

LAPORAN TAHUNAN
ANNUAL REPORT

2017



AMANAH HARTA TANAH PNB



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CORPORATE INFORMATION

MANAGER

Pelaburan Hartanah Nasional Berhad (175967-W) (Incorporated in Malaysia)

REGISTERED OFFICE OF THE MANAGER

Tingkat 4, Balai PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur
Telephone : 03-20505100 | Facsimile : 03-20505878 | E-mail : phnb@pnb.com.my

BOARD OF DIRECTORS OF THE MANAGER

Tan Sri Abdul Wahid bin Omar (Chairman)
Dato' Abdul Rahman bin Ahmad
Dato' Idris bin Kechot
Dato' Nafisah binti Radin
Dato' Johan bin Ariffin (Appointment date: 1 January 2017)
Datuk Wong Tuck Wai (Appointment date: 26 January 2017)
Puan Rosinah binti Mohd Salleh (Appointment date: 8 February 2017)
Dato' Mohd Nizam bin Zainordin (Appointment date: 28 September 2017)
Encik Hafidz Atrash Kosai bin Mohd Zihim

SECRETARY OF THE MANAGER

Adibah Khairiah binti Ismail @ Daud (MIA 13755)
Tingkat 4, Balai PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur

MANAGEMENT OF THE MANAGER

Hafidz Atrash Kosai bin Mohd Zihim (Executive Director/Chief Executive Officer)
Mohamad Sabarani bin Sulaiman (Head of Asset Management)
Huda binti Che Mohd Noh (Manager, Asset Management)
Nur Adzlina binti Kamaruddin (Head of Finance & Operations)
Meor Amirudin Fikri bin Meor Adam (Manager, Finance & Operations)
Hamdi bin Othman (Manager, Finance & Operations)
Normala binti Lamin (Head of Strategy & Investment)

TRUSTEE

AmanahRaya Trustees Berhad (766894-T)
Tingkat 2, Wisma Amanah Raya II, No. 21, Jalan Melaka, 50100 Kuala Lumpur
Telephone : 03-20365000 | Facsimile : 03-20720320

INVESTMENT MANAGER

Permodalan Nasional Berhad (38218-X)
Tingkat 4, Balai PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur

PROPERTY MANAGER

IM Global Property Consultants Sdn Bhd (701223-X)
47-2, 2nd Floor, Wisma IMG, Jalan 3/76D, Desa Pandan, 55100 Kuala Lumpur

REGISTRAR OF THE TRUST IN CHARGE OF THE REGISTER OF UNIT HOLDERS

Symphony Share Registrars Sdn. Berhad (378993-D)
Level 6 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan
Telephone : 03-78418000 | Facsimile : 03-78418151/52

AUDITORS

Messrs. Hanafiah Raslan & Mohamad (AF 0002)

SOLICITORS ADVISING THE MANAGER IN CONNECTION WITH THE TRUST

Messrs. Zainal Abidin & Co.

BANKERS FOR THE TRUST

Maybank Islamic Berhad (787435-M)
CIMB Islamic Bank Berhad (671380-H)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK NAME / STOCK CODE

AHP / 4952

WEBSITE

www.ahp.com.my

STATEMENT BY THE CHAIRMAN OF PELABURAN HARTANAH NASIONAL BERHAD ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED DECEMBER 31, 2017

On behalf of the Board of Directors of Pelaburan Hartanah Nasional Berhad (PHNB), as the Manager of Amanah Harta Tanah PNB (AHP), it is my pleasure to present the Annual Report of AHP for the year ended December 31, 2017 and wish to extend my sincere gratitude for your continuous support and concern.

FINANCIAL RESULTS

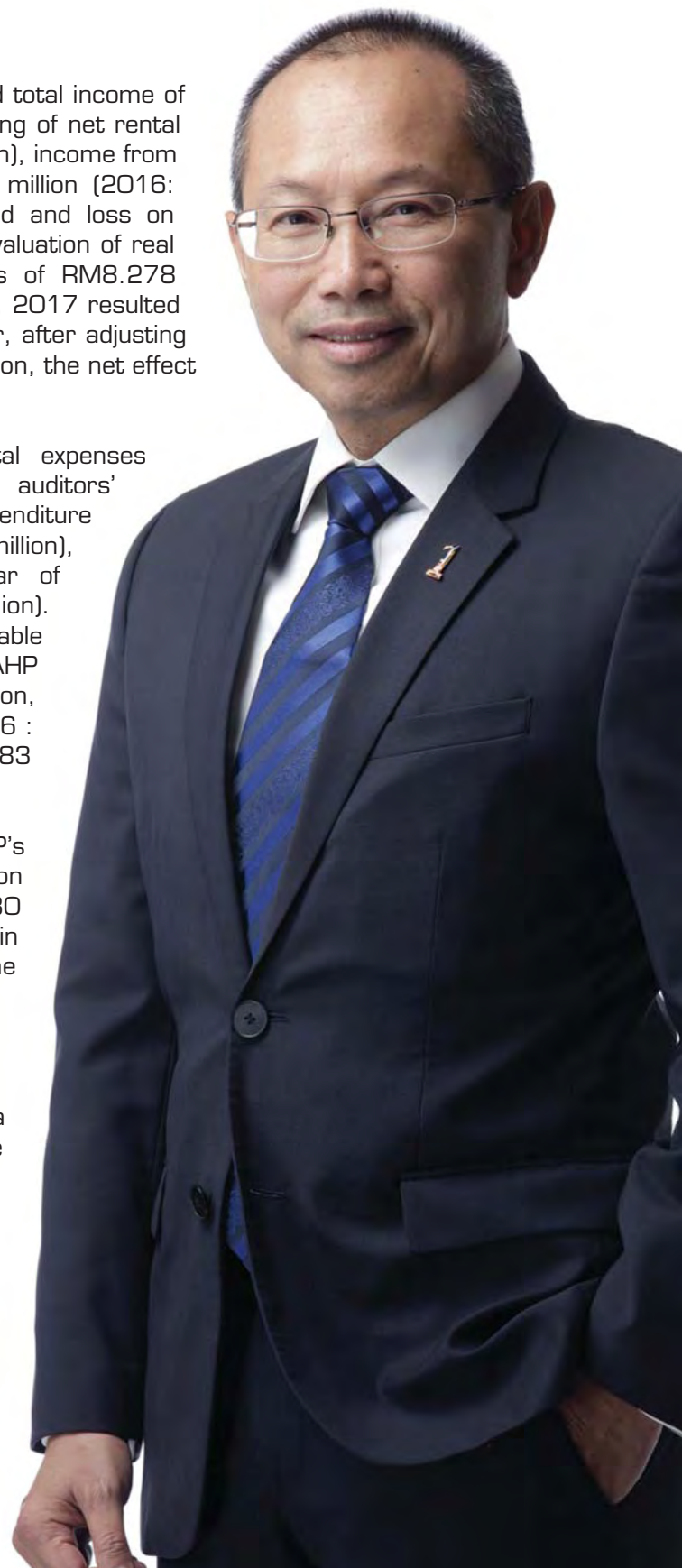
For the year ended December 31, 2017, AHP earned total income of RM29.705 million (2016: RM9.256 million) comprising of net rental income of RM33.033 million (2016: RM17.226 million), income from deposit with financial institutions totalling RM0.678 million (2016: RM0.307 million, which also includes gross dividend and loss on disposal of quoted shares), and unrealised loss on revaluation of real estates of RM4.005 million (2016: unrealised loss of RM8.278 million). The revaluation carried out on November 30, 2017 resulted in a revaluation surplus of RM6.298 million. However, after adjusting for unbilled rental income receivable of RM10.303 million, the net effect is an unrealised loss of RM4.005 million.

During the year under review, AHP incurred total expenses comprising of manager's fee, trustee's fee, auditors' remuneration, financing cost and other trust expenditure amounting to RM11.972 million (2016: RM8.713 million), giving a net income before taxation for the year of RM17.733 million (2016: RM0.543 million). Consequently, after taking into account of chargeable deferred tax for the year of RM0.315 million, AHP recorded a net income after taxation of RM17.418 million, comprising realised income of RM11.435 million (2016 : RM6.294 million) and unrealised income of RM5.983 million (2016 : unrealised loss of RM5.463 million).

For the financial year ended December 31, 2017, AHP's income after taxation has increased by RM16.588 million or 1,998.55% to RM17.418 million from RM0.830 million recorded in 2016 due to the improvement in gross rental income following the completion of the acquisition of Mydin Seremban 2 in early 2017.

DISTRIBUTION OF INCOME

The Board of Directors and the Trustee, AmanahRaya Trustees Berhad, have approved a total income distribution for the year of 5.20 sen a unit comprised an interim income distribution of 2.70 sen a unit which was paid on August 30, 2017 and a final income distribution of 2.50 sen a unit which is payable on February 28, 2018. The total distribution yield based on the year-end market price of RM0.835 per unit was 6.23%.



INVESTMENT PORTFOLIO OF AHP

Total investment of AHP as at December 31, 2017 amounted to RM468.569 million comprises investment in real estate at a fair value of RM446.770 million and short-term investment of RM21.799 million.

In 2017, the total asset value of AHP has grown to RM482.942 million, an increase of 3.01% from RM468.810 million recorded in 2016. In 2017, AHP has repaid part of its financing facility previously obtained for the upgrading of Plaza VADS and thus reducing its gearing ratio to 39.30% from 41.92% in 2016.

INVESTMENT IN REAL ESTATE

In the midst of challenging market conditions, AHP has managed to sustain the 100% occupancy level at five of its seven properties namely, Mydin Seremban 2, located at Seremban, Negeri Sembilan; Sri Impian, located at Taman Setiawangsa, Kuala Lumpur; and three shopoffices located in Kuala Lumpur and Kota Kinabalu. In addition, the occupancy level for Plaza VADS, located at Taman Tun Dr. Ismail, Kuala Lumpur, was 83.76% as compared to 82.62% recorded in 2016, whilst Bangunan AHP recorded a reduced occupancy of 41.77% compared to 55.60% in 2016. The average occupancy rate for 2017 remained strong at 87.79% despite a marginal decrease from 89.63% recorded in 2016. The Manager will continue its efforts in marketing the vacant spaces and is optimistic of sustaining an average occupancy rate above the national average occupancy rates for their respective class of property.

REVIEW OF THE PROPERTY MARKET

On the economic front, Bank Negara Malaysia (BNM) reported that Malaysia economy grew stronger in the third quarter of 2017 (3Q2017) with GDP surged to 6.2%, higher than 5.8% recorded in the second quarter (2Q2017) and 5.6% in the first quarter (1Q2017). The growth was supported by stronger domestic demand due to the improvement in both investment and consumption, and further reinforced by upbeat export demand. The external sector continued to progress as the world trade activities strengthened. Global economy is expected to grow stronger than expected underpinned by faster growth in the advanced economies as well as the continued improvement in the emerging market and developing economies.

Nevertheless, Malaysia's property market recorded a slight downtrend in property market activities which included Purpose Built Office (PBO) and shopping complex. Based on National Property Information Centre's (NAPIC) statistics, the total volume of transactions decreased by 6% in 2017 suggesting that the demand and supply of properties remained subdued during the year. However, NAPIC's statistic also showed that for the same period, the total value of transactions increased by 5% which projected that there is still value creation in Malaysia's property market trading.

Statistic showed that there is a total of 226 million square foot (mil. sq. ft.) of space for PBO segment throughout Malaysia with WP Kuala Lumpur and Selangor having the biggest share at 94 mil. sq. ft. and 37 mil. sq. ft., respectively.

Of the overall absorption rate, NAPIC reported the national average occupancy rate was 83.5%, notable ones being Pulau Pinang at 81.9%, WP Kuala Lumpur at 81.4%, Johor at 77.7% and Selangor at 74.7%. The remaining PBO spaces available for rent stood at 37 mil. sq. ft..

For retail segment (shopping complex), the existing stock stood at 163 mil. sq. ft. with concentration in Selangor (37 mil. sq. ft.), WP Kuala Lumpur (33 mil. sq. ft.), Johor (19 mil. sq. ft.) and Pulau Pinang (19 mil. sq. ft.). Similarly, the average national occupancy rate for the retail segment was 81.5% with unoccupied space at 30 mil. sq. ft.. Selangor attained the highest occupancy of 85.4% followed by WP Kuala Lumpur at 84.9% and Johor at 77.1%.

