.23 | 1 | 36.02 |
| | Others | 624 | 2,197.48 | 411 | 3,546.12 | 302 | 2,269.24 |
| | Total | 2,212 | 8,276.47 | 1,601 | 7,291.00 | 1,325 | 5,902.66 |
| Greater KL | Terraced | 1,003 | 961.59 | 752 | 781.21 | 648 | 683.67 |
| | Semi-Detached | 420 | 1,589.61 | 295 | 1,217.81 | 277 | 1,015.39 |
| | Detached | 221 | 3,787.22 | 162 | 1,914.56 | 158 | 2,132.79 |
| | Industrial Complex | 78 | 29.65 | 61 | 27.26 | 5 | 37.64 |
| | Others | 639 | 2,286.03 | 416 | 3,549.36 | 305 | 2,272.98 |
| | Total | 2,361 | 8,654.09 | 1,686 | 7,490.21 | 1,396 | 6,142.47 |

Source: National Property Information Centre (NAPIC)

Note:

(1) Others include Industrial vacant plots and other types of industrial property

(2) (p) = preliminary data

In Greater KL, 1,686 industrial property transactions worth RM7.49 billion changed hands in 2020, recording a decline of 28.6% in transaction volume and 13.4% in transaction value y-o-y (2019: 2,361 transactions worth RM8.65 billion). To avert the possibility of a three-year downtrend since 2019, an addition of 290 transactions worth RM1.35 billion is required for the remaining quarter of 2021 (as of 3Q 2021: 1,396 transactions worth RM6.14 billion).

Likewise, Kuala Lumpur's industrial property transaction value was recorded at RM199.21 million in 2020, a significant drop of 47.2% from RM377.62 million in 2019. In contrast, the transaction volume dropped by 43.0%, from 149 cases in 2019 to 85 cases in 2020. However, the aggregate transaction value as of 3Q 2021 was reported at RM239.8 million, a positive rise of 20.4% higher than that achieved in 2020.

Selangor's industrial market activity declined less significant, an 11.9% y-o-y decrease in total transaction value from RM8.28 billion in 2019 to RM7.29 billion in 2020. This is in line with a 27.6% decrease in transaction volume to 1,601 cases in 2020 (2019: 2,212 cases).

Terraced factories remained the most transacted property type for both states between 2019 to 3Q 2021, accounting for about 42.5% to 46.4% of the total combined industrial transactions. However, detached factories recorded the highest value per transaction for the past three years (around RM12 million to RM17 million each) instead of an average of RM1 million per transaction for terraced factories.

PROPERTY MARKET OVERVIEW

(CONT'D)

11.3 Supply: Existing and Future

WP Kuala Lumpur and Selangor: Supply of Industrial Properties by Type, 2019 to 3Q 2021

| State | Industrial Property Type | Existing Supply (No. of Units) | | | Future Supply (No. of Units) | |
|------------------------|--------------------------|--------------------------------|---------------|---------------|------------------------------|--------------|
| | | 2019 | 2020 | 3Q 2021 | Incoming | Planned |
| WP Kuala Lumpur | Terraced | 2,545 | 2,545 | 2,545 | 0 | 37 |
| | Semi-Detached | 412 | 412 | 412 | 0 | 0 |
| | Detached | 511 | 511 | 511 | 0 | 0 |
| | Flatted Factory | 1,670 | 1,670 | 1,670 | 0 | 0 |
| | Industrial Complex | 0 | 0 | 0 | 0 | 0 |
| | Cluster | 0 | 0 | 0 | 0 | 0 |
| | Total | 5,138 | 5,138 | 5,138 | 0 | 37 |
| Selangor | Terraced | 28,520 | 28,647 | 28,784 | 393 | 281 |
| | Semi-Detached | 6,598 | 6,694 | 6,772 | 266 | 824 |
| | Detached | 5,213 | 5,273 | 5,337 | 266 | 477 |
| | Flatted Factory | 263 | 263 | 264 | 247 | 0 |
| | Industrial Complex | 107 | 107 | 108 | 1 | 4 |
| | Cluster | 0 | 0 | 0 | 92 | 93 |
| | Total | 40,701 | 40,984 | 41,265 | 1,265 | 1,679 |
| Greater KL | Terraced | 31,065 | 31,192 | 31,329 | 393 | 318 |
| | Semi-Detached | 7,010 | 7,106 | 7,184 | 266 | 824 |
| | Detached | 5,724 | 5,784 | 5,848 | 266 | 477 |
| | Flatted Factory | 1,933 | 1,933 | 1,934 | 247 | 0 |
| | Industrial Complex | 107 | 107 | 108 | 1 | 4 |
| | Cluster | 0 | 0 | 0 | 92 | 93 |
| | Total | 45,839 | 46,122 | 46,403 | 1,265 | 1,716 |

Source: National Property Information Centre (NAPIC)

As of 3Q 2021, there were a combined total of 46,403 units supply of existing industrial properties in WP Kuala Lumpur and Selangor, an increase of 281 units from 2020, all of which were mainly terraced (137 units), semi-detached (78 units) and detached factories (64 units) in Greater KL.

In Selangor, the existing cumulative supply of industrial properties stood at 41,265 units as of 3Q 2021. The majority of the current supply was contributed by terraced factories (69.8% share, 28,784 units) followed by semi-detached (16.4% share, 6,772 units) and detached factories (12.9% share, 5,337 units). On the other hand, the bulk of Selangor's 2,944 units in the pipeline were mainly semi-detached factories (37.0% share, 1,090 units), followed by detached factories (25.2% share, 743 units) and terraced factories (22.9% share, 674 units). Overall, terraced factories are expected to dominate Selangor's industrial supply composition in the near future.

In WP Kuala Lumpur, the cumulative supply has been unchanged since 2019 at 5,138 units. Terraced factories dominated the industrial supply in WP Kuala Lumpur at 2,545 units (49.5% share), followed by flatted factories at 1,670 units (32.5% share), detached factories at 511 units (9.9% share), and semi-detached factories at 412 units (8% share). There is a planned supply of 37 terraced factories as of 3Q 2021.

PROPERTY MARKET OVERVIEW

(CONT'D)

WP Kuala Lumpur and Selangor: Supply of Industrial Properties by District, 2019 to 3Q 2021

| State | District/Mukim | Existing Supply (No. of Units) | | | Future Supply (No. of Units) | |
|--------------------|---------------------|-----------------------------------|---------------|---------------|---------------------------------|--------------|
| | | 2019 | 2020 | 3Q 2021 | Incoming | Planned |
| WP Kuala Lumpur | Bandar Kuala Lumpur | 227 | 227 | 227 | 0 | 0 |
| | Petaling Jaya | 0 | 0 | 0 | 0 | 0 |
| | Ampang | 0 | 0 | 0 | 0 | 0 |
| | Batu | 3,046 | 3,046 | 3,046 | 0 | 0 |
| | Cheras | 0 | 0 | 0 | 0 | 0 |
| | Hulu Kelang | 0 | 0 | 0 | 0 | 0 |
| | Kuala Lumpur | 488 | 488 | 488 | 0 | 22 |
| | Petaling | 1,295 | 1,295 | 1,295 | 0 | 0 |
| | Setapak | 82 | 82 | 82 | 0 | 15 |
| | Total | 5,138 | 5,138 | 5,138 | 0 | 37 |
| Selangor | Gombak | 4,626 | 4,688 | 4,724 | 64 | 72 |
| | Hulu Langat | 7,357 | 7,363 | 7,391 | 6 | 18 |
| | Hulu Selangor | 4,334 | 4,334 | 4,334 | 59 | 105 |
| | Klang | 8,375 | 8,438 | 8,618 | 417 | 884 |
| | Kuala Langat | 492 | 569 | 569 | 124 | 156 |
| | Kuala Selangor | 244 | 251 | 253 | 267 | 315 |
| | Petaling | 14,325 | 14,378 | 14,413 | 289 | 0 |
| | Sabak Bernam | 35 | 35 | 35 | 27 | 2 |
| | Sepang | 913 | 928 | 928 | 12 | 127 |
| | Total | 40,701 | 40,984 | 41,265 | 1,265 | 1,679 |

Source: National Property Information Centre (NAPIC)

In terms of geographical distribution, the top three districts which represented almost 75% of Selangor's existing industrial supply as of 3Q 2021 are Petaling district (34.9% share, 14,413 units), Klang (20.9% share, 8,618 units) and Hulu Langat (17.9% share, 7,391 units). Of the 2,944 units in the future supply pipeline, the majority of industrial supply is located in the Klang district (44.2% share, 1,301 units), followed by Kuala Selangor (19.8% share, 582 units) and Petaling (9.8%, 289 units).

In WP Kuala Lumpur, the existing 5,138 industrial units were predominantly located in Mukim Batu (59.3% share, 3,046 units), followed by Mukim Petaling (25.2% share, 1,295 units) and Kuala Lumpur (25.2% share, 488 units). Of the 37 units of planned supply, 22 units are located in the district of Kuala Lumpur, whereas the remaining 15 units are situated in the Setapak district.

11.4 Capital Values

The list below reflects the general capital values of selected industrial properties in Selangor.

Selangor: Selected Industrial Property Transactions in 2021

| No | Location | Property Details | Land Area (Built-up Area) | Tenure ⁽¹⁾ | Date of Transaction | Consideration (RM Million) |
|----|--|------------------|------------------------------|-----------------------|---------------------|-------------------------------|
| 1 | Persiaran Setia Makmur, Bandar Setia Alam | Vacant Land | 19.55 Acres | FH | September 2021 | 30.0 |

PROPERTY MARKET OVERVIEW

(CONT'D)

| No | Location | Property Details | Land Area (Built-up Area) | Tenure ⁽¹⁾ | Date of Transaction | Consideration (RM Million) |
|----|--|---------------------------------------|--|-----------------------|---------------------|-------------------------------|
| 2 | Lot 2 (21100), Lingkaran Sultan Hishamuddin Kapar Kawasan Perusahaan Selat Klang Utara | Warehouse | 5.62 acres | LH | January 2021 | 26.1 |
| 3. | Eastern Gateway Industrial Hub, Bukit Raja Prime Industrial Park Kapar, Klang | Vacant Land | 4.96 acres | FH | July 2021 | 28.0 |
| 4 | Jalan Sungai Buaya Bandar Sungai Buaya, Bandar Serendah | Vacant Land | 16.28 acres | LH | May 2021 | 20.5 |
| 5 | 18, Jalan Pelukis U1/46 Temasya Industrial Park | Detached Factory | 2.11 acres | FH | August 2021 | 36.0 |
| 6 | No.6, Jalan Kecapi, 33/2 Elite Industrial Area | Detached Factory | 2.85 acres | FH | May 2021 | 27.3 |
| 7 | 3, Jalan Keluli 1, Shah Alam | Detached Factory | 20.75 acres | FH | March 2021 | 120.0 |
| 8 | Lot 79, Jalan 13/6 Seksyen 13 Petaling Jaya | 3 Plots of Land with Detached Factory | 1.1.70 acres 2.4.90 acres 3.3.32 acres | LH | March 2021 | 1. 34.2 2. 98.7 3. 66.9 |
| 9 | Batu 13 1/2, Jalan Sg Besi Cheras Off Jalan Cheras Kajang | Detached Factory | 2.63 acres | FH | February 2021 | 27.0 |
| 10 | No. 5176, Off Jalan Balakong Pekan Kajang | Detached Factory | 2.46 acres | FH | February 2021 | 28.0 |
| 11 | Lot 78660, Jalan Tiang U8/93 Bukit Jelutong Damansara | Vacant Land | 2.00 acres | FH | July 2021 | 18.0 |
| 12 | Lot 38218, Jalan Subang Utama 6 (Lion Industrial Park) Sek. 22, Shah Alam | Vacant Land | 2.01 acres | FH | July 2021 | 25.0 |
| 13 | 9A, Jalan 51A/223 Seksyen 51/51A, Petaling Jaya Bandar Petaling Jaya | Detached Factory | 1.50 acres | LH | April 2021 | 20.0 |
| 14 | 25, Jalan E1/5 Kawasan Perindustrial Trian Tmn Ehsan Kepong | Detached Factory | 0.90 acres | FH | February 2021 | 19.0 |
| 15 | No 44717, Jalan Perusahaan 4, Perusahaan Batu Caves | Detached Factory | 2.00 acres | LH | March 2021 | 18.0 |

Source: JPPH/ Savills Research

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

PROPERTY MARKET OVERVIEW

(CONT'D)

11.5 Rental Values

The monthly asking rental of selected detached industrial properties in Sungai Besi-Chan Sow Lin ranged between RM2.40 per sq ft and RM3.20 per sq ft per month.

Meanwhile, within the established industrial areas of Section 13, Section 19 and Section 51A in Petaling Jaya, the monthly asking rentals for detached factories and warehouses ranged from RM2.20 per sq ft to RM3.00 per sq ft per month.

Detached factories and warehouses in Temasya Glenmarie and Hicom Glenmarie Industrial Park command monthly asking rentals of RM1.50 per sq ft to RM2.10 per sq ft. In contrast, the monthly asking rentals of similar premises ranged from RM1.20 per sq ft to RM1.80 per sq ft in Section 15 and Section 26 of Shah Alam industrial area.

Monthly asking rentals for detached factories and warehouses in Subang Hi-Tech Industrial Park could be found within the range of RM1.60 per sq ft to RM2.00 per sq ft.

Asking rentals of selected industrial areas in Port Klang ranged between RM1.20 per sq ft and RM1.60 per sq ft per month. In Kawasan Perindustrian Bukit Raja, the monthly asking rental ranged slightly higher between RM1.50 per sq ft and RM2.00 per sq ft.

Selected industrial properties in Rawang command monthly asking rentals of RM1.00 per sq ft to RM1.20 per sq ft in Bukit Beruntung and RM1.50 per sq ft to RM1.90 per sq ft in Taman Industri Integrasi.

In Balakong, monthly asking rentals ranged between RM1.10 per sq ft and RM1.50 per sq ft in Kawasan Perindustrian Balakong and RM1.50 per sq ft to RM2.20 per sq ft per month in Taming Jaya Industrial Park.

The asking rentals of detached industrial properties in the industrial estates of Bukit Angkat, Kajang ranged from RM1.40 per sq ft to RM1.60 per sq ft per month. In contrast, the monthly asking rentals ranged between RM1.00 per sq ft and RM1.50 per sq ft in Semenyih.

12.0 INDUSTRIAL MARKET OUTLOOK

The industrial and warehousing sector is one of the top-performing property sectors despite the overall weak market sentiment due to the pandemic. The accelerated e-commerce adoption has contributed positively to the logistics industry and led to increased demand for industrial products, mainly last-mile logistics services providers.

Interests for industrial assets remained robust, supported mainly by the changing landscape in industrial developments in response to competitive market demand and managed industrial parks with value-added services such as 24-hour security surveillance, commercial hub, green areas, and workers' dormitory. Eco- Business Park V, Elmina Business Park and The Compass @ Kota Seri Langat are examples of large-scale integrated industrial developments that reinvented the industrial scene.

Moving forward, more planned projects are to be expected in the pipeline, located mainly in Klang and Shah Alam. These upcoming developments will contribute to a greater supply in the near future with notable projects such as LOGOS multi-storey warehouse in Shah Alam, Omega Logistics Park, LYL Logistics Park (Phase 2) and Daiwa House (Phase 2 & 3). These newer breeds of industrial properties (with smart features) will eventually pressure the existing conventional warehouses in terms of rental and occupancy rates.

Given the reopening of the economy and the high vaccination rollout rate in Malaysia, nascent signs of market recovery were observable mainly in industrial sectors with more active transactions recorded. Backed by a more digitalised world in the new normal, industrial real estate's prospects remain optimistic for the foreseeable future.

PROPERTY MARKET OVERVIEW

(CONT'D)

EDUCATION MARKET

13.0 Malaysia

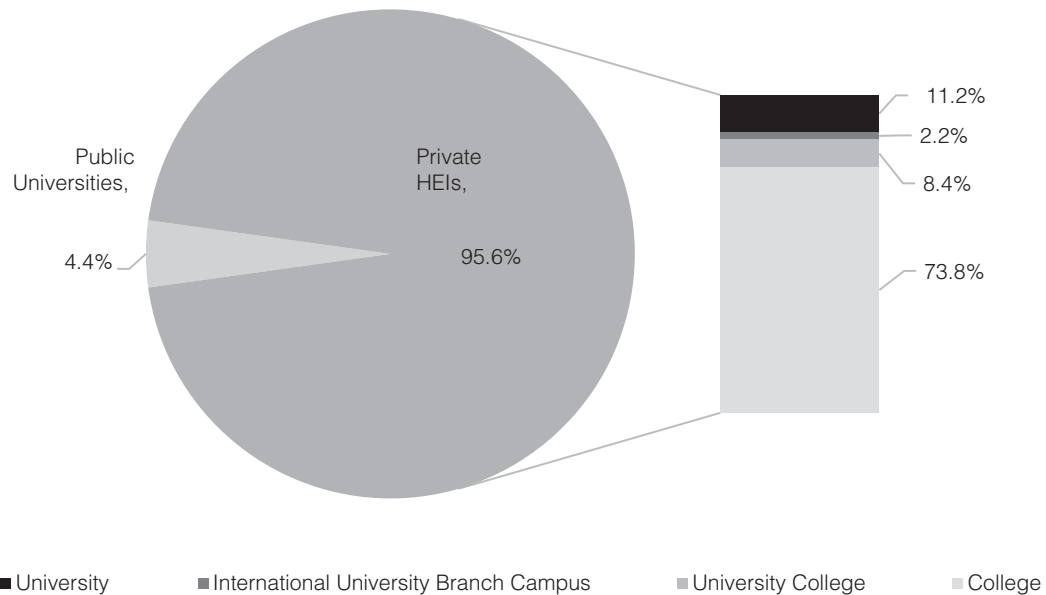
The year 2021 turned out to be as challenging as 2020 for the education sector as most institutions were generally closed since the global pandemic started in late-2019. Throughout the series of MCOs, all educational institutions in Malaysia were advised to conduct operations and learning activities online, including administrative processes such as enrolments, registration and applications.

Beginning from 1st January 2021, all local and international students (except the UK) were allowed to return to the campuses in phases. However, following the announcements of MCO 2.0 and MCO 3.0, the mode of learning remained partially / fully online for most of 2021. As the country progressed to National Recovery Plan phase 4, campuses slowly began to re-open in October 2021 with strict SOPs.

With constantly changing guidelines during different MCOs, health concerns, and mobility issues, student enrollment continued to drop, and consequently, many institutions had to cease operations permanently.

13.1 Supply: Higher Educational Institutions (HEIs)

Malaysia: Number of Higher Educational Institutions (HEIs), 2020



Source: Ministry of Higher Education / Savills Research

At the end of 2020, there were 455 Higher Education Institutes (HEIs) registered with the Ministry of Higher Education (MOHE). Only 20 of these (4.4%) are public universities, whereas the remaining 435 entities (95.6%) comprise private HEIs. The private HEIs are further divided into four main categories, namely:

- Private university and university branch campus (11.7% share, 51 units)
- Private international university branch campus (2.3%, 10 units)
- Private university college and university college branch campus (8.8% share, 38 units)
- Private college (77.2%, 336 units)

PROPERTY MARKET OVERVIEW

(CONT'D)

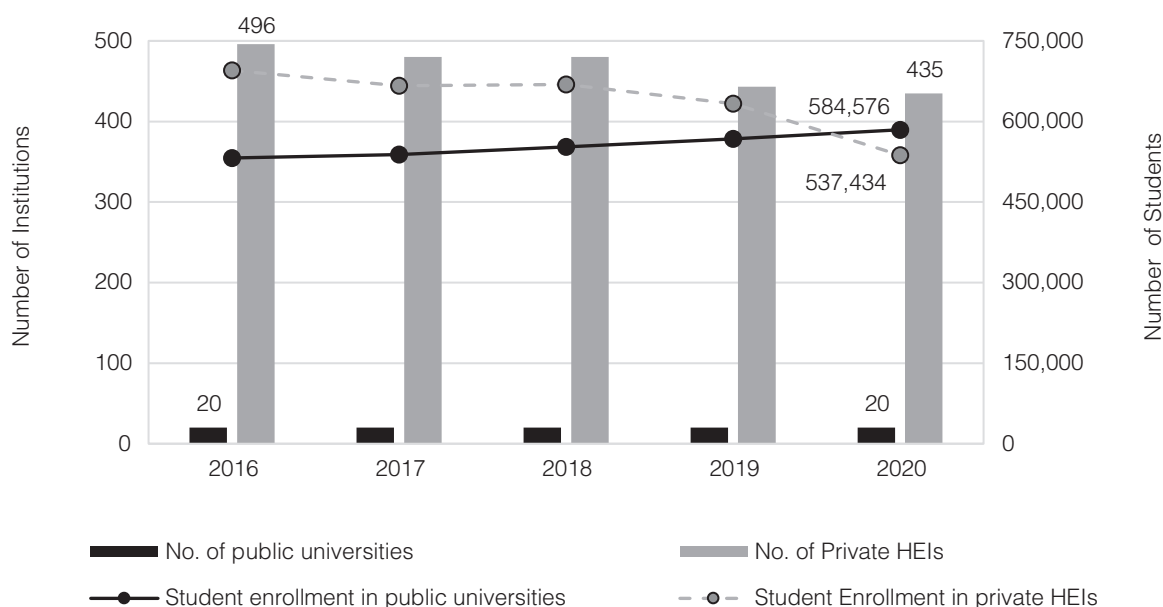
Malaysia: Composition of Private Higher Education Institutions, 2020

| Private Higher Education Institutions | 435 |
|--|-----|
| College | 336 |
| University | 51 |
| University College | 38 |
| International University Branch Campus | 10 |

Source: Ministry of Higher Education / Savills Research

13.2 Student Enrolment

Malaysia: Student Enrolment & Number of Higher Educational Institutions, 2016 to 2020



Source: Ministry of Higher Education / Savills Research

The overall combined student enrolments in public and private HEIs registered a 6.6% drop y-o-y, from 1,200,969 students in 2019 to 1,122,010 students in 2020 due to the Covid-19 outbreak. Consequently, 35 private HEIs closed down in the last two years, from 480 units in 2018 to 435 units by the end of 2020, whilst the number of public universities remains unchanged.

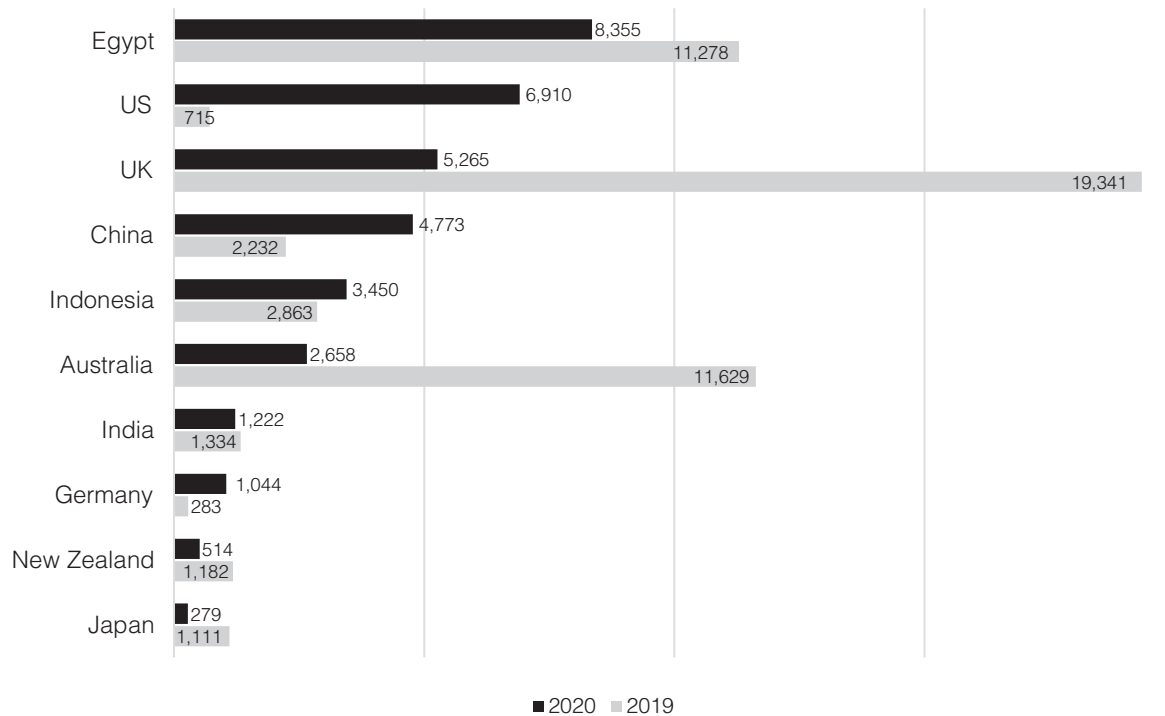
Likewise, student enrolments for private HEIs recorded a steeper drop of 15.1% y-o-y, from 633,334 students in 2019 to 537,434 in 2020, as economic uncertainties spurred by the pandemic left local students looking for cost-effective alternatives to their study plans. Concerns over restrictions on international travel and slow visa approvals had also discouraged international students' enrolments in Malaysia's HEIs.