Notwithstanding the above, AHP has doubled its Assets Under Management (AUM) from RM226.9 million in 2015 to RM482.9 million in 2017 following the completion of the acquisition of Mydin Seremban 2 in early 2017, resulting in a mixed/diversified portfolio of asset with a ratio of 46%:54% for office and retail, respectively. For market capitalisation as at December 2017, AHP stood at RM182.6 million and continued to deliver competitive distribution yield of 6.23% against the industry average of 5.78%. AHP is in the midst of building up its portfolio of asset in the near future.

PROSPECTS

According to the Ministry of Finance, Malaysia economy in 2018 is forecasted to grow between 5% to 5.5% driven by resilient domestic demand amid a favourable external sector.

Meanwhile, the Malaysian Institute of Economic Research (MIER) forecasted the growth projection for 2018 will be maintained at a range of 4.7% - 5.3% as at October 2017 while awaiting fresh leads.

As for the property market activities, it is expected that it will be another challenging year for 2018. It is forecasted that property market activities will be soft in view of the downtrend in transaction volumes transacted, challenges in occupancy and sluggish rental reversion upwards.

It was also reported by NAPIC that there will be an additional supply of approximately 22 mil. sq. ft of PBO and 20 mil. sq. ft. of shopping complexes in the market by 2018. The additional space will definitely increase the total supply available in both segments which may result in lower occupancy rates if not supported by market demand.

Taking consideration on the scenario, PHNB as the manager of AHP will continue to improve occupancy rates while injecting new accretive assets with the aim of generating better yield to ensure a sustainable income stream for AHP.

APPRECIATION

I would like to extend my appreciation to members of the Board of Directors of PHNB for their continuous support throughout the year and on behalf of the members of the Board of Directors of PHNB, I would like to convey our appreciation to all staff members of PHNB for their hard work and dedication. I would also like to thank AmanahRaya Trustees Berhad and its staff members for their contribution to AHP and express our appreciation to the unit holders of AHP for their continued support to AHP.

TAN SRI ABDUL WAHID OMAR

Chairman

SUSTAINABILITY STATEMENT

Amanah Harta Tanah PNB (AHP), was launched on 21 March 1989 and is one of the earliest property trust funds in Malaysia. AHP was subsequently listed on the Malaysian stock exchange on 28 December 1990. From a humble beginning of two properties under its portfolio, AHP continues to grow and now boasts seven properties, namely:

REPORTING SCOPE
The report covers the period from 1 January 2017 to 31 December 2017, which is the financial period of AHP.

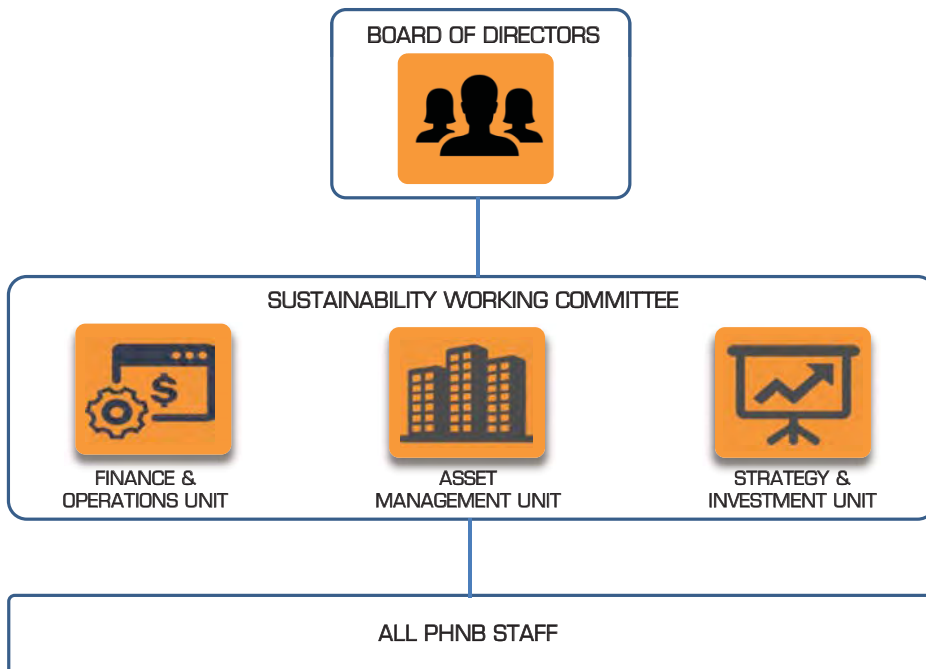
- Plaza VADS, a 24-storey office building with 4-storey annex block in Kuala Lumpur;
- Bangunan AHP, a 4-storey commercial building in Kuala Lumpur;
- Sri Impian, a 4-storey office building in Kuala Lumpur;
- Mydin Mall/Hypermarket, a 3-storey mall/hypermarket in Seremban 2, Negeri Sembilan; and
- Three shop offices/shop houses located in the Klang Valley and Kota Kinabalu, Sabah.

2005 marked a milestone in the unit trust industry when the Guidelines on Real Estate Investment Trusts was issued by the Securities Commission Malaysia to replace the Guidelines on Property Trust Funds which resulted in the rebranding of property trust funds to real estate investment trust (REIT).

The primary objective of AHP is to provide a reasonable level of income return to unit holders and allow them to gain from capital growth through the acquisition of a selected portfolio of real estate investments which have potential for long term capital growth.

Pursuant to Paragraph 9.45(2) of the Main Market Listing Requirements, the Manager must ensure that the annual report of the real estate investment trust contains a narrative statement of its management of material economic, environmental and social risks and opportunities ("Sustainability Statement").

Sustainability Governance Structure



As the Manager of AHP, the Board of PHNB, is ultimately responsible for AHP's sustainability strategy and performance. In carrying out its duties, the Board is assisted by the Sustainability Working Committee comprising key representatives from each units within PHNB and is chaired by the CEO of PHNB. The Committee meets once every quarter to oversee, monitor and report on all sustainability issues and report updates to the Board.

SUSTAINABILITY STATEMENT (CONTD.)

Risk Management

Enterprise risk management (“ERM”) is a fundamental part of our business strategy in identifying and assessing a broad array of risks that could negatively impact the achievement of our goals and objectives. Being part of the PNB Group, the function of ERM is handled at the group level.

On 13 May 2017, PHNB participated in a Business Continuity Management (“BCM”) mobilisation exercise of the Permodalan Nasional Berhad (“PNB”) Group. The main objective of the exercise is to inculcate a greater awareness and a consistent understanding of PNB’s Business Continuity Management (BCM) Programme in terms of response and recovery activities and interdependencies.



Participants of the BCM Mobilisation Exercise gathering at the Assembly Point

At this exercise, departmental business continuity plan was invoked and business operations were mobilised to the alternate work site where key business activities were simulated. At this exercise, PHNB has successfully recovered its normal business operations within the specified timeframe.



Participants of the BCM Mobilisation Exercise listening to briefing by the Group President & Chief Executive of PNB prior to mobilization to alternate work site

SUSTAINABILITY STATEMENT (CONTD.)

Stakeholders Engagement

Key Stakeholders	Stakeholders' Interests	Engagement
Unit holders	<ul style="list-style-type: none"> Competitive returns Strong corporate governance 	<ul style="list-style-type: none"> Direct interaction via Annual General Meeting Timely announcements of results and performance Website
Tenants	<ul style="list-style-type: none"> Efficiently managed buildings and services Competitive rental rates 	<ul style="list-style-type: none"> Regular meetings and discussions Tenants' Satisfaction survey
Regulators	<ul style="list-style-type: none"> Strict compliance Inputs from industry players 	<ul style="list-style-type: none"> Consultations Briefings, seminars, workshops Timely reporting
Employees	<ul style="list-style-type: none"> Job security and satisfaction Fair and competitive employment policies and benefits Career development 	<ul style="list-style-type: none"> Department meetings Appraisal meetings Employee development programme Regular review of remuneration package
Community	<ul style="list-style-type: none"> Safe and healthy environment Support to local economy 	<ul style="list-style-type: none"> Investment awareness/education programme for the public Charity programme for the community
Suppliers	<ul style="list-style-type: none"> Prompt payment Steady stream of contract 	<ul style="list-style-type: none"> Established procurement procedures Vendors evaluation

Material Sustainability Matters

Sustainability matters are the risks and opportunities arising from the economic, environmental and social ("EES") impacts of AHP's operations and activities.

Material sustainability matters were identified through identifying the key operations and impact on AHP. We were guided by the Sustainability Toolkit through the use of materiality matrix and stakeholder prioritisation matrix.

SUSTAINABILITY STATEMENT (CONTD.)

Economic

- Quality tenants

Having quality tenants is key to sustainable rental income. The screening of tenants and performing background checks are some of the efforts taken in ensuring the quality of the tenants. In addition, the Manager believes that maintaining good rapport with the tenants and being sensitive to tenants' needs whilst maintaining high standards of service are crucial aspect to tenants' retention.

Tenants screening is key to ensuring quality tenants. The Manager has established a screening process which applies to all prospective tenants. The screening process is to ensure tenants are of good reputation, legitimate business operations and of sound financial standing.

In creating values, the Manager takes a great effort in sourcing for tenants with "anchor" status. Anchor tenants with reputable name adds value to a building and it can be a valuable marketing tool.

Presently, there are several reputable tenants within AHP's portfolio, namely:

Tenants	Building
i. VADS Berhad	Plaza VADS
ii. Malayan Banking Berhad	Bangunan AHP
iii. Affin Hwang Investment Bank Berhad	Bangunan AHP
iv. I&P Harta Sdn Bhd	Sri Impian
v. Mydin Mohamed Holdings Berhad	Mydin Seremban 2

- Quality assets

Quality assets are assets which yield sustainable competitive returns. There is a famous saying that when it comes to property investment, location, location and location are the most important factors. Naturally, location is one of the first factors that the Manager considers in evaluating new property investment. Other factors that are being considered are occupancy rates, tenants mix, tenancy arrangement (long vs short term tenancies) and competitive rental rates.

In relation to the acquisition of Mydin Seremban 2, which was completed in early 2017, the Manager has successfully negotiated for a 30-year masterlease arrangement with a 7% triple net yield (computed based on the acquisition price). This effectively means that the rental receivable from the tenant is net of all property expenses including rates and assessments as well as insurance. This rental is further subject to renewal with a 10% step-up rate for the first two terms of 4 years each and thereafter, every three years.

As part of the efforts to improve the quality of the real estate, the Manager has carried out an asset enhancement project for Plaza VADS. The project involves the upgrading of the Plaza VADS and the construction of a new 4-storey podium block with a net lettable area of 53,948 sqf. The new podium block which was completed in 2016 is now 100% occupied with reputable tenants such as Anytime Fitness and MyWin Academy. The new podium block which incorporate innovative design has also attained Green Building Index ("GBI") certification.

A well maintained real estate is one of the main features of a quality asset. A qualified Property Manager has been appointed to manage the maintenance aspect of the real estate. A well designed maintenance programme leads to tenants' satisfaction thus gives positive impacts towards tenants retention and ultimately ensuring continuous income stream to AHP.

SUSTAINABILITY STATEMENT (CONTD.)

Economic (contd.)

- **Reliable suppliers**

Reliable suppliers are critical element in our supply chain. Reliable suppliers or vendors are key in ensuring our real estate investment are well maintained and efficiently managed. Selection and appointment of suppliers are subject to our strict procurement procedures which include screening process and regular performance evaluation.

Being a party who deals directly with the tenants and managing the day to day operations of the real estate, Property Manager is one of the most important suppliers for AHP. A reputable and efficient Property Manager ensures that the real estate is well managed and is able to respond efficiently to tenants' needs. The performance of the Property Manager is regularly monitored with feedbacks gathered from the tenants.

Environmental

- In recognising the importance of keeping our environment safe and healthy, the design of the new podium block of Plaza VADS emphasises on both efficiency and environmental friendliness. The innovative design of the new 4-storey podium block has attained Green Building Index (GBI) certification and is a testament towards our commitment for a safe and healthy environment. The following elements are integral part of the design of the new podium block:
 - The establishment of a *Minimum Energy Efficiency Performance* to reduce energy consumption in buildings, thus reducing carbon footprint.
 - The establishment of a minimum indoor Environmental Quality in the building to ensure the comfort and wellbeing of the occupants.