On the other hand, enrolments in public universities have been growing steadily at 1.9% CAGR since 2016, with renewed interest in 2020 as a result of supportive government initiatives such as the reduction of service fees, hostel fees, convocation fees and college activity fees ranging from an average of 10% to 35% and implementation of National Economic Regeneration Plan (PENJANA) Career Advancement Program PENJANA-KPT CAP that was run from Oct-Dec 2020 at all the public universities.

PROPERTY MARKET OVERVIEW

(CONT'D)

Top Countries for Malaysian Student Studying Abroad, 2020



Source: Ministry of Higher Education / Savills Research

The pandemic has directly altered their decision-making in applying to universities for Malaysian students. During the pandemic, Malaysian students pursuing or wishing to pursue their tertiary education were faced with significant uncertainties, particularly in terms of location (online, overseas or abroad), financial constraints, and physical and mental well-being. As a result, many Malaysian students abroad has contracted dramatically, a 45.6% drop y-o-y to 39,882 in 2020 (2019: 73,314).

The United Kingdom, once the top destination for tertiary studies among Malaysian students in 2019 (19,341 students), slipped to the third position in 2020 (5,265 students) due to virus outbreaks in the EU region. Conversely, Egypt and US moved up the ladder to become the top two destinations in 2020.

13.3 International Students in Malaysia

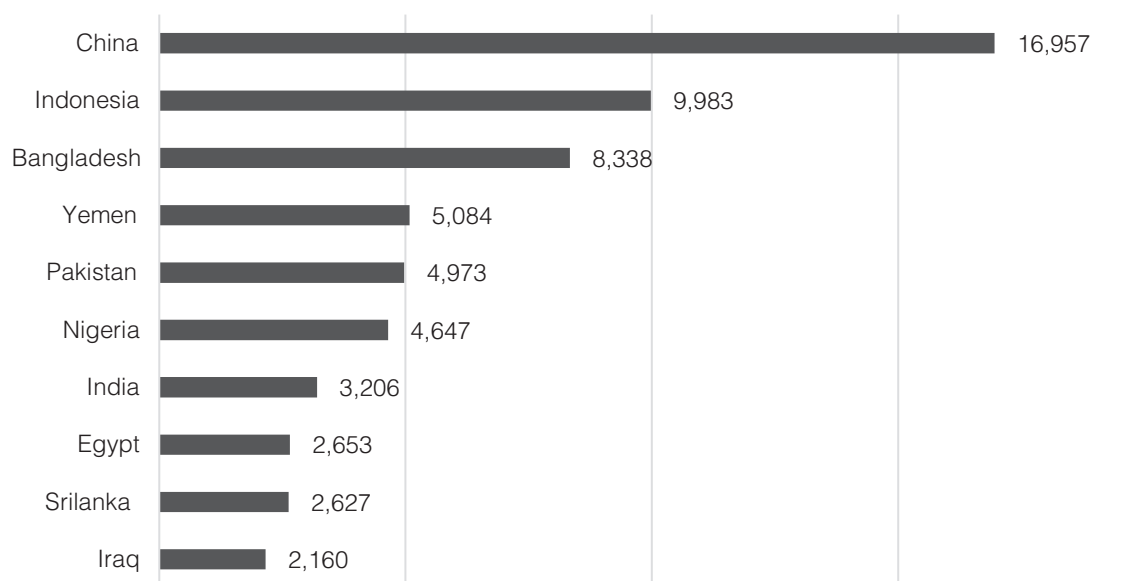
In terms of international students residing in Malaysia, the number of students dropped by 28.9% between 2018 (131,514 students) and 2019 (93,569 students), followed by a further drop of 4.3% y-o-y to 89,494 students in 2020. Conversely, over 130,000 students resided in Malaysia between 2016 and 2018.

Despite the pandemic, Malaysia attracted international students on several scholarships offered, such as the Malaysia International Scholarship (MIS) and Islamic Development Bank (IDB) Scholarship. In terms of countries of origin, China, Indonesia and Bangladesh remained the top 3 countries for international student enrolment in 2020.

PROPERTY MARKET OVERVIEW

(CONT'D)

Malaysia: Top 10 International Students by Nationality in Private Higher Educational Institutions, 2020



Source: Ministry of Higher Education / Savills Research

14.0 EDUCATION MARKET OUTLOOK

In January 2021, Movement Control Order (MCO) 2.0 was implemented in response to the spike in daily cases and threats from new virus variants. This had caused the adoption of hybrid learning modes amongst the HEIs, such as online classes with limited campus access for students who require a laboratory, clinical, studios, workshops, special equipment, and students with special needs.

During the reintroduction of MCO 3.0 in May 2021, all face-to-face learning and teaching activities were strictly prohibited, and students were asked to postpone their return to home and campuses. Later, as the nation transitioned through different phases of the National Recovery Plan (NRP), students in HEIs were given the flexibility to adopt a hybrid learning model as the country progressed to a new normalcy.

In this case, HEIs granted special operating permissions to re-open to local students in phases upon mandatory RT-PCR tests. For international students, only fully-vaccinated individuals were allowed to enter with due approvals from the Malaysian Immigration Department, including and subject to RT-PCR swab test 72 hours before entering Malaysia, followed by compulsory home quarantine and COVID-19 screening after quarantine. Also, campus programs such as VACC2 were introduced to ramp up vaccination of staff and students.

Fast forward to 2022, the year is likely to remain challenging for the education sector, as the market is still riddled with the lack of clarity over the containment of virus spread and its unpredictable variants. As students have an increased awareness of multiple study options available online, student enrolment for conventional full-time courses may continue to fall. Professional short courses, workshops and skill improvement programs are expected to become more popular. Trends brought by the pandemic such as part-time/flexible/online learning and work-as-you-study may become permanent trends in the future.

With the introduction of new scholarships targeting specific countries with strong bilateral ties, Malaysia may continue to attract international students disadvantaged by poorer educational infrastructure. However, challenges are likely to persist as the continued downtrend in international students' enrolments may affect the profitability of private HEIs, thereby leading towards the possible closure of more institutions.

As the nation and the world adapt to the new normal, more private HEIs are expected to reposition and re-strategize, particularly in improving students' employability post-pandemic, enhancing operations by leveraging on technologies, and visa streamlining to attract international students. Due to the pandemic, the same trend is expected amongst public universities in the wake of accelerated digitalisation in most aspects of our daily lives

STATUTORY FINANCIAL STATEMENTS

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STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 104 to 141 are drawn up in accordance with the provisions of the Amended and Restated Trust Deed dated 5 December 2019, Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings, Capital Markets & Services Act 2007, Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of AmanahRaya Real Estate Investment Trust as at 31 December 2021 and of its financial performance and cash flows for the financial year ended on that date.

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

Mahadzir Bin Azizan

Chairman

Kuala Lumpur,

Date: 25 February 2022

STATUTORY DECLARATION

I, **Yusoff Iskandar Bin Mohd Zaki**, 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 104 to 141 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, Yusoff Iskandar Bin Mohd Zaki, (I/C No. 850407-14-5641), in Kuala Lumpur on 25 February 2022.

Yusoff Iskandar Bin Mohd Zaki

Before me:

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AMANAHRAYA REAL ESTATE INVESTMENT TRUST

(ESTABLISHED IN MALAYSIA)

We, Pacific Trustees Berhad, have acted as Trustee of AmanahRaya Real Estate Investment Trust ("AmanahRaya REIT or "the Trust") for the financial year ended 31 December 2021. In our opinion and to the best of our knowledge:

- (a) AmanahRaya-Kenedix REIT Manager Sdn. Bhd. ("the Manager") has managed AmanahRaya REIT in accordance with the limitations imposed on the investment powers of the Manager and the trustee under the Trust Deed dated 10 October 2006 (as varied by the Supplemental Trust Deed dated 4 January 2007, the Novation Agreement dated 27 August 2009, the Second Supplemental Trust Deed dated 27 August 2009 and the Supplemental Deed dated 13 May 2019) (collectively be referred to as "the Trust Deed"), the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 31 December 2021; and
- (b) the procedures and processes employed by the Manager to value and price the units of AmanahRaya REIT are adequate and that such valuation/pricing is carried out in accordance with the Trust Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2021 are in line with and are reflective of the objectives of AmanahRaya REIT. Two distributions have been declared for the financial year ended 31 December 2021 as follows:

- 1) 1st semi-annual income distribution of 2.8128 sen per unit paid on 13 October 2021
- 2) Final income distribution of 2.2136 sen per unit payable on 13 April 2022

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

Razak bin Ahmad
Chief Executive Officer

Kuala Lumpur,

Date: 25 February 2022

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 2021, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AmanahRaya REIT as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key audit matters

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

Valuation of investment properties

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

The key audit matter

AmanahRaya REIT owns a portfolio of 13 investment properties comprising office/industrial buildings, hotels, a college, campuses and a shopping complex located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position, at RM1,369,500,000 as at 31 December 2021.

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

The valuation process involves judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied i.e. a small change in the assumptions can have a significant impact to the valuation.

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

This is a key audit matter as some of the key assumptions are based on unobservable inputs and hence, significant judgement is required to evaluate the unobservable inputs.

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

(ESTABLISHED IN MALAYSIA) (CONT'D)

How the matter was addressed in our audit

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

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

We assessed the appropriateness of the valuation methodologies used by considering their respective merits based on the occupancy status and/or condition of each property.

- In respect of investment method and discounted cash flow method, we tested the appropriateness of the projected cash flows used in the valuation to supporting lease agreements and title deeds. We challenged the capitalisation rates used in the valuation by comparing them against historical rates and available industry data as well as understand how the implications of the Covid-19 pandemic were considered in the valuations. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.
- In respect of sales comparison and cost method, we tested the underlying data used by the valuer in the valuation as well as understand how the implications of the Covid-19 pandemic were considered in the valuations. We also considered the adjustment made by the valuer, if any, for appropriateness.

We discussed with the external valuers who have included the material valuation uncertainty paragraph in their valuation reports to understand how they have considered the implications of the pandemic and market uncertainties in the valuation.

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 of AmanahRaya REIT and our auditors' report thereon.

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

In connection with our audit of the financial statements of AmanahRaya REIT, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements of AmanahRaya REIT

The Manager is responsible for the preparation of the financial statements of AmanahRaya REIT so as to give a true and fair view in accordance with the Amended and Restated Trust Deed dated 5 December 2019, Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings, the Capital Markets & Services Act 2007, Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of AmanahRaya REIT that are free from material misstatement, whether due to fraud or error.

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

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

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

(ESTABLISHED IN MALAYSIA) (CONT'D)

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

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

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

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

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

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

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

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

(ESTABLISHED IN MALAYSIA) (CONT'D)

Other Matter

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

KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya,

Date: 25 February 2022

Chan Kah Mun

Approval Number: 03350/01/2024 J
Chartered Accountant

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

| | Note | 2021 RM | 2020 RM |
|---|------|-------------------------|-------------------------|
| Assets | | | |
| Non-current assets | | | |
| Investment properties | 4 | 1,369,500,000 | 1,363,000,000 |
| Trade and other receivables | 5 | - | 52,500 |
| | | <hr/> | <hr/> |
| | | 1,369,500,000 | 1,363,052,500 |
| Current assets | | | |
| Trade and other receivables | 5 | 7,870,877 | 11,503,348 |
| Security deposits in trust accounts | 6 | 11,205,770 | 14,195,719 |
| Cash and cash equivalents | 7 | 33,767,740 | 37,574,803 |
| | | <hr/> | <hr/> |
| Asset classified as held for sale | 8 | 52,844,387 8,500,000 | 63,273,870 8,500,000 |
| | | <hr/> | <hr/> |
| Total current assets | | 61,344,387 | 71,773,870 |
| | | <hr/> | <hr/> |
| Total assets | | 1,430,844,387 | 1,434,826,370 |
| Financed by: | | | |
| Unitholders' fund | | | |
| Unitholders' capital | 9 | 519,685,915 | 519,685,915 |
| Reserves | | 225,919,510 | 227,165,590 |
| | | <hr/> | <hr/> |
| Total unitholders' funds | | 745,605,425 | 746,851,505 |
| Non-current liabilities | | | |
| Borrowings | 10 | 643,845,642 | 609,698,080 |
| Trade and other payables | 11 | 14,644,410 | 18,155,210 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 658,490,052 | 627,853,290 |
| Current liabilities | | | |
| Borrowings | 10 | - | 33,865,514 |
| Trade and other payables | 11 | 15,965,910 | 15,633,061 |
| Deferred tax liabilities | 12 | 10,783,000 | 10,623,000 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 26,748,910 | 60,121,575 |
| | | <hr/> | <hr/> |
| Total liabilities | | 685,238,962 | 687,974,865 |
| | | <hr/> | <hr/> |
| Total unitholders' funds and liabilities | | 1,430,844,387 | 1,434,826,370 |
| Net asset value ("NAV") | | | |
| - Before income distribution | | 745,605,425 | 746,851,505 |
| | | <hr/> | <hr/> |
| - After income distribution | | 732,916,774 | 730,303,829 |
| | | <hr/> | <hr/> |
| Number of units in circulation | | 573,219,858 | 573,219,858 |
| | | <hr/> | <hr/> |
| NAV per unit (RM) | | | |
| - Before income distribution | | 1.301 | 1.303 |
| - After income distribution | | 1.279 | 1.274 |
| | | <hr/> | <hr/> |

The notes on pages 104 to 141 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 RM | 2020 RM |
|--|------|--------------|--------------|
| Gross revenue | | | |
| Rental income | | | |
| - Realised | | 86,252,295 | 91,516,844 |
| - Unrealised (in relation to unbilled lease income receivable) | | 316,692 | 488,138 |
| | | 86,568,987 | 92,004,982 |
| Property operating expenses | 13 | (18,948,164) | (19,359,656) |
| | | 67,620,823 | 72,645,326 |
| Net property income | | | |
| Interest income | | 308,025 | 605,912 |
| Other income | | 894,305 | 129,132 |
| Changes in fair value of investment properties | | | |
| - As per valuation | 4 | 981,226 | (38,107,358) |
| - Unbilled lease income receivable | | (316,692) | (488,138) |
| | | 69,487,687 | 34,784,874 |
| Net property and investment income | | | |
| Manager's fees | | (6,424,199) | (6,653,207) |
| Trustee's fees | | (281,634) | (410,920) |
| Valuation fees | | (176,321) | (310,000) |
| Auditors' fees | | | |
| - Audit | | (145,000) | (120,000) |
| - Other services | | (10,000) | (10,000) |
| Tax agent's fees | | (10,000) | (10,000) |
| Net loss on impairment of financial instruments | | (5,558,924) | (6,586,579) |
| Administrative expenses | | (1,253,460) | (1,807,666) |
| Finance costs | | (24,042,911) | (26,276,369) |
| | | (37,902,449) | (42,184,741) |
| Total trust expenses | | | |
| | | 31,585,238 | (7,399,867) |
| Profit/(Loss) before taxation | | | |
| Tax expense | 14 | (160,000) | - |
| | | 31,425,238 | (7,399,867) |
| Net profit/(loss) for the year attributable to unitholders | | | |
| Total comprehensive income/(expense) for the year attributable to unitholders | | | |
| | | 31,425,238 | (7,399,867) |
| Net income/(expenses) for the year is made up as follows: | | | |
| Realised | | 30,604,012 | 30,707,491 |
| Unrealised | | | |
| - Unrealised rental income (in relation to unbilled lease income receivable) | | 316,692 | 488,138 |
| - Change in fair value of investment properties | | | |
| - As per valuation | 4 | 981,226 | (38,107,358) |
| - Unbilled lease income receivable | | (316,692) | (488,138) |
| - Deferred tax expense | 12 | (160,000) | - |
| | | 821,226 | (38,107,358) |
| | | 31,425,238 | (7,399,867) |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONT'D)

| | Note | 2021 RM | 2020 RM |
|---|------|------------|------------|
| Earnings/(Losses) per unit (sen) | | | |
| - Before Manager's fees | 15 | 6.603 | (0.130) |
| - After Manager's fees | 15 | 5.482 | (1.291) |
| | | | |
| Net income distribution* | | | |
| - First semi-annual income distribution of 2.1972 sen per unit paid on 8 September 2020 | | - | 12,595,226 |
| - Final income distribution of 2.8868 sen per unit payable on 12 April 2021 | | - | 16,547,676 |
| - First semi-annual income distribution of 2.8128 sen per unit paid on 11 October 2021 | | 16,123,741 | - |
| - Proposed final income distribution of 2.2136 sen per unit payable on 13 April 2022 | | 12,688,651 | - |
| | 16 | 28,812,392 | 29,142,902 |
| | | | |
| Income distribution per unit (sen)* | 16 | | |
| - First semi annual income distribution | | - | 2.1972 |
| - Final income distribution | | - | 2.8868 |
| - First semi annual income distribution | | 2.8128 | - |
| - Final income distribution | | 2.2136 | - |

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

| | Withholding tax rate | |
|----------------------------|----------------------|------------------|
| | 2021 | 2020 |
| Resident corporate | Nil [^] | Nil [^] |
| Resident non-corporate | 10% | 10% |
| Non-resident individual | 10% | 10% |
| Non-resident corporate | 24% | 24% |
| Non-resident institutional | 10% | 10% |

[^] Tax flow through; thus no withholding tax

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2021

| | <i>Distributable</i> | <i>Non-distributable</i> | <i>Total</i> | |
|---|---------------------------|-----------------------------|------------------------------|--------------|
| Unitholders' capital RM | Realised income RM | Unrealised income RM | unitholders' funds RM | |
| At 1 January 2020 | 519,685,915 | 36,140,692 | 220,764,585 | 776,591,192 |
| Net profit/(loss) for the year | - | 30,707,491 | (38,107,358) | (7,399,867) |
| Realisation of unrealised income upon disposal of investment property | - | - | - | - |
| Total comprehensive income/(expense) for the year | - | 30,707,491 | (38,107,358) | (7,399,867) |
| Unitholders' transactions | | | | |
| Distributions to unitholders: | | | | |
| - 2020 interim | - | (12,595,226) | - | (12,595,226) |
| - 2019 final | - | (9,744,594) | - | (9,744,594) |
| Decrease in net assets resulted from unitholders' transactions | - | (22,339,820) | - | (22,339,820) |
| At 31 December 2020/1 January 2021 | 519,685,915 | 44,508,363 | 182,657,227 | 746,851,505 |
| Net profit for the year | - | 30,604,012 | 821,226 | 31,425,238 |
| Total comprehensive income for the year | - | 30,604,012 | 821,226 | 31,425,238 |
| Unitholders' transactions | | | | |
| Distributions to unitholders: | | | | |
| - 2021 interim | - | (16,123,741) | - | (16,123,741) |
| - 2020 final | - | (16,547,577) | - | (16,547,577) |
| Decrease in net assets resulted from unitholders' transactions | - | (32,671,318) | - | (32,671,318) |
| At 31 December 2021 | 519,685,915 | 42,441,057 | 183,478,453 | 745,605,425 |

Note 9.1

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 RM | 2020 RM |
|---|------|--------------|---------------|
| Cash flows from operating activities | | | |
| Profit/(Loss) before taxation | | 31,585,238 | (7,399,867) |
| <i>Adjustments for:</i> | | | |
| Finance costs | | 24,042,911 | 26,276,369 |
| Finance income | | (308,025) | (605,912) |
| Net impairment loss on financial instruments | | 5,558,924 | 6,586,579 |
| Changes in fair value of investment properties (net of unbilled lease income receivable) | 4 | (981,226) | 38,107,358 |
| Operating profit before changes in working capital | | 59,897,822 | 62,964,527 |
| Change in trade and other receivables | | (834,324) | (12,464,791) |
| Change in trade and other payables | | (3,177,951) | 3,365,404 |
| Net cash from operating activities | | 55,885,547 | 53,865,140 |
| Cash flows from investing activities | | | |
| Interest received | | 272,651 | 605,806 |
| Enhancement of investment properties | 4 | (3,532,981) | (2,107,358) |
| Net cash used in investing activities | | (3,260,330) | (1,501,552) |
| Cash flows from financing activities | | | |
| Distributions paid to unitholders | | (32,671,417) | (30,938,192) |
| Interest paid | | (23,760,863) | (27,098,461) |
| Drawdown of MTN Loan II | | - | 161,000,000 |
| Repayment of term loan | | - | (162,234,000) |
| Net cash used in financing activities | | (56,432,280) | (59,270,653) |
| Net decrease in cash and cash equivalents | | (3,807,063) | (6,907,065) |
| Cash and cash equivalents at 1 January | 7 | 37,574,803 | 44,481,868 |
| Cash and cash equivalents at 31 December | 7 | 33,767,740 | 37,574,803 |

The notes on pages 104 to 141 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General

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

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

Subsequently, the Manager has entered into an Amended and Restated Trust Deed dated 5 December 2019 with the Trustee which has been registered and lodged with the Securities Commission on 10 January 2020 and 16 January 2020 respectively in compliance with the amendments made to the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts. The Amended and Restated Trust Deed dated 5 December 2019 supersedes the Trust Deed.

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 2021 comprise AmanahRaya REIT and its wholly-owned special purpose company, ARREIT MTN 1 Sdn. Bhd., a company incorporated in Malaysia, of which the principal activity is to raise financing for and on behalf of AmanahRaya REIT.

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

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

(a) Property management fees

The Property Managers, Knight Frank Property Management Sdn. Bhd., Nawawi Tie Leung Property Consultants Sdn. Bhd., Hartamas Asset Management Sdn. Bhd., Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. and PMC Facilities & Real Estate 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% (2020: 0.85%) per annum of the Net Asset Value.

(c) Trustee’s fees

Pursuant to the Deed, the Trustee is entitled to receive a fee of up to a maximum of 0.1% per annum of the NAV of the Trust. The Trustee’s fee is payable in arrears, calculated and accrued daily. However, the Trustee has only been charging at the rate of 0.030% (2020: 0.030%) per annum of the Net Asset Value.

The financial statements were approved by the Board of Directors of the Manager on 25 February 2022.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. Basis of preparation

(a) Statement of compliance

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

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

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

- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

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

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

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

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. Basis of preparation (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

- Note 4 - Valuation of investment properties

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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

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

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

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

(b) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

Amortised cost

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

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

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

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

Amortised cost

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

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

(iii) Derecognition

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

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

(c) Investment property

(i) Investment property carried at fair value

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

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

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

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

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

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(d) Leases

(i) Definition of a lease

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

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

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

(ii) Recognition and initial measurement

As a lessor

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

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

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

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

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

(iii) Subsequent measurement

As a lessor

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(e) Asset held for sale

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

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

(f) Cash and cash equivalents

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

(g) Impairment

(i) Financial assets

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

AmanahRaya REIT measures loss allowances at an amount equal to lifetime expected credit loss which are the expected credit losses that result from all possible default events over the expected life of the asset, except for cash and bank balance. The credit risk of cash and cash equivalent which has not increased significantly since initial recognition are measured at 12-month expected credit loss.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which AmanahRaya REIT is exposed to credit risk.

AmanahRaya REIT estimates expected credit losses on trade receivables.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Other assets

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

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

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

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

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Borrowing costs

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

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

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

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

(i) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(j) Equity instruments

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

(i) Issue expenses

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

(ii) Units

Units are classified as equity.