Some of the innovative features includes:

- rain water harvesting for landscaping thus reducing consumption of treated water supply
- use of latest Variable Refrigerant Volume technology in air conditioning which is energy efficient
- use of insulation material for the roof together with the incorporation of louvres design for the façade to minimise sun ray impact which ultimately reduces energy consumption for air conditioning
- Health and safety is also an important consideration in our daily operations. At the group level, PNB has established an Occupational Safety and Health Committee which meets on a regular basis to discuss health and safety issues. The committee also conducts visits and safety inspections on the buildings to ensure all safety issues are given appropriate attention. All suppliers are also required to adhere to a minimum safety standards and safety considerations are always given attention in all our tender documents.
- As part of the effort to promote healthy lifestyle, PNB regularly organise various programmes for the staff which includes sports carnival, fitness classes and Hari Sukan Negara@PNB.

SUSTAINABILITY STATEMENT (CONTD.)



PNB staff participating in the annual Hari Sukan Negara@PNB

Social

• **Human Capital**

The Manager acknowledges that human capital is one of its key success factors. The performance of AHP depends on the performance of the staff of PHNB. Being part of the PNB Group, PHNB capitalises on the commitment of PNB towards human capital development. Human capital development is managed by a dedicated department within PNB and all staff is required to fulfil a minimum credit hours of training every year. PNB also encourages its staff to pursue professional qualifications through various programmes.

During the year all executives and non-executives of PHNB has fulfilled the minimum required training of 20 and 10 credit hours, respectively.

• **Investment awareness/education programme**

Through its annual Minggu Saham Amanah Malaysia (MSAM), PNB travels to various locations in Malaysia to promote investment awareness among the public. The MSAM, which was first organised in 2000, has been recognised by the Malaysia Book of Records as the longest running unit trust exhibition which has until to date attracted more than 3.5 million visitors. Various programmes were organised at the MSAM with the sole objective to improve investment awareness of the public and to promote investment.



Encik Hafidz, CEO of PHNB giving away prizes to the lucky winners at the Minggu Saham Amanah Malaysia 2017 in Temerloh, Pahang



One of the activities at MSAM – briefing sessions for the public



The crowd at PHNB's booth during MSAM 2017

SUSTAINABILITY STATEMENT (CONTD.)

Social (contd.)

- **SL1M**

“Skim Latihan 1Malaysia” (SL1M) was introduced in 2011 to provide opportunity for university graduates to gain exposure, training and experience in organisations. Since its introduction, PNB has engaged 1200 graduates for this programme.

PHNB, as a caring organisation, has also participated in the programme. Briefing on REIT were given to the graduates to provide them with better understanding on REITs and the various disciplines/fields that are involved in managing REIT. In addition, PHNB also provide placements to the participants of the SL1M programme for them to gain exposure in PHNB.

- **Programme for the Homeless**

The Management of PHNB, together with its parent company, PNB, had a series of “Program Amal PNB Bantu Gelandangan” (PNB Helping the Homeless Programme) at Pusat Khidmat Gelandangan Medan Tuanku and the area in the vicinity of Kompleks Kotaraya, Kuala Lumpur. More than 300 gelandangan received food and drinks sponsored by PNB and prepared in collaboration with the PERTIWI Soup Kitchen, an NGO experienced in providing assistance to the homeless in Malaysia.



YBhg. Dato' Mohd Nizam, a Board Member of PHNB, distributing food items



Encik Hafidz, handing goodie bag to a delightful recipient

- **Programme with Anak-anak Yatim**

A total of 110 anak-anak yatim from two orphanages were celebrated through the Breaking of Fast Event with PNB on 16 June 2017. Apart from contribution of RM10,000 to each of the orphanages, *duit raya* and some necessities were also donated to the orphanans.



YBhg. Tan Sri Abdul Wahid Omar together with YBhg. Dato' Abdul Rahman Ahmad, Director of PHNB and who is also the President & Group Chief Executive of PNB, presenting donations to orphanages.



YBhg. Tan Sri Abdul Wahid Omar, Chairman of PHNB and who is also the Group Chairman of PNB at the Breaking of Fast Event for the orphanans.

PROFILE OF THE DIRECTORS OF THE MANAGER



TAN SRI ABDUL WAHID BIN OMAR

(Non-Independent Non-Executive Chairman)

Tan Sri Abdul Wahid, aged 53, a Malaysian, was appointed as the Group Chairman of Permodalan Nasional Berhad on August 1, 2016, and was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on August 24, 2016, following the completion of his term as a Senator and Minister in the Prime Minister's Department in charge of Economic Planning from June 2013 to June 2016. Prior to his cabinet appointment, Tan Sri Abdul Wahid was the President and Chief Executive Officer (CEO) of Malayan Banking Berhad (Maybank), Malaysia's largest banking group and one of the leading banking groups in Southeast Asia, from May 2008 until June 2013. He was also the Chairman of The Association of Banks in Malaysia. He is a Fellow of the Association of Chartered Certified Accountants (UK) and a member of the Institute of Chartered Accountant in England & Wales (ICAEW) and the Malaysian Institute of Accountants (MIA).

Maybank was the third major organisation that he has led as CEO. Prior to joining Maybank, he was the Group CEO of Telekom Malaysia Berhad from July 2004 until its demerger with Axiata Group Berhad in April 2008. He was also formerly Managing Director/Chief Executive Officer of UEM Group Berhad as well as Executive Vice Chairman of PLUS Expressways Berhad from October 2001 to June 2014. He is also a holder of the Capital Market Services Representative's Licence (CMSRL).

Tan Sri Abdul Wahid has received numerous awards throughout his career. This includes Malaysia's CEO of the Year 2006 award from Business Times/American Express, The Asian Banker's 2013 Leadership Achievement Award for Malaysia and The Edge Value Creator 2013. He was also awarded the Honorary Doctorate in Economy from Multimedia University, Malaysia in 2014.

In June 2016, he was conferred with Panglima Setia Mahkota (PSM) awarded by His Majesty Seri Paduka Baginda Yang Dipertuan Agong for his invaluable contributions to the Country.

PROFILE OF THE DIRECTORS OF THE MANAGER (CONTD.)



DATO' ABDUL RAHMAN BIN AHMAD
(Non-Independent Non-Executive Director)

Dato' Abdul Rahman bin Ahmad, aged 48, a Malaysian, is the President & Group Chief Executive and Director of Permodalan Nasional Berhad and was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on November 1, 2016.

He was formerly the Chief Executive Officer (CEO) of Ekuiti Nasional Berhad (Ekuinas), a Government-linked private equity firm. Prior to joining Ekuinas, Dato' Abdul Rahman was the Group Managing Director (MD)/CEO of Media Prima Berhad, the leading integrated media investment group in Malaysia. He also held the post of Group MD/CEO of Malaysian Resources Corporation Berhad, a leading Malaysian conglomerate involved in property, construction and infrastructure.

Dato' Abdul Rahman holds a Master of Arts in Economics from Cambridge University, the United Kingdom, and is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and Malaysian Institute of Accountants. He is currently also serving as a Non-Independent Non-Executive Chairman of UMW Oil & Gas Corporation Berhad.



DATO' IDRIS BIN KECHOT
(Non-Independent Non-Executive Director)

Dato' Idris bin Kechot, aged 62, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on March 3, 2010. He is also the Designated Fund Manager of funds under the management of Permodalan Nasional Berhad (PNB). Dato' Idris is currently the Deputy President & Group Chief Operating Officer, Asset Management of PNB. Prior to this, he was Deputy President, Unit Trust of PNB and Executive Director of Amanah Saham Nasional Berhad (ASNB).

Dato' Idris has vast experience in general management, investment and unit trusts, encompassing areas of equity valuation, equity trading, and portfolio management. He started his career in 1983 as Research Analyst at the Corporate Research Department of PNB undertaking industry and sectorial research. In 1988, he joined the Investment Division, responsible for the equity investment activities of PNB and continued to serve in various capacities before being appointed as Executive Director of ASNB in 2005. He became Deputy President, Unit Trust of PNB in 2009, before assuming his current position in 2014.

Dato' Idris obtained his Bachelor of Science Degree in Agribusiness from University Putra Malaysia in 1983. In 1987, he secured his Masters Degree in Business Administration, specialising in Finance from the University of Stirling, United Kingdom.

Throughout his career, he has undergone extensive training and attachment programs both locally and overseas in areas of equity valuation, portfolio management and general management development. He is also a Certified Financial Planner.

Dato' Idris is currently a member of Board of Directors of several companies.

PROFILE OF THE DIRECTORS OF THE MANAGER (CONTD.)



DATO' NAFISAH BINTI RADIN
(Independent Non-Executive Director)

Dato' Nafisah binti Radin, aged 57, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on September 1, 2016.

A graduate of Nottingham University, England, Dato' Nafisah began her career in 1986 as an architect in the Public Works Department. She left to join Veritas Architects in 1992 and within a year she took the challenge as the partner, to set up the Veritas Architects branch office in Penang. Dato' Ar. Nafisah Radin has made an incredible mark in the male dominated building industry as the sole principal running a medium size consultancy firm, NR Architect and NR Interior Design since 1996.

Dato' Nafisah has created a niche in designing green and sustainable buildings. The "Diamond Building" for the Energy Commission Headquarters in Putrajaya is the first to gain the Platinum Green Building Index (GBI) and Green Mark rating from Singapore in 2012. The "Diamond Building", featured in the inaugural 9.9.2009 RM1 Malaysia Stamp, has won various awards including the Asian Energy Award 2012 and the "International Green Apple Awards" for the Built Environment and Architectural Heritage 2013 (UK). Her works are also featured in various magazines and books.

Dato' Nafisah prides that the success of her career as an architect and entrepreneur, are based on strong principles of commitment to professionalism, integrity, creativity and innovation. Currently, Dato' Nafisah gives back to society through active involvement in non-governmental organisations, giving talks at major conferences and institution and as an independent board of director of the subsidiaries of Permodalan Nasional Berhad. Throughout her career, she has received a number of national awards in recognition of her achievements and contribution to the Nation.



DATO' JOHAN BIN ARIFFIN
(Independent Non-Executive Director)

Dato' Johan bin Ariffin, aged 58, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on January 1, 2017. Dato' Johan is also a member of the Property Investment Committee of the Board of Directors since January 4, 2004. Dato' Johan graduated with a Bachelor of Arts Degree in Economics from Indiana University, Bloomington Indiana, USA in 1980 and obtained his MBA (Marketing) from University of Miami, Coral Gables, Florida, USA in 1981.

Presently, Dato' Johan is the Chairman of Mitraland Properties Sdn Bhd and a Board Member of Malayan Banking Berhad and Sime Darby Property Berhad. He is also currently a Director of several other companies.

PROFILE OF THE DIRECTORS OF THE MANAGER (CONTD.)



DATUK WONG TUCK WAI *(Independent Non-Executive Director)*

Datuk Wong Tuck Wai, aged 62, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on January 26, 2017

He is currently the Deputy President and Chief Operating Officer of S P Setia Bhd Group, a role he assumed since April 1, 2016. Prior to this, he was appointed the Acting Deputy President and Chief Operating Officer on January 1, 2015.

He started in civil engineering projects with Syarikat Pembinaan Setia Sdn Bhd in 1976. In the early 1980's he was involved in the industrialized construction of more than 10,000 units of houses for Perbadanan Kemajuan Negeri Selangor (PKNS) when the company undertook the projects in a joint-venture with Taisei Prefab of Japan, resulting in his specialization in the 'Tilt-Up' Prefabrication System and helping to evolve the company's capacities and capabilities in Industrialized Building Systems.

He was appointed Chief Executive Officer of Setia Putrajaya Sdn Bhd a company through which the Group undertook the construction and completion of the Prime Minister's Office, the Prime Minister's Official Residence and 4855 units of Government residential quarters in the Federal Administrative Centre of Putrajaya from the late 1990's to the early 2000's.

His career path then saw him assuming responsibilities as Divisional General Manager in managing the Group's high-end development projects such as Duta Nusantara and Duta Tropika both of which were the Group's first foray into boutique gated communities as well as the Group's first luxury condominiums – Setia Sky

Residences. In between he was entrusted to develop and market the Group's first mixed-use development, SetiaWalk.