(k) Revenue and other income

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. Significant accounting policies (continued)

(m) Income tax

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

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

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

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

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

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

(n) Fair value measurements

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. Investment properties

| | Note | 2021 RM | 2020 RM |
|---------------------------------|------|---------------|---------------|
| Land and building at fair value | | | |
| At 1 January | | 1,363,000,000 | 1,399,000,000 |
| Enhancement | | 5,518,774 | 2,107,358 |
| Changes in fair value | | 981,226 | (38,107,358) |
| At 31 December | | 1,369,500,000 | 1,363,000,000 |

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

During the financial year, enhancement cost of RM1,985,793 has been transferred from other receivables to investment property as the enhancement cost was included in the valuation of the investment properties.

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 31.12.2021 % | Fair value as at 31.12.2021 RM | Cost (initial acquisition and enhancements) as at 31.12.2021 RM | Percentage of fair value to Net Asset Value as at 31.12.2021 % |
|------|------------------------------|----------------|------------------------|----------------|--------------------|------------------------------------|--------------------------------|---|--|
| (1) | Ex-Holiday Villa Alor Setar# | Leasehold | 99 years expiring 2107 | Alor Setar | Hotel | - | 26,000,000 | 31,000,000 | 3.49 |
| (2) | Holiday Villa Langkawi* | Freehold | Not applicable | Pulau Langkawi | Resort hotel | 100 | 100,000,000 | 59,536,444 | 13.41 |
| (3) | SEGI College* | Freehold | Not applicable | Subang Jaya | College | 100 | 70,000,000 | 52,939,342 | 9.39 |
| (4) | SEGI University* | Leasehold | 99 years expiring 2108 | Kota Damansara | College/Campus | 100 | 185,000,000 | 147,462,993 | 24.82 |
| (5) | Dana 13# | Leasehold | 99 years expiring 2097 | Petaling Jaya | Office | 54 | 118,000,000 | 99,372,672 | 15.83 |
| (6) | Help University* | Leasehold | 99 years expiring 2072 | Kuala Lumpur | Office | 100 | 74,000,000 | 54,410,828 | 9.93 |
| (7) | Selayang Mall | Leasehold | 99 years expiring 2079 | Selayang Utama | Shopping complex | 94 | 137,000,000 | 136,502,815 | 18.38 |
| (8) | Wisma Comcorp* | Freehold | Not applicable | Shah Alam | Office | 88 | 36,500,000 | 30,000,000 | 4.90 |
| (9) | RHF Stone Factory* | Freehold | Not applicable | Nusa Jaya | Industrial factory | 100 | 26,000,000 | 24,216,510 | 3.49 |
| (10) | Toshiba TEC | Freehold | Not applicable | Shah Alam | Office | 100 | 32,000,000 | 32,142,972 | 4.29 |
| (11) | Contraves* | Freehold | Not applicable | Cyberjaya | Office | 100 | 42,000,000 | 40,232,532 | 5.63 |
| (12) | Vista Tower* | Freehold | Not applicable | Kuala Lumpur | Office | 53 | 523,000,000 | 457,621,440 | 70.16 |
| | Investment properties | | | | | | 1,369,500,000 | 1,165,438,548 | |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. Investment properties (continued)

Details of the investment properties are as follows:

| Item | Description of property land | Tenure of land | Term of lease (Years) | Location | Existing use | Occupancy rates as at 31.12.2020 % | Fair value as at 31.12.2020 RM | Cost (initial acquisition and enhancements) as at 31.12.2020 RM | | Percentage of fair value to Net Asset Value as at 31.12.2020 % |
|------|-------------------------------|----------------|------------------------|----------------|--------------------|------------------------------------|--------------------------------|---|--|--|
| | | | | | | | | | | |
| (1) | Ex-Holiday Villa Alor Setar # | Leasehold | 99 years expiring 2107 | Alor Setar | Hotel | - | 26,500,000 | 31,000,000 | | 3.55 |
| (2) | Holiday Villa Langkawi* | Freehold | Not applicable | Pulau Langkawi | Resort hotel | 100 | 85,000,000 | 59,536,444 | | 11.38 |
| (3) | SEGi College* | Freehold | Not applicable | Subang Jaya | College | 100 | 73,500,000 | 52,500,000 | | 9.84 |
| (4) | SEGi University* | Leasehold | 99 years expiring 2108 | Kota Damansara | College/Campus | 100 | 185,000,000 | 146,062,993 | | 24.77 |
| (5) | Dana 13*# | Leasehold | 99 years expiring 2097 | Petaling Jaya | Office | 54 | 121,000,000 | 99,372,672 | | 16.20 |
| (6) | Help University* | Leasehold | 99 years expiring 2072 | Kuala Lumpur | Office | 100 | 74,000,000 | 53,946,379 | | 9.91 |
| (7) | Selayang Mall* | Leasehold | 99 years expiring 2079 | Selayang Utama | Shopping complex | 95 | 137,000,000 | 132,608,184 | | 18.34 |
| (8) | Wisma Comcorp* | Freehold | Not applicable | Shah Alam | Office | 100 | 37,000,000 | 30,000,000 | | 4.95 |
| (9) | RHF Stone Factory* | Freehold | Not applicable | Nusa Jaya | Industrial factory | 100 | 26,000,000 | 24,216,510 | | 3.48 |
| (10) | Toshiba TEC | Freehold | Not applicable | Shah Alam | Office | 100 | 32,400,000 | 32,142,972 | | 4.34 |
| (11) | Contraves* | Freehold | Not applicable | Cyberjaya | Office | 100 | 43,600,000 | 40,232,532 | | 5.84 |
| (12) | Vista Tower* | Freehold | Not applicable | Kuala Lumpur | Office | 63 | 522,000,000 | 457,601,088 | | 69.89 |
| | | | | | | | 1,363,000,000 | 1,159,919,774 | | |

Investment properties

* These properties were charged to financial institutions for banking facilities granted to AmanahRaya REIT (Note 10). The pledging of assets of AmanahRaya REIT was conducted pursuant to the Amended and Restated Trust Deed dated 5 December 2019 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 2021 were derived by the Directors of the Manager's assessment based on values obtained from latest valuations conducted by independent firms of professional valuers as shown below. The properties were valued by the following appointed valuers adopting suitable valuation approaches depending on the type of properties.

| Item | Description of property | Valuer | Method of valuation | Date of valuation |
|------|-----------------------------|---|----------------------|-------------------|
| (1) | Ex-Holiday Villa Alor Setar | Rahim & Co. | Comparison | 31 December 2021 |
| (2) | Holiday Villa Langkawi | Rahim & Co. | Investment | 31 December 2021 |
| (3) | SEGi College | C H Williams Talhar & Wong Sdn. Bhd. | Investment | 31 December 2021 |
| (4) | SEGi University | C H Williams Talhar & Wong Sdn. Bhd. | Investment | 31 December 2021 |
| (5) | Dana 13 | Jones Lang Wootton | Investment | 31 December 2021 |
| (6) | Help University | Nawawi Tie Leung Property Consultants Sdn. Bhd. | Investment | 31 December 2021 |
| (7) | Selayang Mall | Knight Frank Malaysia Sdn. Bhd. | Discounted Cash Flow | 31 December 2021 |
| (8) | Wisma Comcorp | Knight Frank Malaysia Sdn. Bhd. | Cost | 31 December 2021 |
| (9) | RHF Stone Factory | Savills (Malaysia) Sdn. Bhd. | Investment | 31 December 2021 |
| (10) | Toshiba TEC | Nawawi Tie Leung Property Consultants Sdn. Bhd. | Investment | 31 December 2021 |
| (11) | Contraves | Jones Lang Wootton | Investment | 31 December 2021 |
| (12) | Vista Tower | Rahim & Co | Investment | 31 December 2021 |

The fair value of the investment properties as at 31 December 2020 were derived from the Directors of the Manager's assessment based on values obtained from latest valuations conducted by independent firms of professional valuers as shown below. The properties were valued by the following appointed valuers adopting suitable valuation approaches depending on the type of properties.

| Item | Description of property | Valuer | Method of valuation | Date of valuation |
|------|-----------------------------|--|---------------------------|-------------------|
| (1) | Ex-Holiday Villa Alor Setar | IPC Island Property Consultants Sdn. Bhd. | Comparison | 31 December 2020 |
| (2) | Holiday Villa Langkawi | Nawawi Tie Leung Property Consultants Sdn. Bhd. | Investment and Comparison | 31 December 2020 |
| (3) | SEGi College | IPC Island Property Consultants Sdn. Bhd. | Comparison | 31 December 2020 |
| (4) | SEGi University | Savills (Malaysia) Sdn. Bhd. | Investment | 31 December 2020 |
| (5) | Dana 13 | Nawawi Tie Leung Property Consultants Sdn. Bhd. | Investment | 31 December 2020 |
| (6) | Help University | Savills (Malaysia) Sdn. Bhd. | Investment | 31 December 2020 |
| (7) | Selayang Mall | Knight Frank Malaysia Sdn. Bhd. | Discounted Cash Flow | 31 December 2020 |
| (8) | Wisma Comcorp | Nawawi Tie Leung Property Consultants Sdn. Bhd. | Investment | 31 December 2020 |
| (9) | RHF Stone Factory | IPC Island Property Consultants Sdn. Bhd. | Cost | 31 December 2020 |
| (10) | Toshiba TEC | Knight Frank Malaysia Sdn. Bhd. | Investment | 31 December 2020 |
| (11) | Contraves | First Pacific Valuers Property Consultants Sdn. Bhd. | Investment | 31 December 2020 |
| (12) | Vista Tower | Savills (Malaysia) Sdn. Bhd. | Investment | 31 December 2020 |

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 | 2021 RM | 2020 RM |
|--|------|----------------------------|----------------------------|
| Rental income | | | |
| - Realised | | 86,252,295 | 91,516,844 |
| - Unrealised (in relation to unbilled lease income receivable) | | 316,692 | 488,138 |
| | | <hr/> | <hr/> |
| Property operating expenses | 13 | 86,568,987 (18,948,164) | 92,004,982 (19,359,656) |
| | | <hr/> | <hr/> |
| Net property income | | 67,620,823 | 72,645,326 |
| | | <hr/> | <hr/> |

4.1 Operating lease receivable

The operating lease payments to be received are as follows:

| | 2021 RM | 2020 RM |
|-----------------------------------|-------------|-------------|
| Less than one year | 62,527,341 | 66,977,217 |
| One to two years | 29,923,105 | 53,831,795 |
| Two to three years | 13,380,324 | 25,238,835 |
| Three to four years | 9,035,810 | 14,829,874 |
| Four to five years | 4,008,375 | 12,062,289 |
| More than five years | 2,865,305 | 21,723,680 |
| | <hr/> | <hr/> |
| Total undiscounted lease payments | 121,740,260 | 194,663,690 |
| | <hr/> | <hr/> |

4.2 Fair value information

Fair values of investment properties are categorised as follows:

| | 2021 Level 3 RM | 2020 Level 3 RM |
|--------------------|-----------------------|-----------------------|
| Land and buildings | 1,369,500,000 | 1,363,000,000 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. Investment properties (continued)

4.2 Fair value information (continued)

Level 3 fair value

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

| Description of valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|--|--|
| <p>The investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process.</p> <p>Capitalisation relates income (usually a net income figure) and a defined value by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.</p> | <ul style="list-style-type: none"> Risk-adjusted capitalisation rates ranging from 5.00% - 6.50% (2020: 6.00% - 6.75%). Risk-adjusted reversion capitalisation rates ranging from 5.25% - 6.50% (2020: 6.25% - 7.00%). | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Risk-adjusted capitalisation rates were lower (higher). Risk-adjusted discount rates were lower (higher). |
| <p>The comparison method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, the property being valued is compared with sales of similar properties that have been transacted in the open market.</p> | <ul style="list-style-type: none"> The occupancy rate is 0% (2020: 0% - 80%). Adjusted land value is RM173.00 per sq. ft. (2020: RM176.00 per sq. ft. - RM548.00 per sq. ft.). | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Average occupancy rate was higher (lower). Adjusted land value per square foot was higher (lower). |
| <p>Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transactions used for comparison.</p> | | |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. Investment properties (continued)