He was awarded the Panglima Gemilang Darjah Kinabalu which carries the title 'Datuk' by the Governor of Sabah in conjunction with His Excellency's birthday on October 6, 2012.

Datuk Wong is a Director of the companies in S P Setia Berhad Group which include amongst others KL Eco City Sdn. Bhd., Setia Federal Hill Sdn. Bhd. and Setia Putrajaya Sdn. Bhd. He is also a Director of Battersea Power Station Development Company Limited, Battersea Power Station Estates Limited and Battersea Power Station Malaysia Sdn. Bhd.

PROFILE OF THE DIRECTORS OF THE MANAGER (CONTD.)



PUAN ROSINAH BINTI MOHD SALLEH
(Independent Non-Executive Director)

Puan Rosinah binti Mohd Salleh, aged 48, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on February 8, 2017.

She obtained a Bachelor of Laws (LLB) Degree from University of Kent at Canterbury, England in 1992 and was admitted as a Barrister-at-Law at Lincoln's Inn in 1993. In 2000, she obtained a Master of Business Administration (International Industrial Management) degree from University of Applied Sciences, Esslingen, Germany.

She began her career in 1994 when she joined Nik Saghir & Ismail, a corporate law firm as a Corporate Lawyer. In 2001, she joined the RHB Banking Group as its Legal Manager. In 2004, she joined Ng & Shum, a law firm in Guangzhou, China as a Foreign Lawyer. In 2007, she joined Azmi & Associates, a corporate law firm in Kuala Lumpur as a Senior Counsel. From 2012 until to date, she is a Partner at Azmi & Associates. She is also currently a Director of MNRB Holdings Berhad and Takaful Ikhlas Berhad.



DATO' MOHD NIZAM BIN ZAINORDIN
(Non-Independent Non-Executive Director)

Dato' Mohd. Nizam bin Zainordin, aged 54, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on September 28, 2017. He obtained his A-Level in 1982 in Wrexham, Wales, United Kingdom. He graduated with ACCA in 1989. He obtained an Executive Masters in Business Administration from Asian Institute of Management in 1999. He is a Fellow Member of the Association of Chartered Certified Accounts, United Kingdom since 1993 and a Member of the Malaysian Institute of Accountants since 1996 and a Certified Financial Planner since 2002.

He has over 20 years of experience in the finance sector. Prior to joining Permodalan Nasional Berhad (PNB), he was with Management Trainee at Sime Darby Berhad in 1989 until 1993.

He joined PNB in 1994 as Assistant Manager, Finance Department and had since held various positions in PNB, including Manager, Finance Department from 1995 to 1996, Senior Manager II, Finance Department from 1997 to 2000 and Senior Manager I, Finance Department from 2001 to 2002, Assistant Vice-President of Operation Management from 2003 to 2004, Vice-President II, Finance and Investment Processing Division from 2004 to 2005 and Vice-President I in the similar Division from 2005 to 2006. He then gradually climbed up to corporate ladder and served as Senior Vice-President II from 2006 to 2008, Senior Vice-President I in December 2009 and Chief Financial Officer of PNB from 2010 to 2014. He was then been appointed as the Group Chief Financial Officer of PNB from 2014 to 2016 before assuming his current position as the Deputy President and Group Chief Financial Officer of PNB.

He also holds directorship in several subsidiaries within PNB Group of Companies.

PROFILE OF THE DIRECTORS OF THE MANAGER (CONTD.)



ENCIK HAFIDZ ATRASH KOSAI BIN MOHD ZIHIM, FCA (Ireland), CA (Malaysia)
(Non-Independent Executive Director/ Chief Executive Officer)

Encik Hafidz Atrash Kosai bin Mohd Zihim, aged 42, a Malaysian, was appointed the Chief Executive Officer of Pelaburan Hartanah Nasional (PHNB) on August 30, 2010, and was appointed to the Board of Directors of PHNB on November 21, 2014.

Encik Hafidz is a Fellow of the Institute of Chartered Accountants in Ireland (FCA Ireland) and a Chartered Accountant (CA) of the Malaysian Institute of Accountants. He also holds a Capital Market Services Representative's License from the Securities Commission of Malaysia. He graduated with a First Class Honours Degree in Accounting and Finance from Leicester DeMontfort University, England.

Encik Hafidz has wide experience in the investment and financial sectors. Prior to joining Permodalan Nasional Berhad (PNB), he was attached with a renowned investment bank and prior to that, was involved in the accounting and auditing sector where he trained professionally and completed his articleship as a Chartered Accountant. He joined PNB in 2003 in the Corporate Finance Department before joining the Office of the President and Group Chief Executive of PNB. Consequently, he was attached to the Corporate Services Department prior to his transfer to PHNB in early 2010.

Besides shouldering professional responsibility in PHNB, Encik Hafidz holds important posts in voluntary organizations such as the Vice President for the Famemas Malaysia Sports Supporters Club and as the President of the Malaysian Irish Alumni Association. He is also the President of his Resident's Association and Secretary for his local Rukun Tetangga.

Encik Hafidz has no family relationship with any of the directors and/or major unit holders of Amanah Harta Tanah PNB (AHP). He also has no conflict of interest with AHP and has not been convicted for any offences other than traffic offences within the past 10 years.

PARTICULARS OF DIRECTORS OF THE MANAGER

Board of Directors' Attendance Record For 2017

Director	Attendance	Date of Appointment
Tan Sri Abdul Wahid bin Omar	5/5	24.08.2016
Dato' Abdul Rahman bin Ahmad	5/5	01.11.2016
Dato' Idris bin Kechot	4/5	03.03.2010
Dato' Nafisah binti Radin	3/5	01.09.2016
Dato' Johan bin Ariffin	4/5	01.01.2017
Datuk Wong Tuck Wai	3/4	26.01.2017
Puan Rosinah binti Mohd Salleh	3/4	08.02.2017
Dato' Mohd Nizam bin Zainordin	1/1	28.09.2017
Encik Hafidz Atrash Kosai bin Mohd Zihim	5/5	21.11.2014

Other Information

(i) Relationship

There were no family relationship among the Directors and/or major unitholders.

(ii) Conflict of Interest

None of the Directors has any conflict of interest with AHP.

(iii) Conviction for Offences

None of the directors has been convicted for any offences other than traffic offences within the past ten (10) years.

(iv) Board of Committee

The Board of Directors of the management company has established a Property Investment Committee to assist the Board in discharging its duties. Members of the Property Investment Committee comprise members from the Board of Directors as well as external members, who are as follows:-

No.	Member
1	Dato' Johan bin Ariffin
2	Dato' Ir. Jamaluddin bin Osman
3	Professor Datuk Dr. Nik Mohd. Zain bin Haji Nik Yusof

There were no other board committee established by the management company. However, the financial statements of AHP were presented to the Audit Committee of Permodalan Nasional Berhad (PNB), being the holding company of the management company. None of the members of the Audit Committee of PNB were the directors of the management company.

PARTICULARS OF DIRECTORS OF THE MANAGER (CONTD.)**(v) Directors' Training**

All directors have attended various in-house and external programmes to enable them to discharge their duties and responsibilities effectively. In addition, all directors are encouraged to attend seminars, conferences and various training programmes to keep abreast with developments in the real estate industry.

Conferences, seminars and training programmes attended by directors in the current year are as follows:

- PNB Investment Series 2017 - Value Creation: Creating A Customer Focused Organisation
- AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach
- Global Transformation Forum 2017
- Efficient Inefficiency: Making Board Effective in a Changing World
- The New Companies Act 2016 - The Key Issues and Potential Pitfalls and Disclosure of Interest by Directors
- PNB Investment Series 2017 - The Future of Fintech/Digital Disruption
- Mandatory Accreditation for Directors of Public Listed Companies by ICLIF
- Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
- Corporate Exercise and Asset Pricing in Malaysia
- PNB Investment Series 2017: The Future of Globalization & Liberalization: Are We Losing The Battle?

(vi) Other Directorship of Public Companies

Director	Public Companies
Tan Sri Abdul Wahid bin Omar	<ol style="list-style-type: none"> 1. Permodalan Nasional Berhad 2. Amanah Saham Nasional Berhad 3. Amanah Mutual Berhad 4. Yayasan Pelaburan Bumiputra 5. Yayasan Sultan Ibrahim Johor 6. Sime Darby Property Berhad
Dato' Abdul Rahman bin Ahmad	<ol style="list-style-type: none"> 1. Permodalan Nasional Berhad 2. Amanah Saham Nasional Berhad 3. Amanah Mutual Berhad 4. UMW Oil & Gas Corporation Berhad
Dato' Idris bin Kechot	<ol style="list-style-type: none"> 1. Amanah Capital Malaysia Berhad
Dato' Johan bin Ariffin	<ol style="list-style-type: none"> 1. Malayan Banking Berhad 2. Etiqa Insurance Berhad 3. Sime Darby Property Berhad
Dato' Nafisah binti Radin	Nil
Dato' Mohd. Nizam bin Zainordin	<ol style="list-style-type: none"> 1. Pengurusan Pelaburan ASN Berhad 2. Lanjut Golf Berhad 3. MIDF Property Berhad
Datuk Wong Tuck Wai	Nil
Puan Rosinah binti Mohd Salleh	<ol style="list-style-type: none"> 1. Takaful Ikhlas Berhad 2. MNRB Holdings Berhad
Encik Hafidz Atrash Kosai bin Mohd Zihim	Nil

PROFILE AND PARTICULARS OF MEMBERS OF THE PROPERTY INVESTMENT COMMITTEE

DATO' JOHAN BIN ARIFFIN

(Independent Member)

Please refer to Directors' Profile

DATO' IR. JAMALUDDIN BIN OSMAN

(Independent Member)

Dato' Ir Jamaludin bin Osman, aged 63, a Malaysian was appointed as a member of the Property Investment Committee of the Board of Directors on January 4, 2004.

Dato' Ir Jamaludin holds a degree in Civil Engineering from University Teknologi Malaysia and in 1992, completed a Management Development Programme with the Asian Institute of Management. He is a registered professional engineer with the Board of Engineers Malaysia and a member of the Institute of Engineers Malaysia.

Dato' Ir Jamaludin started his career as a civil engineer with the Development Authority of Pahang Tenggara in 1979 and subsequently with Dewan Bandaraya Kuala Lumpur. In 1981, he joined Petroleum Nasional Berhad Petronas as a Project Engineer. In 1985, he joined Syarikat Perumahan Pegawai Kerajaan (SPPK). This served as a platform for him to nurture his marketing and management skills, which led to his appointment as Managing Director of SPPK in 1999, and eventually as Group Managing Director of renowned Island & Peninsular Berhad, property developer in 2005 and later I&P Group until April, 2017.

He currently sits on the board of MMC Corporation Berhad and AZ Land & Properties Sdn. Bhd.

PROFESSOR DATUK DR. NIK MOHD. ZAIN BIN HAJI NIK YUSOF

(Independent Member)

Prof. Datuk Dr. Nik Mohd. Zain bin Haji Nik Yusof, aged 70, a Malaysian, was appointed as a member of the Property Investment Committee of the Board of Directors on January 4, 2004.

Prof. Datuk Dr. Nik Mohd Zain graduated with honours from University of Malaya in 1969. Obtained his Masters in Wisconsin, USA and later gained a PhD in law from University of Kent, UK.

Previously, Prof. Datuk Dr. Nik Mohd Zain held key positions in both private and government bodies such as Director of Bank Rakyat and FELDA group of Companies, Director General of Department of Land and Mines, Malaysia, Secretary General of Ministry of Land and Cooperative Development, and Federal Lands Commissioner of Malaysia. In 2002, he represented Malaysia on the dispute over Pulau Sipadan and Pulau Ligitan at the International Court of Justice (ICJ) in Hague, Holland.

Prof. Datuk Dr. Nik Mohd Zain served as professor at the School of Land Administration and Land Development of Universiti Teknologi Malaysia from 2003 to January 2005. Presently he runs his own land and property consulting company called BIG Property Consultants Sdn. Berhad. He also a member of the Malaysian Administrative & Diplomatic Service and the Chairman of Yayasan Peneroka Negara. He is appointed as Adjunct Professor at the Department of Land Management of University Putra Malaysia from January 2006.

Investment Committee Members' Attendance Record

There were no meeting held during the year 2017.

Other Information

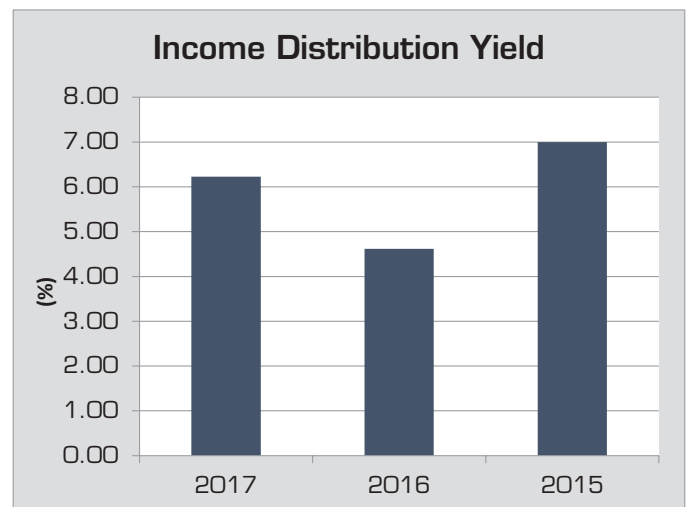
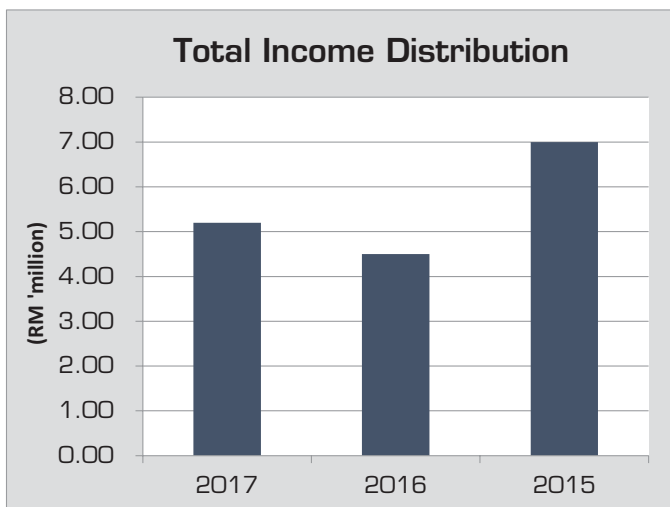
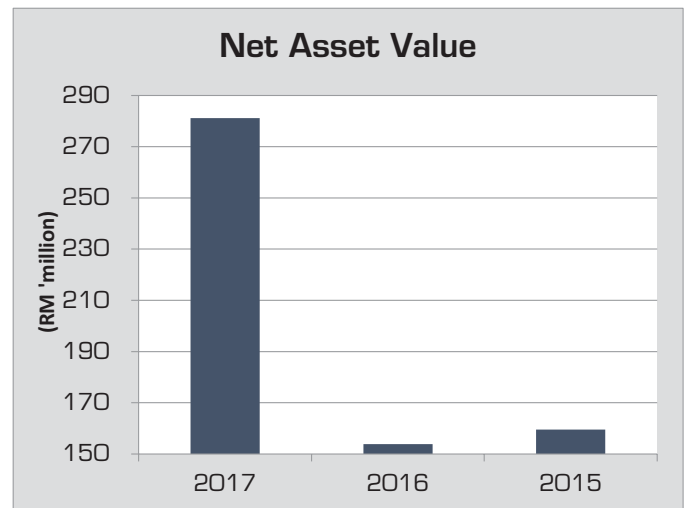
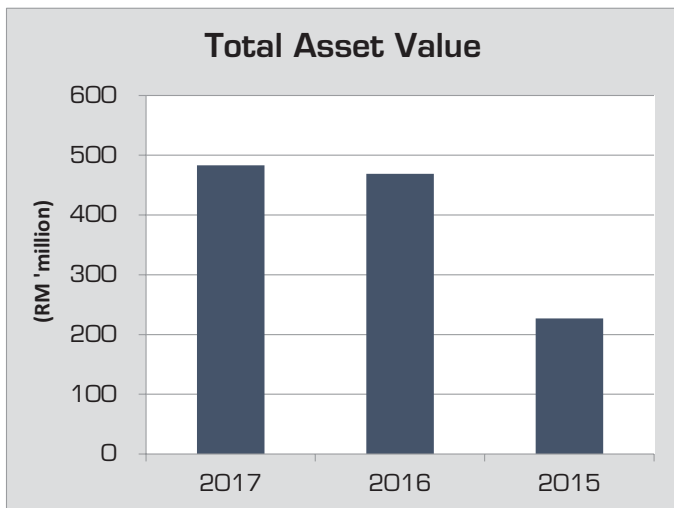
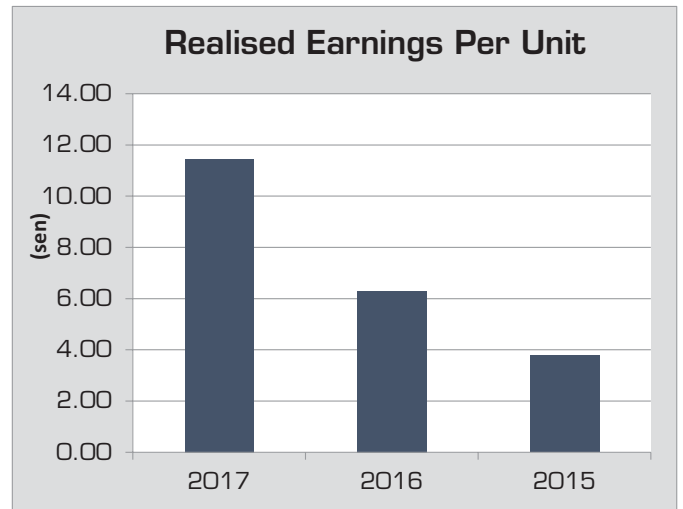
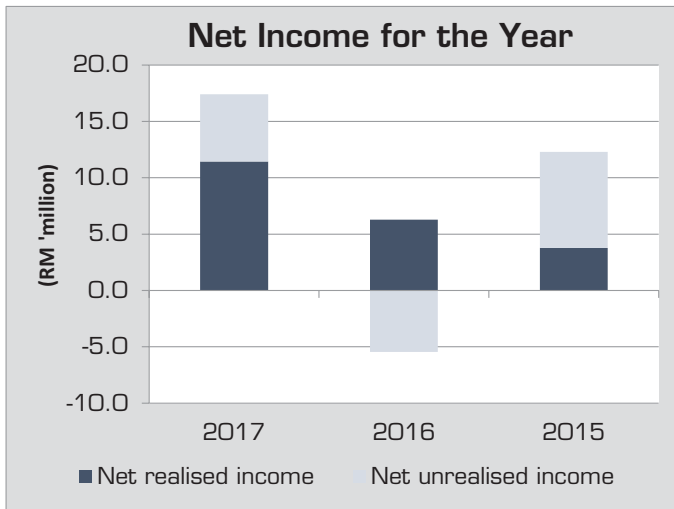
(i) Conflict of Interest

None of the members of property investment committee has any conflict of interest with AHP.

(ii) Conviction for Offences

None of the members has been convicted for any offences other than traffic offences within the past ten (10) years.

FINANCIAL SUMMARY



PERFORMANCE DATA

Financial Year Ended December 31,	2017	2016	2015
Statement of Financial Position			
Total Asset Value (RM'000)	482,942	468,810	226,853
Total Islamic Financing (RM'000)	189,786	196,506	59,894
Net Asset Value before final income distribution (RM'000)	281,176	153,877	159,547
Net Asset Value after final income distribution (RM'000)	275,676	150,577	156,047
Net Asset Value per Unit			
- Before final income distribution (sen)	127.81	153.88	159.55
- After final income distribution (sen)	125.31	150.58	156.05
- Highest Net Asset Value (sen)	127.81	159.44	159.55
- Lowest Net Asset Value a unit (sen)	123.28	153.53	149.52
Units in Circulation ('000)	220,000	100,000	100,000
Statement of Comprehensive Income			
Net property income (RM'000)	33,033	17,226	7,872
Income after taxation			
- Realised (RM'000)	11,435	6,294	3,786
- Unrealised (RM'000)	5,983	(5,463)	8,519
	17,418	831	12,305
Earnings per unit			
- Realised (sen)	5.20	6.29	3.79
- Unrealised (sen)	2.72	(5.46)	8.52
	7.92	0.83	12.31
Distribution to Unitholders			
- Interim (RM'000)	5,940	3,000	3,500
Date of Distribution	30/8/2017	30/08/2016	29/08/2015
- Final (RM'000)	5,500	3,300	3,500
Date of Distribution	28/02/2018	28/02/2017	29/02/2016
	11,440	6,300	7,000
Income Distribution per unit *			
- Interim (sen)	2.70	3.00	3.50
- Final (sen)	2.50	1.50 **	3.50
	5.20	4.50	7.00
Ratios			
Management Expense Ratio (%)	1.45	1.18	1.46
Portfolio Turnover Ratio (times)	1.91	1.87	1.04
Gearing Ratio (%)	39.30	41.92	26.40
Distribution Yield (%)	6.23	4.62	7.00
Unit Price Performance			
Closing market price (RM)	0.84	0.98	1.00
Highest traded price per unit (RM)	1.00	1.09	1.21
Lowest traded price per unit (RM)	0.83	0.97	0.91
Average closing price per unit (RM)	0.92	1.02	1.07

Note: * Exempted from tax at Trust level

** Final income distribution was based on enlarged units in circulation of 220 million following the completion of rights issue on January 12, 2017, which was prior to the entitlement date for the final income distribution.

PERFORMANCE DATA (CONTD.)

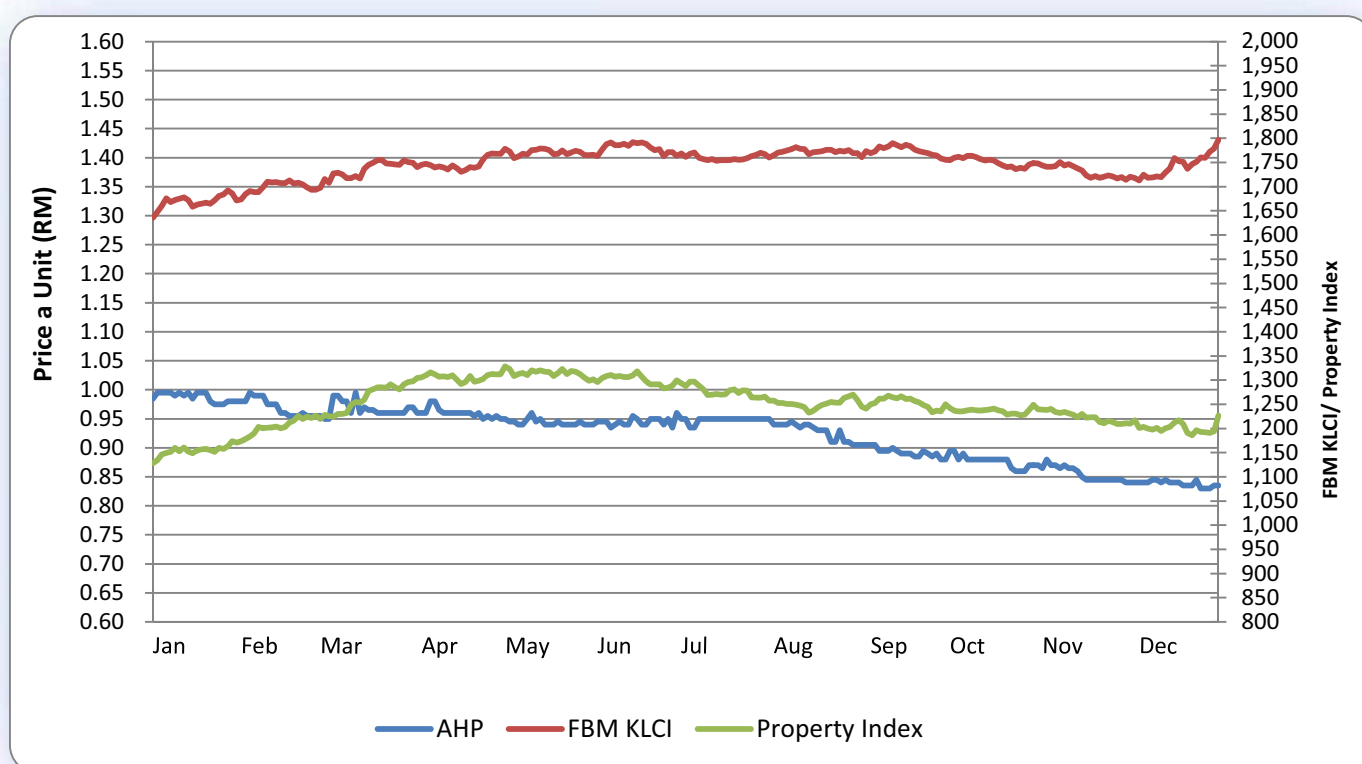
Average Annual Return	One Year	Three Years	Five Years	Since 1989
	%	%	%	%
AHP	(9.03)	(4.22)	0.49	5.93
Kuala Lumpur Composite Index (KLCI)	6.16	(0.45)	0.63	5.62
Property Index	3.30	(3.32)	2.03	0.96