4.2 Fair value information (continued)

Level 3 fair value (continued)

| Description of valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| <p>The cost method considers the summation of the value components of the land and cost of building. The value components of land are estimated based on location, plot size, accessibility and other relevant factors. The cost of building is determined based on current estimates of size, reconstruction cost less depreciation or replacement cost less depreciation, obsolescence and existing physical condition of the building. The reconstruction or replacement cost of building is derived from estimates or current market prices for materials, labour and present construction techniques.</p> <p>Valuation under this method may be significantly affected by the location of the property and the market prices for materials and labour.</p> | <ul style="list-style-type: none"> • Land value at RM310.00 per sq. ft. (2020: RM107.00 per sq. ft.). • Replacement cost is RM165 per sq. ft. (2020: RM30 per sq. ft. – RM150 per sq. ft.). • Depreciation rates at 25% (2020: 15%). | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Land value per square foot was higher (lower). • Replacement cost per square foot was higher (lower). • Depreciation rates were lower (higher). |
| <p>The discounted cash flow method incorporates the estimation of future annual cash flows over an investment horizon (5 years) from the valuation date by reference to expected revenue growth rates, operating expenses and terminal value. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of the property as at the valuation date. It is assumed that the property is sold at the commencement of the terminal year of the cash flow at the expected rate of return of similar asset classes.</p> | <ul style="list-style-type: none"> • Risk-adjusted capitalisation rates at 6.75% (2020: 6.75%). • Risk-adjusted discount rate at 7.00% (2020: 7.00%). | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Risk-adjusted capitalisation rates were lower (higher). • Risk-adjusted discount rates were lower (higher). |

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4. Investment properties (continued)

4.2 Fair value information (continued)

Level 3 fair value (continued)

Valuation process applied by AmanahRaya REIT for Level 3 fair value

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

Highest and best use

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

4.2 Significant estimate uncertainty and judgements

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

5. Trade and other receivables

| | Note | 2021 RM | 2020 RM |
|--------------------|------|------------|------------|
| Non-current | | | |
| Trade | | | |
| Trade receivables | 5.1 | - | 52,500 |
| Current | | | |
| Trade | | | |
| Trade receivables | 5.1 | 2,810,434 | 4,934,551 |
| Non-trade | | | |
| Other receivables | | 2,540,534 | 4,037,419 |
| Deposits | | 2,336,078 | 2,285,670 |
| Prepayment | | 183,831 | 245,708 |
| | | 5,060,443 | 6,568,797 |
| | | 7,870,877 | 11,503,348 |
| | | 7,870,877 | 11,555,848 |

5.1 Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by AmanahRaya REIT ranged from 7 days to 30 days (2020: 7 days to 30 days).

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6. Security deposits in trust accounts

| | Note | 2021 RM | 2020 RM |
|---------------------------------------|------|------------|------------|
| Security deposits placed with ITA-ARB | 6.1 | 11,205,770 | 14,195,719 |
| | | 11,205,770 | 14,195,719 |

6.1 Security deposits placed with ITA-ARB

Security deposits received from the lessee together with its accrued interest are placed with the Institutional Trust Account of Amanah Raya Berhad ("ITA-ARB"). The interest rates of the security deposits placed with ITA-ARB is at 3.75% (2020: 3.75%) per annum. Pursuant to the lease agreements, lessee is entitled to the interest earned from the security deposits placed with ITA-ARB.

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

7. Cash and cash equivalents

| | Note | 2021 RM | 2020 RM |
|--|------|------------|------------|
| Cash and bank balances | | 5,767,740 | 32,074,803 |
| Deposits placed with licensed financial institutions | 7.1 | 28,000,000 | 5,500,000 |
| | | 33,767,740 | 37,574,803 |

7.1 Deposits placed with licensed financial institutions

The deposits are placed with licensed financial institutions at interest rates ranging from 1.90% to 1.95% (2020: 1.80% to 1.85%) per annum.

8. Asset classified as held for sale

On 30 April 2019, AmanahRaya REIT accepted an offer from a prospective buyer and agreed to sell Block A & B of South City Plaza for a total consideration of RM8,500,000. Accordingly, this property was classified as held for sale as at 31 December 2019. However, the transaction was put on hold due to delays as a result of the government's movement control restrictions to control the Covid-19 pandemic.

On 31 May 2021, AmanahRaya REIT entered into a sale and purchase agreement with the buyer and the transaction is expected to be completed on 10 May 2022.

As at 31 December 2021, the said asset had a carrying value of RM8,500,000.

9. Total unitholders' fund

9.1 Unitholders' capital

| | Number of units 2021 | 2021 RM | Number of units 2020 | 2020 RM |
|-----------------------|----------------------------|-------------|----------------------------|-------------|
| Issued and fully paid | 573,219,858 | 519,685,915 | 573,219,858 | 519,685,915 |
| | | 519,685,915 | | 519,685,915 |

NOTES TO THE FINANCIAL STATEMENTS

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9. Total unitholders' fund (continued)

9.2 Unitholdings of related parties

As at 31 December 2021, the Manager and Directors of the Manager did not hold any units in AmanahRaya REIT. However, the holding company and its related parties held units in AmanahRaya REIT as follows:

| | Number of units held | Percentage of total units % | Market value |
|--|-------------------------|-----------------------------------|--------------|
| Direct unitholdings in AmanahRaya REIT of the holding company and its related parties | | | |
| 2021 | | | |
| Amanah Raya Berhad | 271,186,379 | 47.31 | 178,983,010 |
| KDA Capital Malaysia Sdn. Bhd. | 85,982,979 | 15.00 | 56,748,766 |
| AmanahRaya Capital Sdn. Bhd. | 2,032,600 | 0.35 | 1,341,516 |
| | 359,201,958 | 62.66 | 237,073,292 |
| 2020 | | | |
| Amanah Raya Berhad | 271,186,379 | 47.31 | 178,983,010 |
| KDA Capital Malaysia Sdn. Bhd. | 85,982,979 | 15.00 | 56,748,766 |
| AmanahRaya Capital Sdn. Bhd. | 2,032,600 | 0.35 | 1,341,516 |
| | 359,201,958 | 62.66 | 237,073,292 |

The market value is determined by using the closing market price of AmanahRaya REIT as at 31 December 2021 of RM0.66 (2020: RM0.66) per unit.

10. Borrowings

| | Note | 2021 RM | 2020 RM |
|-------------------------------------|------|-------------|-------------|
| Non-current | | | |
| Term loan III | 10.1 | 33,920,000 | - |
| | | 33,920,000 | - |
| Less: Unamortised transaction costs | | (50,880) | - |
| | | 33,869,120 | - |
| Unrated medium term notes I | 10.2 | 450,000,000 | 450,000,000 |
| Less: Unamortised transaction costs | | (775,270) | (973,211) |
| | | 449,224,730 | 449,026,789 |
| Unrated medium term notes II | 10.2 | 161,000,000 | 161,000,000 |
| Less: Unamortised transaction costs | | (248,208) | (328,709) |
| | | 160,751,792 | 160,671,291 |
| | | 643,845,642 | 609,698,080 |

NOTES TO THE FINANCIAL STATEMENTS

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10. Borrowings (continued)

| | Note | 2021 RM | 2020 RM |
|-------------------------------------|------|-------------|-------------|
| Current | | | |
| Term loan III | 10.1 | - | 33,920,000 |
| | | - | 33,920,000 |
| Less: Unamortised transaction costs | | - | (54,486) |
| | | - | 33,865,514 |
| | | 643,845,642 | 643,563,594 |

The term loans are secured by way of first legal charge on investment properties amounting to RM1,056,500,000 (2020: RM1,302,100,000), as disclosed in Note 4 to the financial statements.

Borrowing costs are payable in arrears on a monthly basis.

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

| | At 1 January 2020 RM | Net changes from financing cash flows RM | At 31 December 2020/ 1 January 2021 RM | Net changes from financing cash flows RM | At 31 December 2021 RM |
|---|-------------------------------|--|---|---|---------------------------------|
| Term loans | 196,154,000 | (162,234,000) | 33,920,000 | - | 33,920,000 |
| Unrated medium term notes | 450,000,000 | 161,000,000 | 611,000,000 | - | 611,000,000 |
| Total liabilities from financing activities | 646,154,000 | (1,234,000) | 644,920,000 | - | 644,920,000 |

10.1 Term loan III

Term loan III bears interest rate at Cost of funds ("CoF") plus 0.5% (2020: 0.5%) per annum and is repayable on 22 December 2025.

10.2 Medium term notes of RM950 million

On 29 November 2017, the Securities Commission Malaysia 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 has a tenure of 15 years from the date of the first issuance of MTNs.

As at 31 December 2021, RM611 million (2020: RM611 million) has been issued with a floating coupon rate based on CoF plus 0.5% (2020: 0.5%) per annum.

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11. Trade and other payables

| | Note | 2021 RM | 2020 RM |
|-------------------------------------|------|------------|------------|
| Non-current | | | |
| Non-trade | | | |
| Tenants' deposits | 11.1 | 14,644,410 | 18,155,210 |
| Current | | | |
| Trade | | | |
| Trade payable | | 58,416 | 389,895 |
| Non-trade | | | |
| Tenants' deposits | 11.1 | 8,938,336 | 5,342,938 |
| Other payables and accrued expenses | 11.2 | 6,799,158 | 9,730,228 |
| Deposits | 11.3 | 170,000 | 170,000 |
| | | 15,965,910 | 15,633,061 |
| | | 30,610,320 | 33,788,271 |

11.1 Tenants' deposits

Included in tenants' deposits are deposits of RM8,332,585 (2020: RM8,332,585) received from a lessee for tenancy contract with tenure of twenty-five (25) years which is placed with ITA-ARB as disclosed in Note 6 to the financial statements.

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

| Tenants | Property | Amount RM | Remarks |
|------------------------------|--------------------------|--------------|--|
| SEG International Berhad | SEGi College | 12,316,500 | Equivalent to three (3) years' rental |
| SEG International Berhad | SEGi University | 14,355,000 | Equivalent to one (1) year's rental |
| HELP University Sdn. Bhd. | Wisma Amanah Raya Berhad | 1,406,337 | Equivalent to three (3) months' rental |
| Aegis BPO Malaysia Sdn. Bhd. | Dana 13 | 8,388,120 | Equivalent to one (1) year's rental |
| Total | | 36,465,957 | |

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

11. Trade and other payables (continued)

11.2 Other payables and accrued expenses

Included in other payables and accrued expenses is an interest of RM2,873,186 (2020: RM5,863,134) generated from security deposits placed with ITA-ARB as disclosed in Note 6 to the financial statements.

11.3 Deposits

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

12. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|-----------------------|------------|------------|--------------|--------------|--------------|--------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Investment properties | 1,517,000 | 1,517,000 | (12,300,000) | (12,140,000) | (10,783,000) | (10,623,000) |

Movement in temporary differences during the year:

| | At 1.1.2020 RM | Recognised in profit or loss (Note 14) RM | At 31.12.2020/ 1.1.2021 RM | Recognised in profit or loss (Note 14) RM | At 31.12.201 RM |
|-----------------------|----------------------|---|-------------------------------------|---|-----------------------|
| Investment properties | (10,623,000) | - | (10,623,000) | (160,000) | (10,783,000) |

13. Property operating expenses

| | 2021 RM | 2020 RM |
|-----------------------------------|------------|------------|
| Assessment and quit rent | 4,268,579 | 4,387,431 |
| Service contracts and maintenance | 9,952,836 | 11,317,716 |
| Property management fees | 3,934,768 | 2,841,670 |
| Insurance | 791,981 | 812,839 |
| | 18,948,164 | 19,359,656 |

NOTES TO THE FINANCIAL STATEMENTS

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14. Tax expense

| | 2021 RM | 2020 RM |
|--|-------------|-------------|
| Deferred tax expense | | |
| - Current year | 160,000 | - |
| Total tax expense | 160,000 | - |
| Reconciliation of tax expense | | |
| Income/(Loss) before taxation | 31,585,238 | (7,399,867) |
| Income tax using Malaysian tax rate at 24% (2020: 24%) | 7,542,057 | (1,775,968) |
| Non-deductible expenses | 219,710 | 607,341 |
| Effect of fair value loss on leasehold investment properties | - | 8,592,000 |
| Effect of income exempted from tax | (7,761,767) | (7,423,373) |
| Effect of changes in real property gains tax | 160,000 | - |
| Total tax expense | 160,000 | - |

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 a real estate investment trust or property trust fund is distributed to its unitholders, the total income of the real estate investment trust or property trust fund for that year of assessment shall be exempted from tax.

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

15. Earnings/(Losses) per unit

The earnings per unit before Manager's fee of 6.603 sen (2020 losses per unit: 0.130 sen) is calculated by dividing the net profit after taxation but before deduction of Manager's fees for the financial year of RM37,849,437 (2020 net loss after taxation: RM746,660) by the weighted average number of units in circulation during the financial year of 573,219,858 (2020: 573,219,858).

The earnings per unit after Manager's fee of 5.482 sen (2020 losses per unit: 1.291 sen) is calculated based on the net profit after taxation of RM31,425,238 (2020 net loss after taxation: RM7,399,867) for the financial year and on the weighted average number of units in circulation during the financial year of 573,219,858 (2020: 573,219,858).

NOTES TO THE FINANCIAL STATEMENTS

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16. Distributions to unitholders

Distributions to unitholders are from the following sources:

| | 2021 | 2020 |
|---|--------------|--------------|
| | RM | RM |
| Net realised rental income | 86,252,295 | 91,516,844 |
| Interest income | 308,025 | 605,912 |
| Other income | 894,305 | 129,132 |
| | 87,454,625 | 92,251,888 |
| Less: Expenses | (56,850,613) | (61,544,397) |
| | 30,604,012 | 30,707,491 |
| Total income available for distribution | (1,791,620) | (1,564,589) |
| Less: Undistributed income | 28,812,392 | 29,142,902 |
| | 5.026 | 5.084 |
| Distribution per unit (sen) | | |

17. Management expense ratio

| | 2021 | 2020 |
|--------------------------------------|-------------|-------------|
| Management expense ratio ("MER") (%) | 1.08 | 1.17 |
| | 1.08 | 1.17 |

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

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

NOTES TO THE FINANCIAL STATEMENTS

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18. Financial instruments

18.1 Categories of financial instruments

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

| | 2021 | | 2020 | |
|--|-----------------------|-------------|-----------------------|-------------|
| | Carrying amount RM | AC RM | Carrying amount RM | AC RM |
| Financial assets | | | | |
| Trade and other receivables, excluding prepayments | 7,687,046 | 7,687,046 | 11,310,140 | 11,310,140 |
| Security deposits in trust accounts | 11,205,770 | 11,205,770 | 14,195,719 | 14,195,719 |
| Cash and cash equivalents | 33,767,740 | 33,767,740 | 37,574,803 | 37,574,803 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 52,660,556 | 52,660,556 | 63,080,662 | 63,080,662 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Financial liabilities | | | | |
| Borrowings | 643,845,642 | 643,845,642 | 643,563,594 | 643,563,594 |
| Trade and other payables | 30,610,320 | 30,610,320 | 33,788,271 | 33,788,271 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 674,455,962 | 674,455,962 | 677,351,865 | 677,351,865 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

18.2 Net gains and losses arising from financial instruments

| | 2021 RM | 2020 RM |
|---|--------------|--------------|
| Net (losses)/gains on: | | |
| Financial assets at amortised cost | (5,250,899) | (5,980,667) |
| Financial liabilities at amortised cost | (24,042,911) | (26,276,369) |
| | <hr/> | <hr/> |

18.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

18. Financial instruments (continued)

18.4 Credit risk

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

Risk management objectives, policies and processes for managing the risk

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

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

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

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

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

The exposure of credit risk for trade receivables as at the end of the reporting period amounts to RM2,810,434 (2020: RM4,987,051) and are secured by tenants' deposits.

Concentration of credit risk

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

| | 2021 RM |
|----------|--------------------|
| Tenant A | 910,870 |
| Tenant B | 752,079 |
| Tenant E | 311,567 |
| | 1,974,516 |
| | |
| | 2020 RM |
| Tenant A | 992,500 |
| Tenant C | 748,003 |
| Tenant D | 335,521 |
| | 2,076,024 |
| | |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

18. Financial instruments (continued)

18.4 Credit risk (continued)

Recognition and measurement of impairment loss

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

| | Gross RM | Loss allowances RM | Net RM |
|----------------------------|-------------|--------------------------|-----------|
| 2021 | | | |
| Past due 1 - 30 days | 2,210,718 | (361,526) | 1,849,192 |
| Past due 31 - 60 days | 862,080 | (604,402) | 257,678 |
| Past due 61 - 90 days | 235,239 | (215,948) | 19,291 |
| Credit impaired | | | |
| Past due more than 90 days | 1,988,652 | (1,988,652) | - |
| Individually impaired | 1,743,870 | (1,059,597) | 684,273 |
| | 7,040,559 | (4,230,125) | 2,810,434 |
| 2020 | | | |
| Past due 1 - 30 days | 1,213,219 | - | 1,213,219 |
| Past due 31 - 60 days | 655,887 | - | 655,887 |
| Past due 61 - 90 days | 30,529 | - | 30,529 |
| Credit impaired | | | |
| Past due more than 90 days | 7,277,355 | (5,558,498) | 1,718,857 |
| Individually impaired | 2,396,640 | (1,028,081) | 1,368,559 |
| | 11,573,630 | (6,586,579) | 4,987,051 |

The movement in the allowance for impairment in respect of trade receivables during the year are shown below:

| | Credit impaired RM |
|--|-----------------------|
| Balance as at 31 December 2019 / 1 January 2020 | - |
| Net remeasurement of loss allowance | 6,586,579 |
| Balance as at 31 December 2020 / 1 January 2021 | 6,586,579 |
| Amounts written off | (7,915,378) |
| Net remeasurement of loss allowance | 5,558,924 |
| Balance as at 31 December 2021 | 4,230,125 |

18.5 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 fund AmanahRaya REIT's operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Listed Real Estate Investment Trusts concerning limits on total borrowing (see Note 19).

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

18. Financial instruments (continued)

18.5 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 |
|------------------------------|--------------------------|-----------------------------------|---------------------------------|------------------------------|----------------------|----------------------------|
| 2021 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | 30,610,320 | - | 30,610,320 | 15,795,908 | 14,410,775 | 403,637 |
| Borrowings | 643,845,642 | 3.68 | 717,201,761 | 23,424,314 | 693,777,447 | - |
| | <u>674,455,962</u> | | <u>747,812,081</u> | <u>39,220,222</u> | <u>708,188,222</u> | <u>403,637</u> |
| 2020 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | 33,788,271 | - | 33,788,271 | 15,633,061 | 9,315,610 | 8,839,600 |
| Borrowings | 643,563,594 | 3.68 - 4.73 | 743,310,033 | 59,448,733 | 683,861,300 | - |
| | <u>677,351,866</u> | | <u>777,098,304</u> | <u>75,081,794</u> | <u>693,176,910</u> | <u>8,839,600</u> |

18.6 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:

| | 2021 RM | 2020 RM |
|--|-------------------|-------------------|
| Financial asset | | |
| <i>Fixed rate instruments</i> | | |
| Security deposits in trust accounts | 11,205,770 | 14,195,179 |
| Deposits placed with licensed financial institutions | 28,000,000 | 5,500,000 |
| | <u>39,205,770</u> | <u>19,695,719</u> |
| Financial liabilities | | |
| <i>Floating rate instruments</i> | | |
| Borrowings | 643,845,642 | 643,563,594 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

18. Financial instruments (continued)

18.6 Market risk (continued)

Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis*

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

(b) *Cash flow sensitivity analysis*

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

| | 100 bp increase RM | Profit/(Loss) | 100 bp decrease RM |
|---------------------------|-----------------------------------|----------------------|-----------------------------------|
| 2021 | | | |
| Floating rate instruments | (6,438,456) | | 6,438,456 |
| | | | |
| 2020 | | | |
| Floating rate instruments | (6,435,636) | | 6,435,636 |
| | | | |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

18. Financial instruments (continued)

18.7 Fair value information

The carrying amounts of cash and cash equivalents, trade and other receivables and payables 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.

| 2021 | Fair value of financial instruments carried at fair value | | | Fair value of financial instruments not carried at fair value | | | Total | Total fair value | Carrying amount |
|------------------------------|---|---------------|---------------|---|---------------|---------------|-------------|------------------|-----------------|
| | Level 1 RM | Level 2 RM | Level 3 RM | Level 1 RM | Level 2 RM | Level 3 RM | | | |
| Financial liabilities | | | | | | | | | |
| Borrowings | - | - | - | - | - | 643,845,642 | 643,845,642 | 643,845,642 | 643,845,642 |
| Tenants' deposits | - | - | - | - | - | 23,582,746 | 23,582,746 | 23,582,746 | 23,582,746 |
| | - | - | - | - | - | 667,428,388 | 667,428,388 | 667,428,388 | 667,428,388 |
| 2020 | | | | | | | | | |
| Financial liabilities | | | | | | | | | |
| Borrowings | - | - | - | - | - | 643,563,594 | 643,563,594 | 643,563,594 | 643,563,594 |
| Tenants' deposits | - | - | - | - | - | 23,498,148 | 23,498,148 | 23,498,148 | 23,498,148 |
| | - | - | - | - | - | 667,061,742 | 667,061,742 | 667,061,742 | 667,061,742 |

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% (2020: 3.75%) per annum. |
| Borrowings | Discounting cash flows using market interest rate on similar instruments |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

19. Capital management

The primary objective of the Manager is to ensure that AmanahRaya REIT would be able to continue as a going concern while maximising the returns to unitholders through a balance between issuance of new units and loan financing. The overall strategy of the Manager remains unchanged during the financial year ended 31 December 2021.

The Manager manages the capital structure of AmanahRaya REIT and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Manager may adjust the income distribution to unitholders or issue new units. No changes were made to the objectives, policies or processes during the financial year ended 31 December 2021.

The Manager also complies with the provisions of the Amended and Restated 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 the Securities Commission's Guidelines on Listed Real Estate Investment Trusts.

| | 2021 RM | 2020 RM |
|------------------|--------------------|--------------------|
| Total borrowings | 643,845,642 | 643,563,594 |
| Total assets | 1,430,844,387 | 1,434,826,370 |
| Gearing ratio | 44.99% | 44.85% |

20. 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. Operating segment reporting is therefore not presented.

21. 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

21. Related parties (continued)

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.

| | 2021 | 2020 |
|--|-------------|-------------|
| | RM | RM |
| Security deposits from lessees placed with the holding company of the Manager (Note 6) | 11,205,770 | 14,195,719 |
| Manager's fees | 6,424,199 | 6,653,207 |
| | 17,630,000 | 20,848,926 |

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

22. Capital expenditure commitments

| | 2021 | 2020 |
|---------------------------------|-------------|-------------|
| | RM | RM |
| Investment properties | | |
| Contracted but not provided for | 21,141,809 | 19,800,000 |
| | 21,141,809 | 19,800,000 |

UNITHOLDERS STATISTICS

Top 30 Unitholders as at 31 December 2021

TOTAL UNITHOLDERS: 5,127

| RANKING | UNITHOLDER | NO. OF UNITS | % OF TOTAL ISSUED UNITS |
|--------------|---|--------------------|----------------------------|
| 1. | AMANAHRAYA BERHAD (KUMPULAN WANG BERSAMA) | 271,186,379 | 47.31 |
| 2. | UOBM NOMINEES (TEMPATAN) SDN BHD KDA CAPITAL MALAYSIA SDN BHD | 85,982,979 | 15.00 |
| 3. | PERBADANAN KEMAJUAN NEGERI SELANGOR | 32,360,000 | 5.65 |
| 4. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (LIFE PAR FD) | 2,907,900 | 0.51 |
| 5. | MAYBANK NOMINEES (TEMPATAN) SDN BHD MOHD ISKANDAR LAU BIN ABDULLAH | 2,462,200 | 0.43 |
| 6. | CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS) | 2,361,000 | 0.41 |
| 7. | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR RAM HOLDINGS BERHAD (PB) | 2,339,700 | 0.41 |
| 8. | AMANAH RAYA BERHAD AMANAHRAYA CAPITAL SDN BHD | 2,032,600 | 0.35 |
| 9. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD MCIS INSURANCE BERHAD (ANN FD) | 1,910,200 | 0.33 |
| 10. | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SIEW HUNG | 1,459,900 | 0.25 |
| 11. | YEO ENG SENG | 1,214,400 | 0.21 |
| 12. | NG KIM YUEN | 1,150,000 | 0.20 |
| 13. | TEE KIAM HENG | 1,100,000 | 0.19 |
| 14. | MALAYSIAN RATING CORPORATION BERHAD | 1,095,000 | 0.19 |
| 15. | LABUAN REINSURANCE (L) LTD | 1,065,500 | 0.19 |
| 16. | ANG SIEW SIANG | 1,050,000 | 0.18 |
| 17. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEE SIEW BOON (8057713) | 1,030,00 | 0.18 |
| 18. | TEW SOO CHIM | 1,020,000 | 0.18 |
| 19. | SEG EQUITY SDN BHD | 1,000,000 | 0.17 |
| 20. | STATE INSURANCE BROKERS SDN BHD | 1,000,000 | 0.17 |
| 21. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD | 913,000 | 0.16 |
| 22. | CHAN WAI CHON | 900,000 | 0.16 |
| 23. | BOH PLANTATIONS SDN BERHAD | 880,600 | 0.15 |
| 24. | YEOW EWE CHUAN | 850,000 | 0.15 |
| 25. | YEAP AH KAU @ YEAP CHAN TOOI | 845,700 | 0.15 |
| 26. | LIAN MONG YEE @ LIAN MUNG YEE | 810,600 | 0.14 |
| 27. | LAU BAN YIN | 800,000 | 0.14 |
| 28. | CHAR CHOR YOOK | 780,000 | 0.14 |
| 29. | BOH PLANTATIONS SDN BHD | 750,300 | 0.13 |
| 30. | CHUAH HOCK SENG @ CHUAH TEONG KOK | 750,000 | 0.13 |
| TOTAL | | 424,007,958 | 73.96 |