Annual Total Return for the Last Five Financial Year

Financial Year Ended December 31,	2017	2016	2015	2014	2013
Total Return (%)	(9.03)	2.00	(5.31)	6.55	9.45
Capital Return (%)	(14.36)	(2.50)	(11.50)	-	2.73
Income Return (%)	6.23	4.62	7.00	6.55	6.55
Benchmark *	3.30	(5.05)	(7.88)	(0.32)	22.74

* Benchmark: Property index

Market Price per Unit for the Year Ended 31 December 2017



COMPUTATION OF RETURN

Total return : $[(1 + \text{Capital Return}/100) \times (1 + \text{Income Return}/100) - 1] \times 100$

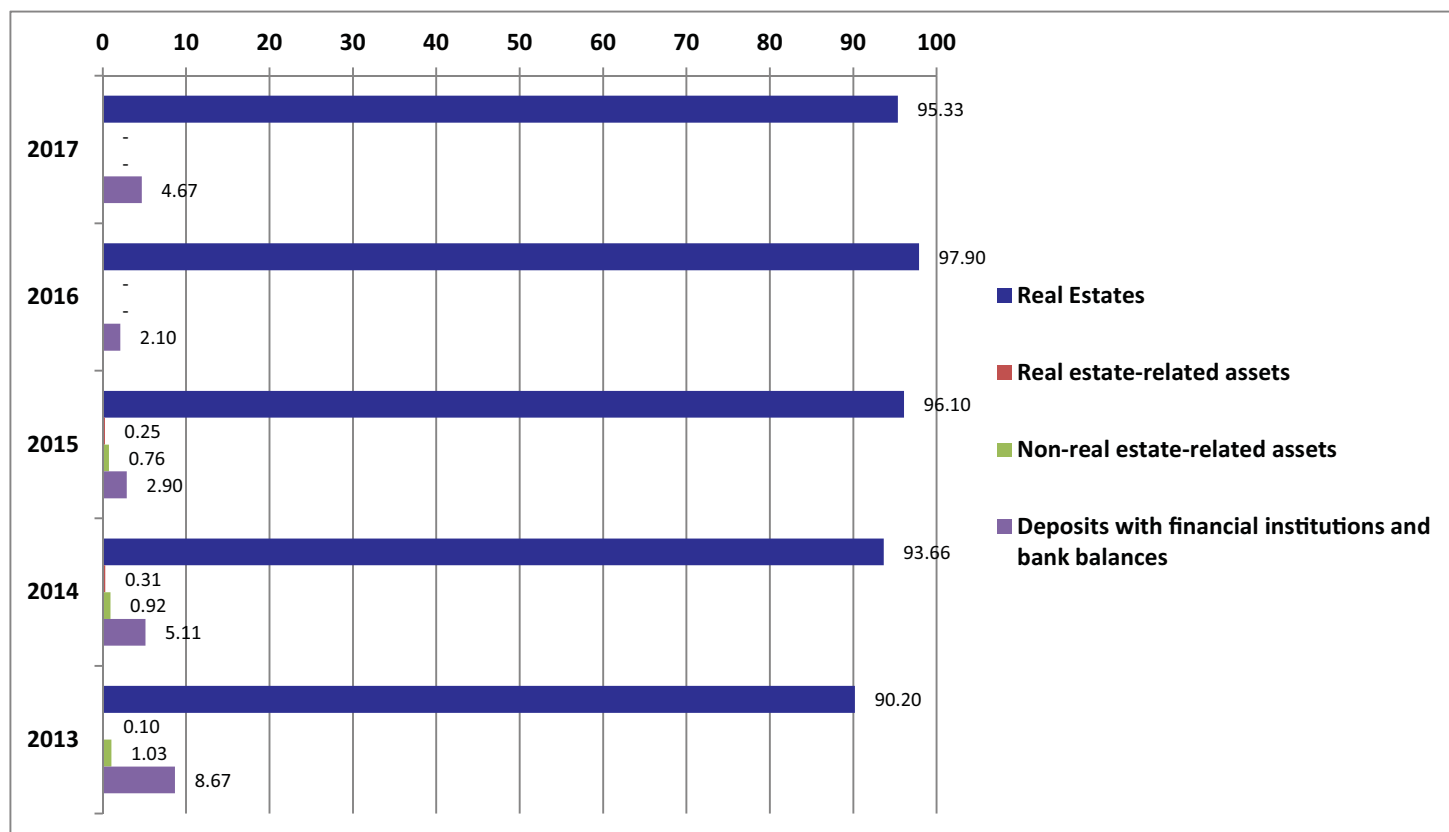
Capital return : $\frac{(\text{End of Year Market Price} - \text{Beginning of Year Market Price})}{\text{Beginning of Year Market Price}} \times 100$

Income return : $\frac{\text{Income Distribution}}{\text{End of Year Market Price}}$

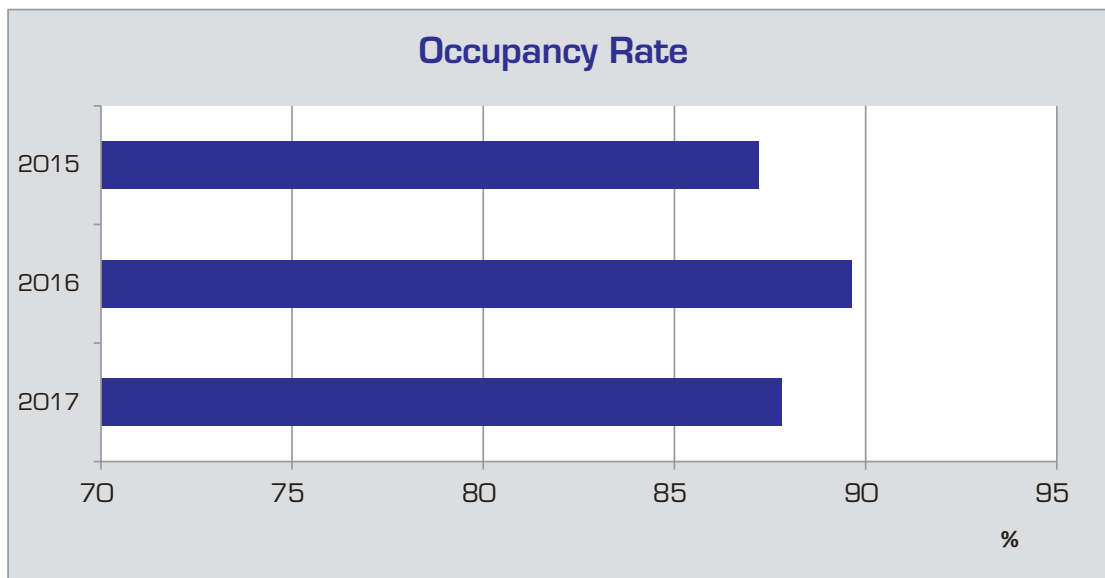
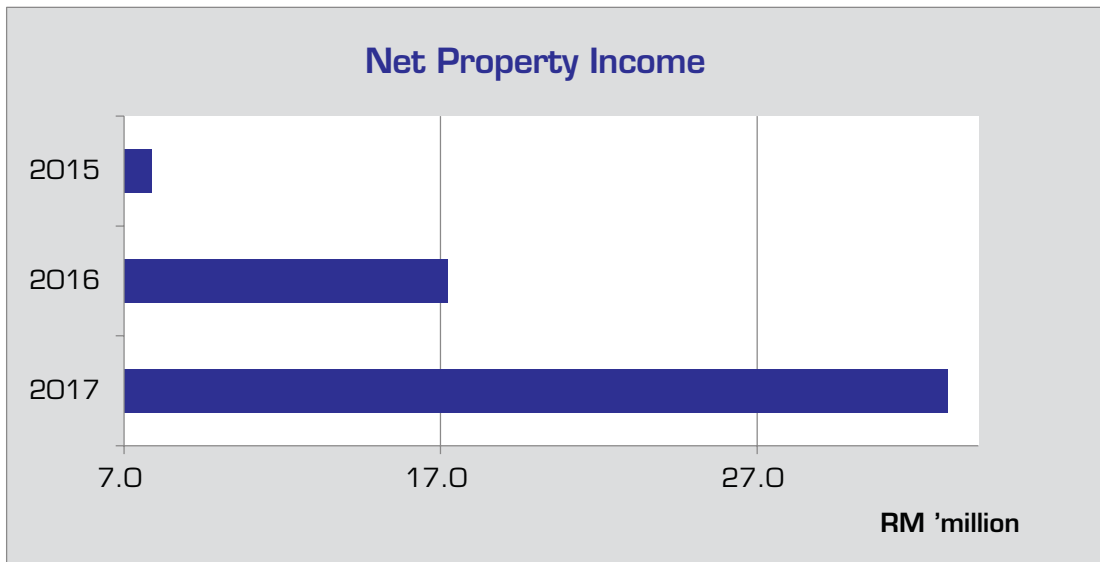
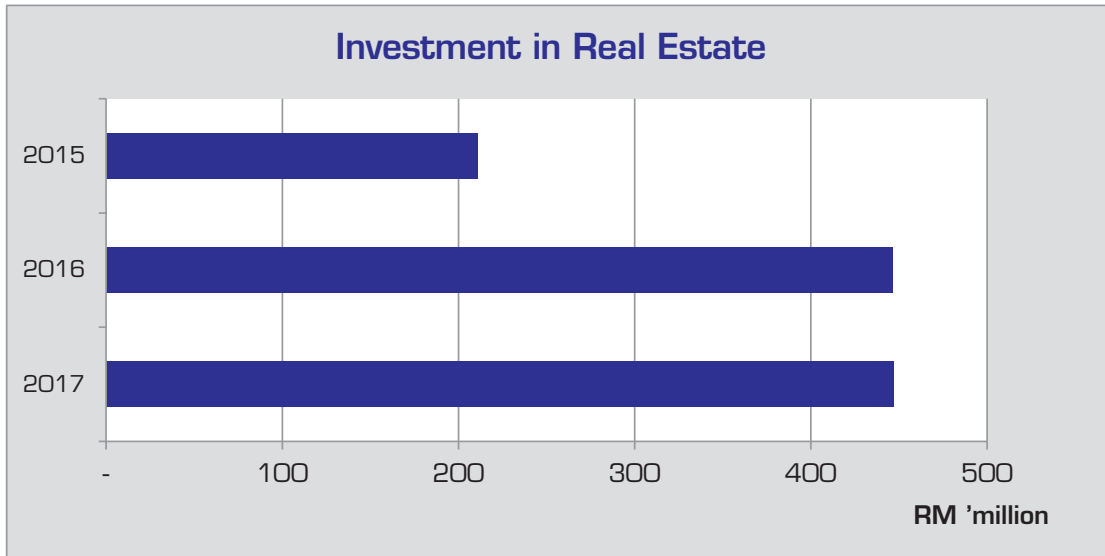
NOTE:
Past performance is not necessarily indicative of future performance. Unit prices and investment returns may fluctuate.