ANALYSIS OF UNITHOLDINGS

DISTRIBUTION OF UNITHOLDERS AS AT 31.12.2022

| Unit Class | No. of Unitholders | % | No. of Unitholding | % |
|---|--------------------|---------------|--------------------|---------------|
| 1 - 999 | 530 | 8.89 | 153,500 | 0.03 |
| 1,000 – 10,000 | 3,292 | 55.19 | 15,662,800 | 2.73 |
| 10,001 – 100,000 | 1,806 | 30.28 | 60,516,600 | 10.56 |
| 100,001 – 28660991 to less than 5% of issued holdings | 334 | 5.60 | 107,357,600 | 18.73 |
| 28660992 - 5% and above the issued holdings | 3 | 0.05 | 389,529,358 | 67.95 |
| Total | 5,965 | 100.01 | 573,219,858 | 100.00 |

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

Category of unitholders as at 31.12.2021

| Category of Unitholder | No. of Holders | | No. of Securities hold | | | |
|---|----------------|---------------|------------------------|--------------------|--------------------|------------------|
| | | | Malaysian | Foreign | Malaysian | Foreign |
| | Bumiputra | Non-Bumiputra | Bumiputra | Non-Bumiputra | Bumiputra | Non-Bumiputra |
| 1) Individual | 160 | 4,078 | 51 | 2,246,700 | 117,674,589 | 1,178,800 |
| 2) Body Corporate | | | | | | |
| a. Banks / Finance Companies | 3 | 0 | 0 | 273,618,979 | 0 | 0 |
| b. Investments Trust/ Foundation /Charities | 0 | 0 | 0 | 0 | 0 | 0 |
| c. Other Type of Companies | 6 | 52 | 1 | 1,464,000 | 9,019,611 | 40,000 |
| 3) Government agencies / Institutions* | 1 | 0 | 0 | 32,360,000 | 0 | 0 |
| 4) Nominees | 1,178 | 395 | 40 | 24,274,100 | 106,248,979 | 5,094,100 |
| 5) Trustee | 0 | 0 | 0 | 0 | 0 | 0 |
| 6) Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1,348 | 4,525 | 92 | 333,963,779 | 232,943,179 | 6,312,900 |

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 2021.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

AmanahRaya REIT did not issue any warrants or convertible securities for the financial year ended 31 December 2021.

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 2021.

5. PROFIT GUARANTEES

There were no profit guarantees given by the Manager during the financial year ended 31 December 2021.

NOTICE OF TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of AmanahRaya Real Estate Investment Trust (“**ARREIT**”) will be convened and held on a fully virtual basis through live streaming and online remote voting from the broadcast venue, First Floor, Wisma AmanahRaya, No. 2, Jalan Ampang, 50508 Kuala Lumpur on Thursday, 31 March 2022 at 10.00 am to consider the following items of business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 of ARREIT together with the Reports attached thereon. (Please refer to Note 1 of the Explanatory Notes)

SPECIAL BUSINESS

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

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

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

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

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

whichever is the earliest;

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

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

AS OTHER BUSINESS

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

NOTICE OF TENTH ANNUAL GENERAL MEETING

(CONT'D)

By Order of the Board of Directors

AMANAHRAYA-KENEDIX REIT MANAGER SDN BHD

REGISTRATION NO. 200901013113 (856167-A)

Management Company of ARREIT

Jerry Jesudian a/l Joseph Alexander (MAICSA 7019735) (SSM PC No. 201908003018)

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

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

Company Secretaries

Kuala Lumpur

28 February 2022

NOTES:

Proxy

- (1) A Unitholder/Proxy/Corporate Representative of ARREIT (“**Unitholders**”) **WILL NOT BE ALLOWED** to attend the forthcoming 10th AGM in person at the broadcast venue on the day of the meeting.
- (2) Unitholders are to participate, speak (in the form of real time submission of typed texts) and vote remotely at the 10th AGM using the Remote Participation and Voting (“RPV”) facility provided by ARREIT’s Share Registrar. Please follow the procedures for RPV facility provided in the Administrative Guide for the 10th AGM at <http://amanahrayareit.com.my/investor-relations/>.
- (3) A Unitholder shall be entitled to attend and vote at any meeting of Unitholders and shall be entitled to appoint up to two (2) persons, whether a Unitholder or not, as its proxy to attend and vote. As the 10th AGM will be conducted on a fully virtual basis, an individual Unitholder who is unable to attend and vote via the remote participation and electronic voting facilities at the AGM, can appoint the Chairman of the meeting as his/her proxy.
- (4) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the meeting and shall be entitled to appoint up to two (2) persons (whether a Unitholder or not) as its proxy to attend and vote.
- (5) Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- (6) If the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“**Authorised Nominee**”), it may appoint at least one (1) proxy (but not more than two (2)) in respect of each securities account it holds with units of ARREIT standing to the credit of the said securities account.
- (7) If the Unitholder is an exempt Authorised Nominee which holds Units for multiple beneficial owners in one securities account (“**Omnibus Account**”), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- (8) Only a depositor whose name appears in the Record of Depositors of ARREIT as at 23 March 2022 shall be regarded as a Unitholder and entitled to attend, speak and vote at this 10th AGM of ARREIT or appoint proxy(ies) to attend and vote on his/her behalf.
- (9) The Instrument of Proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is corporation, the Instrument of Proxy must be executed under the corporation’s seal or under the hand of an officer or attorney duly authorised.
- (10) To be valid, the original Instrument of Proxy duly completed and signed must be deposited with the Manager at **AmanahRaya-Kenedix REIT Manager Sdn. Bhd. at Level 2, Wisma AmanahRaya, No. 2 Jalan Ampang, 50508 Kuala Lumpur** no later than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the Instrument of Proxy proposes to vote; in default of this provision, the Instrument of Proxy shall not be treated as valid.

NOTICE OF TENTH ANNUAL GENERAL MEETING

(CONT'D)

Remote Participation and Voting

Please refer to the Administrative Guide for Unitholders which is available on the corporate website of ARREIT at <http://amanahrayareit.com.my/investor-relations/> for more details of the fully virtual 10th AGM.

EXPLANATORY NOTES:

(1) Ordinary Business

There shall be no voting on the aforesaid Ordinary Business given that the laying of the Audited Financial Statements for the financial year ended 31 December 2021 of ARREIT together with the Reports attached thereon ("the Accounts"), before the Unitholders at the 10th AGM is meant for discussion only, in accordance with Paragraph 13.18(b) of Guidelines on Listed Real Estate Investment Trust issued by the Securities Commission Malaysia.

The Accounts of ARREIT are contained in the 2021 Annual Report of ARREIT issued to all Unitholders of ARREIT on 28 February 2022 pursuant to Paragraph 9.45(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

If any Unitholder does not have a copy of the 2021 Annual Report, you may download from the corporate website of ARREIT at <http://www.amanahrayareit.com.my> or request via telephone requisition at +603-2078 0898 from the principal place of business of the Manager.

(2) Special Business

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

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

The purpose of this Proposed Authority is for the possible fund raising exercises including but not limited to further placement of units for purpose of funding current and/or future investment projects, working capital and/or acquisitions of investment assets.

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AMANAHRAYA ■ REIT

AMANAHRAYA REAL ESTATE INVESTMENT TRUST

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

INSTRUMENT OF PROXY

I/We.....
(Full Name as per NRIC /Passport /Certificate of Incorporation in Capital Letters)

NRIC No./Passport No./Registration No

of.....
(Full Address)

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

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

NRIC No./Passport No.

of

(Full Address)

or failing *him/her,

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

NRIC No./Passport No.

of

(Full Address)

or failing *him/her, the CHAIRMAN OF THE MEETING, as *my/our proxy, to vote for *me/us and on *my/our behalf at the Tenth Annual General Meeting of ARREIT to be held on a fully virtual basis at the broadcast venue, First Floor, Wisma AmanahRaya, No. 2, Jalan Ampang, 50508 Kuala Lumpur on Thursday, 31 March 2022 at 10.00 a.m. or at any adjournment thereof.

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

| ORDINARY RESOLUTION | FOR | AGAINST |
|---|---------|---------|
| Proposed Renewal of Authority | | |
| CDS Account No | | |
| Proxy Email Address | | |
| Total number of units held | | |
| Number of units to be represented by each proxy | Proxy 1 | Proxy 2 |
| | | |

Dated this day of2022

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

(*Delete if not applicable)

NOTES:

Proxy

- (1) A Unitholder/Proxy/Corporate Representative of ARREIT ("**Unitholders**") WILL NOT BE ALLOWED to attend the forthcoming 10th AGM in person at the broadcast venue on the day of the meeting.
- (2) Unitholders are to participate, speak (in the form of real time submission of typed texts) and vote remotely at the 10th AGM using the Remote Participation and Voting ("RPV") facility provided by ARREIT's Share Registrar. Please follow the procedures for RPV facility provided in the Administrative Guide for the 10th AGM at <http://amanahrayareit.com.my/investor-relations/>.
- (3) A Unitholders shall be entitled to attend and vote at any meeting of Unitholders and shall be entitled to appoint up to two (2) persons, whether a Unitholder or not, as its proxy to attend and vote. As the 10th AGM will be conducted on a fully virtual basis, an individual Unitholder who is unable to attend and vote via the remote participation and electronic voting facilities at the AGM, can appoint the Chairman of the meeting as his/her proxy.
- (4) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and vote at the meeting and shall be entitled to appoint up to two (2) persons (whether a Unitholder or not) as its proxy to attend and vote.
- (5) Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- (6) If the Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**Authorised Nominee**"), it may appoint at least one (1) proxy (but not more than two (2)) in respect of each securities account it holds with units of ARREIT standing to the credit of the said securities account.
- (7) If the Unitholder is an exempt Authorised Nominee which holds Units for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- (8) Only a depositor whose name appears in the Record of Depositors of ARREIT as at 23 March 2022 shall be regarded as a Unitholder and entitled to attend, speak and vote at this 10th AGM of ARREIT or appoint proxy(ies) to attend and vote on his/her behalf.
- (9) The Instrument of Proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is corporation, the Instrument of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
- (10) To be valid, the original Instrument of Proxy duly completed and signed must be deposited with the Manager at **AmanahRaya-Kenedix REIT Manager Sdn. Bhd. at Level 2, Wisma AmanahRaya, No. 2 Jalan Ampang, 50508 Kuala Lumpur** no later than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the Instrument of Proxy proposes to vote; in default of this provision, the Instrument of Proxy shall not be treated as valid.

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STAMP

AmanahRaya-Kenedix REIT Manager Sdn. Bhd.

Level 2, Wisma AmanahRaya

No. 2, Jalan Ampang

50508 Kuala Lumpur

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AMANAHRAYA ■ KENEDIX
REIT MANAGER

www.amanahrayareit.com.my

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