COMPOSITION OF INVESTMENT PORTFOLIO

	2017	2016	2015	2014	2013
	%	%	%	%	%
Investment Properties					
- Plaza VADS, Taman Tun Dr Ismail, Kuala Lumpur	29.26	30.95	65.32	59.67	54.83
- Bangunan AHP, Taman Tun Dr Ismail, Kuala Lumpur	9.45	10.25	21.28	23.50	25.22
- Sri Impian, Taman Setiawangsa, Kuala Lumpur	3.20	2.93	6.06	6.69	6.58
- Shopoffice, Taman Tun Dr Ismail, Kuala Lumpur	0.92	0.88	1.82	2.01	1.64
- Shopoffice, Jalan Negara, Taman Melawati, Kuala Lumpur	0.41	0.42	0.87	0.96	0.66
- Shopoffice, Kota Kinabalu, Sabah	0.45	0.36	0.75	0.83	0.82
- Mydin Hypermarket Seremban 2, Negeri Sembilan	51.64	52.11	-	-	-
- Shopoffice, Taman Inderawasih, Butterworth, Penang	-	-	-	-	0.44
Sub-total	95.33	97.90	96.10	93.66	90.20
Real estate-related assets					
- Real estate investment trust	-	-	0.22	0.28	0.09
- Property	-	-	0.03	0.03	0.01
Sub-total	-	-	0.25	0.31	0.10
Non-real estate-related assets					
- Consumer products	-	-	0.04	0.06	0.07
- Finance	-	-	0.27	0.31	0.35
- Trading	-	-	0.39	0.48	0.54
- Plantations	-	-	0.06	0.07	0.08
Sub-total	-	-	0.76	0.92	1.03
Deposits with financial institutions and bank balances	4.67	2.10	2.90	5.11	8.67
Total	100.00	100.00	100.00	100.00	100.00



REAL ESTATE SNAPSHOT





REAL ESTATE PORTFOLIO - PLAZA VADS

Description of Real Estate and Location	24-Storey Office Building with 4-Storey Podium Block Taman Tun Dr Ismail, Kuala Lumpur	Revaluation Surplus	RM5.34 million
Land Tenure	Freehold	Method of Valuation and Valuer	Comparison and Investment Rahim & Co International Sdn Bhd
Date of Acquisition	21 March 1989	Occupancy rate	83.76%
Age of Building	24-Storey Office Building : 31 years 4-Storey Podium Block: 2 years	Major Tenants	1. VADS Berhad 2. LYC Mother & Child Centre Sdn Bhd
Net Lettable Area	248,506 sq.ft.	Average Tenancy Period	3 years
Cost of Acquisition	RM45.909 million	Rental Review and Expiry	2020
Total Cost including CAPEX	RM116.94 million	Average Rental	RM4.05 psf
Net Book Value	RM144.34 million	Maintenance Cost	RM1,425,191
Latest Valuation 30.11.2017	RM139.00 million	No. of Parking Bays	431
		Encumbrances	Charged to Financial Institution



REAL ESTATE PORTFOLIO - BANGUNAN AHP

Description of Real Estate and Location	Four-Storey Commercial Building Taman Tun Dr. Ismail Kuala Lumpur	Method of Valuation and Valuer	Comparison and Investment Rahim & Co International Sdn Bhd
Land Tenure	Freehold	Occupancy rate	41.77%
Date of Acquisition	21 March 1989	Major Tenants	1. Affin Hwang Investment Bank Bhd. 2. Optimax Eye Specialist Centre Sdn Bhd 3. Malayan Banking Berhad
Age of Building	29 years	Average Tenancy Period	2 years
Net Lettable Area	96,154 sq.ft.	Rental Review and Expiry	2018
Cost of Acquisition	RM16.323 million	Average Rental	RM5.50 psf
Total Cost including CAPEX	RM33.64 million	Maintenance Cost	RM432,180
Net Book Value	RM46.82 million	No. of Parking Bays	200
Latest Valuation as at 30.11.2017	RM44.30 million	Encumbrances	-
Revaluation Deficit	RM2.52 million		



REAL ESTATE PORTFOLIO - MYDIN SEREMBAN 2

Description of Real Estate and Location	3-Storey Mall cum Hypermarket Building with two levels of sub-basement, Seremban 2, Negeri Sembilan	Method of Valuation and Valuer	Comparison and Investment Rahim & Co International Sdn Bhd
Land Tenure	Freehold	Occupancy rate	100%
Date of Acquisition	27 April 2015*	Major Tenants	Mydin Holdings Berhad
Age of Building	4 years	Average Tenancy Period	30 years
Net Lettable Area	390,803 sq. ft.	Rental Review and Expiry	2046
Cost of Acquisition	RM240.00 million	Average Rental	RM2.40 psf
Total Cost including CAPEX	RM241.84 million	Maintenance Cost	Nil
Net Book Value	RM241.23 million	No. of Parking Bays	1. 1070 (surface carpark) 2. 384 (sub-basement)
Latest Valuation 30.11.2017	RM253.00 million	Encumbrances	Charged to Financial Institution
Revaluation Surplus	RM11.77 million		

Note: * As at 13 September 2016, the acquisition of the real estate has been substantively completed with all Condition Precedents ("CPs") for the Acquisition have been met save for the approval of the SC for the Abridged Prospectus ("AP") in relation to the rights issue to part finance the acquisition. Accordingly, the real estate has been accounted for in full. Subsequently, on 8 December, 2016, the approval of the SC for the AP was obtained and all CPs for the Acquisition have been met. (Refer to Notes 37 & 38 of the Financial Statements).



REAL ESTATE PORTFOLIO - SRI IMPIAN

Description of Real Estate and Location	Four-Storey Office Building Taman Setiawangsa Kuala Lumpur	Method of Valuation and	Comparison and Investment
Land Tenure	Freehold	Valuer	Rahim & Co International Sdn Bhd
Date of Acquisition	15 May 1996	Occupancy rate	100%
Age of Building	28 years	Major Tenants	I&P Harta Sdn Bhd
Net Lettable Area	38,290 sq. ft.	Average Tenancy Period	3 years
Cost of Acquisition	RM13.318 million	Rental Review and Expiry	2019
Total Cost including CAPEX	RM13.772 million	Average Rental	RM2.40 psf
Net Book Value	RM13.36 million	Maintenance Cost	RM16,380
Latest Valuation 30.11.2017	RM15.00 million	No. of Parking Bays	11 bays
Revaluation Surplus	RM1.64 million	Encumbrances	-

REAL ESTATE PORTFOLIO - SHOP OFFICES

Description of Real Estate and Location	Land Tenure	Age of Building (years)	Net Lettable Area (sq. ft.)	Date of Acquisition	Cost of Acquisition (RM'000)	Total Cost including CAPEX (RM'000)	Valuation in 2017 (RM'000)	Net Book Value (RM'000)	Revaluation Surplus/ (Deficit) (RM'000)	Occupancy Rate (%)	Maintenance Cost (RM'000)	Average Tenancy Period	Average Rental (RM/sq.ft./month)	Rental Review and Expiry	Major Tenants
3-Storey shopoffice Jalan Wan Kadir 4 Taman Tun Dr. Ismail Kuala Lumpur	Freehold	19	5,280	16/10/1995	910	910	4,300	4,000	-	100	1	2.3 years	2.00	2019	1. Rozel Corporation Sdn Bhd 2. Skylce Sdn Bhd
Ground & First Floor, Leasehold Blok G Asia City Kota Kinabalu, Sabah	Leasehold (99 years expiring on 31.12.2082)	22	3,100	12/12/1995	1,653	1,653	1,900	1,650	-	100	4	3 years	4.19	2017	Amanah Saham Nasional Berhad
4-storey Shopoffice Lot 224, Jalan Negara 2, Pusat Bandar Melawati, Kuala Lumpur	Freehold	28	6,705	30/08/1996	783	814	2,100	1,900	-	100	10	2 years	1.16	2017	ARH Juruukur Bahan Sdn. Berhad

Note: The value as at 31 December 2017 was based on valuation dated 30 November 2017 by Rahim & Co International Sdn Bhd using the comparison and investment method of valuation in accordance with the Malaysian Valuation Standards.

ANALYSIS OF UNITHOLDINGS

Unit Holders' Capital as at 31 December 2017

Authorised = 1,000,000,000 units
 Issued and fully paid = 220,000,000 units

Distribution of Unit Holders as at 31 December 2017

Unit Class	No. of Unit Holders	Percentage of Unit Holders	No. of Unitholdings	Percentage of Unitholdings
Less than 100	33	0.54	834	0.00
100 - 1,000	2,434	39.91	2,004,014	0.91
1,001 - 10,000	2,830	46.40	11,303,271	5.14
10,001 - 100,000	712	11.67	21,005,100	9.55
100,001 to less than 5% of issued units	87	1.43	33,421,581	15.19
5% and above of issued units	3	0.05	152,265,200	69.21
Total	6,099	100.00	220,000,000	100.00

Classification of Unit Holders as at 31 December 2017

Category of Unit Holders	Number of Unit Holders			Number of Unitholdings			Percentage		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
Individuals	2,176	3,369	53	8,607,099	32,539,533	2,494,510	3.91	14.79	1.13
Body Corporate									
a. Banks/Finance Companies	6	-	-	101,421,400	-	-	46.10	-	-
b. Investment Trusts/Foundations	2	3	-	1,800	362,000	-	-	0.16	-
c. Other Types of Companies	12	24	-	785,480	2,801,200	-	0.36	1.27	-
Government Agencies/Institutions	2	-	-	24,000	-	-	0.01	-	-
Nominees	269	145	38	58,892,745	4,513,013	7,557,220	26.77	2.06	3.44
Total	2,467	3,541	91	169,732,524	40,215,746	10,051,730	77.15	18.28	4.57
	6,099			220,000,000			100.00		

ANALYSIS OF UNITHOLDINGS

30 Largest Unit Holders as at 31 December 2017

No	Unit Holders	Units Held	Percentage of Units in Issue
1.	AmanahRaya Trustees Berhad (Amanah Saham Bumiputera) ⁽¹⁾	90,218,700	41.01
2.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Mydin Mohamed Holdings Bhd) ⁽¹⁾	50,906,800	23.14
3.	Permodalan Nasional Berhad ⁽¹⁾⁽²⁾	11,139,700	5.06
4.	Affin Hwang Nominees (Asing) Sdn Bhd (Exempt AN for DBS Vickers Secs (S) Pte. Ltd. (Clients))	2,301,860	1.05
5.	Jang Wan @ Yang Chi Chek	2,244,000	1.02
6.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for RAM Holdings Berhad) (PB))	2,000,000	0.91
7.	Affin Hwang Nominees (Tempatan) Sdn Bhd (Exempt AN for DBS Vickers Secs (S) Pte. Ltd. (Clients))	1,875,300	0.85
8.	Maybank Nominees (Tempatan) Sdn Bhd (Affin Hwang Asset Mgt Bhd for Lembaga Tabung Angkatan Tentera [210232])	1,700,000	0.77
9.	J A Russel & Co Sdn Berhad	1,502,700	0.68
10.	Cimsec Nominees (Asing) Sdn Bhd (Exempt AN for CIMB Secs (S) Pte. Ltd. (Retail Clients))	1,169,820	0.53
11.	Tan Teck Peng	1,150,000	0.52
12.	Liew Yoon Yee	800,000	0.36
13.	Public Invest Nominees (Asing) Sdn Bhd (Exempt AN for Phillip Securities Pte. Ltd. (Clients))	764,820	0.35
14.	Liew Kon Mun	751,400	0.34
15.	Wong Kwang-I Benjamin	722,800	0.33
16.	Ng Heng Heem	648,900	0.29
17.	RAM Holdings Berhad	631,180	0.29
18.	Kenanga Nominees (Asing) Sdn Bhd (Exempt AN for Phillip Securities Pte. Ltd. (Client Acc))	606,600	0.28
19.	J A Russel & Co Sdn Berhad	524,600	0.24
20.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for Hamzah Bin Bakar (PB))	500,000	0.23
21.	Gan Tuan Boon	500,000	0.23
22.	Ng Inn Jwee	440,000	0.20
23.	Citi Group Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tey Rose [473581])	410,000	0.19
24.	Boey Ak Ooi	375,000	0.17
25.	Singam A/L Kumarasamy	362,000	0.16
26.	RajamoneyA/P Sinnathamby	350,000	0.16
27.	Abdul Rahim bin Bidin	319,600	0.15
28.	Jang Wan & Yang Chi Chek	311,960	0.14
29.	TA Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chor Sek Choon)	310,000	0.14
30.	DB (Malaysia) Nominee (Tempatan) Sdn Bhd (Exempt AN for Affin Hwang Asset Mgt Bhd (TSTAC/CLNT-T))	300,000	0.14
Total		175,837,740	79.93

Note:

⁽¹⁾ Substantial unit holder⁽²⁾ Related company to Manager



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MANAGER'S REPORT

ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2017

Pelaburan Hartanah Nasional Berhad ("PHNB"), the Manager of Amanah Harta Tanah PNB ("AHP" or "the Trust"), has the pleasure in presenting the Manager's Report on the Trust together with the audited financial statements of the Trust for the financial year ended 31 December 2017.

THE TRUST, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

AHP, a Real Estate Investment Trust, was constituted under a Deed of Trust dated 20 March 1989, between the Manager, PHNB, the Trustee, Amanah Raya Berhad and the several persons who acquire units in the Trust. Pursuant to the Fourth Supplemental Trust Deed of AHP dated 15 January 2010, Amanah Raya Berhad retired and Amanah Raya Trustees Berhad was appointed as the Trustee of AHP.

AHP was launched on 21 March 1989 and was listed on Bursa Malaysia Securities Berhad ("Bursa Securities") on 28 December 1990. The principal activity of the Trust is investment in real estates and other authorised investments with the objectives of achieving steady returns and for long term capital growth. There has been no significant change in the nature of this activity during the year.

The Manager, a company incorporated in Malaysia, is a subsidiary company of Permodalan Nasional Berhad ("PNB"). The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the year.

PNB is a company incorporated in Malaysia. Its principal activity is investment holding mainly for the purpose of promoting greater ownership of shares in the corporate sector in Malaysia by the Bumiputera.

MANAGEMENT FEE AND COMMISSIONS

As provided in the Deed of Trust, the Manager is entitled to a management fee not exceeding 2% per annum of the net asset value of the Trust on each day of the accrual period. The management fee charged for the year ended 31 December 2017 is 1% (2016: 1%) per annum of the daily net asset value of the Trust. No initial service charge, fee or commission has been earned by the Manager in managing the Trust other than the acquisition fee for Mydin Seremban 2 amounting to RM1,200,000, included as part of the additions of completed real estates as disclosed in Note 13 and the management fee of RM2,745,799 (2016: RM1,569,039) as disclosed in Note 7 to the financial statements.

TERM OF THE TRUST

The Trust will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 23 of the First Restated Deed of Trust.

INVESTMENT OBJECTIVE

The main investment objective of the Trust is to provide a reasonable level of income return to unit holders and allow them to gain from capital growth through the acquisition of a selected portfolio of real estate investments which have potential for long term capital growth.

INVESTMENT POLICY AND STRATEGY

The investment policy of the Trust is directed towards the expansion of the Trust through continuous search for quality real estate which give reasonable yield and have capital appreciation potential.

The Manager will continue to exercise a prudent investment strategy with a view of generating stable and consistent income for the Trust. Property selection for the Trust will be based on a process with the main focus on criteria such as the location of the property, the potential for capital growth, physical quality of the property as well as the quality of the tenancy.

MANAGER'S REPORT**ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)****INVESTMENT POLICY AND STRATEGY (CONTD.)**

During the financial year, the Manager continued to exercise prudent investment strategy with a view of generating stable and consistent income for the Trust. The Manager continued to establish good rapport with the tenants to ensure sustainable long term relationship with the tenants, thus ensuring continuous flow of rental income to the Trust.

INVESTMENTS OF THE TRUST

Total investments of the Trust, including cash and bank balances as at 31 December 2017 was RM468,708,275 (2016: RM455,675,438). Details of the investment portfolio of the Trust are as follows:

	2017		2016	
	RM	%	RM	%
At fair value:				
Real estate				
- Completed commercial and office buildings	446,769,822	95.32	446,095,719	97.90
At amortised cost:				
Deposits with financial institutions, cash and bank balances	21,938,453	4.68	9,579,719	2.10
	<u>468,708,275</u>	<u>100.00</u>	<u>455,675,438</u>	<u>100.00</u>

Details of the investments are as disclosed in Notes 13 to 14 to the financial statements.

PERFORMANCE OF THE TRUST

	2017	2016
Total net asset value (RM)	<u>281,176,048</u>	<u>153,877,026</u>
Units in circulation (units)	<u>220,000,000</u>	<u>100,000,000</u>
Net asset value per unit attributable to unit holders (sen)	<u>127.81</u>	<u>153.88</u>
Market price per unit (sen)	<u>83.50</u>	<u>97.50</u>
Highest traded price (sen)	<u>100.00</u>	<u>109.00</u>
Lowest traded price (sen)	<u>83.00</u>	<u>97.00</u>

There is no significant change in the assets allocation since the last report.

RESULTS OF THE OPERATIONS OF THE TRUST

The results of the operations of the Trust for the year are as follows:

	RM
Net income before taxation	17,733,051
Taxation	(314,898)
Net income after taxation	<u>17,418,153</u>

MANAGER'S REPORT**ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)****RESULTS OF THE OPERATIONS OF THE TRUST (CONTD.)**

During the financial year, the Trust's net income before taxation increased by RM17,190,137 or 3,166.27% from RM542,914 to RM17,733,051. The increase in net income before taxation is mainly attributed to the increase in gross rental income from new acquisition of property from Mydin Seremban 2 in prior year.

In terms of net rental income, the Trust has recorded an increase of RM15,806,224 or 91.75% from RM17,226,292 in previous year. The Trust's total expenditure increased by RM3,259,357 or 37.41% from RM8,712,817 in the last financial year, mainly due to the financing cost as a result of additional drawdown made in prior year for the upgrading and refurbishment of Plaza VADS and additional financing for the acquisition of Mydin Seremban 2 in prior year.

REVIEW OF THE PROPERTY MARKET

On the economic front, Bank Negara Malaysia (BNM) reported that Malaysia economy grew stronger in the third quarter of 2017 (3Q2017) with GDP surged to 6.2%, higher than 5.8% recorded in the second quarter (2Q2017) and 5.6% in the first quarter (1Q2017). The growth was supported by stronger domestic demand due to the improvement in both investment and consumption, and further reinforced by upbeat export demand. The external sector continued to progress as the world trade activities strengthened. Global economy is expected to grow stronger than expected underpinned by faster growth in the advanced economies as well as the continued improvement in the emerging market and developing economies.

Nevertheless, Malaysia's property market recorded a slight downtrend in property market activities which included Purpose Built Office (PBO) and shopping complex. Based on National Property Information Centre's (NAPIC) statistics, the total volume of transactions decreased by 6% in 2017 suggesting that the demand and supply of properties remained subdued during the year. However, NAPIC's statistic also showed that for the same period, the total value of transactions increased by 5% which projected that there is still value creation in Malaysia's property market trading.

Statistic showed that there is a total of 226 million square foot (mil. sq. ft.) of space for PBO segment throughout Malaysia with WP Kuala Lumpur and Selangor having the biggest share at 94 mil. sq. ft. and 37 mil. sq. ft., respectively.

Of the overall absorption rate, NAPIC reported the national average occupancy rate was 83.5%, notable ones being Pulau Pinang at 81.9%, WP Kuala Lumpur at 81.4%, Johor at 77.7% and Selangor at 74.7%. The remaining PBO spaces available for rent stood at 37 mil. sq. ft..

For retail segment (shopping complex), the existing stock stood at 163 mil. sq. ft. with concentration in Selangor (37 mil. sq. ft.), WP Kuala Lumpur (33 mil. sq. ft.), Johor (19 mil. sq. ft.) and Pulau Pinang (19 mil. sq. ft.).

Similarly, the average national occupancy rate for the retail segment was 81.5% with unoccupied space at 30 mil. sq. ft.. Selangor attained the highest occupancy of 85.4% followed by WP Kuala Lumpur at 84.9% and Johor at 77.1%.

Notwithstanding the above, AHP has doubled its Assets Under Management (AUM) from RM226.9 million in 2015 to RM482.9 million in 2017 following the completion of the acquisition of Mydin Seremban 2 in early 2017, resulting in a mixed/diversified portfolio of asset with a ratio of 46%:54% for office and retail, respectively. For market capitalisation as at December 2017, AHP stood at RM182.6 million and continued to deliver competitive distribution yield of 6.23% against the industry average of 5.78%. AHP is in the midst of building up its portfolio of asset in the near future.

MANAGER'S REPORT**ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)****PROSPECTS**

According to the Ministry of Finance, Malaysia economy in 2018 is forecasted to grow between 5% to 5.5% driven by resilient domestic demand amid a favourable external sector.

Meanwhile, the Malaysian Institute of Economic Research (MIER) forecasted the growth projection for 2018 will be maintained at a range of 4.7% - 5.3% as at October 2017 while awaiting fresh leads.

As for the property market activities, it is expected that it will be another challenging year for 2018. It is forecasted that property market activities will be soft in view of the downtrend in transaction volumes transacted, challenges in occupancy and sluggish rental reversion upwards.

It was also reported by NAPIC that there will be an additional supply of approximately 22 mil. sq. ft of PBO and 20 mil. sq. ft. of shopping complexes in the market by 2018. The additional space will definitely increase the total supply available in both segments which may result in lower occupancy rates if not supported by market demand.

Taking consideration on the scenario, PHNB as the manager of AHP will continue to improve occupancy rates while injecting new accretive assets with the aim of generating better yield to ensure a sustainable income stream for AHP.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DISTRIBUTION OF INCOME

The distributions paid and proposed by the Trust since 31 December 2016:

In respect of the financial year ended 31 December 2016:

	Per Unit		Total	
	Gross Sen	Net of tax Sen	Gross RM	Net of tax RM
Final income distribution of 1.50 sen per unit paid on 28 February 2017	1.50	1.50	3,300,000	3,300,000

In respect of financial year ended 31 December 2017:

	Per Unit		Total	
	Gross Sen	Net of tax Sen	Gross RM	Net of tax RM
Interim income distribution of 2.70 sen per unit paid on 30 August 2017	2.70	2.70	5,940,000	5,940,000

For the financial year ended 31 December 2017, final income distribution of 2.50 sen a unit (tax exempt at the Trust level) on 220,000,000 units, amounting to RM5,500,000 to be paid on 28 February 2018, was approved by the Manager and the Trustee on 17 and 18 January 2018, respectively. The relevant announcement was made on 22 January 2018. The current year financial statements do not reflect this proposed distribution. Such distribution will be accounted for as an appropriation of undistributed income in the next reporting period ending 31 March 2018. In general, the Trust has shown a competitive level of income return and was able to meet its objective of providing reasonable level of income return to the unit holders.

MANAGER'S REPORT

ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)

DISTRIBUTION OF INCOME (CONTD.)

The effect of the final income distributions in terms of the net asset value per unit attributable to unit holders as at 31 December 2017:

	Before distribution sen	After distribution sen
Net asset value per unit attributable to unit holders	127.81	125.31

BREAKDOWN OF UNITHOLDINGS

Unit Class	Number of Unit holders	Percentage of Unit holders (%)	Number of Unitholdings	Percentage of Unitholdings (%)
5,000 and below	4,754	77.95	8,722,779	3.96
5,001 to 10,000	543	8.90	4,585,340	2.08
10,001 to 50,000	618	10.13	14,110,480	6.41
50,001 to 500,000	165	2.71	20,922,221	9.51
500,001 and above	19	0.31	171,659,180	78.04
	<u>6,099</u>	<u>100.00</u>	<u>220,000,000</u>	<u>100.00</u>

DIRECTORS OF THE MANAGER

The directors of the Manager since the beginning of the year and at the date of this report are as follows:

Tan Sri Abdul Wahid bin Omar
 Dato' Abdul Rahman bin Ahmad
 Dato' Idris bin Kechot
 Dato' Nafisah binti Radin
 Encik Hafidz Atrash Kosai bin Mohd Zihim
 Dato' Johan bin Ariffin (appointed on 1 January 2017)
 Datuk Wong Tuck Wai (appointed on 26 January 2017)
 Puan Rosinah binti Mohd Salleh (appointed on 8 February 2017)
 Dato' Mohd Nizam bin Zainordin (appointed on 28 September 2017)

DIRECTORS' BENEFITS

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

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 included in the aggregate amount of emoluments received or due and receivable by the directors as shown in note to the financial statements of PHNB, or a fixed salary of a full-time employee of PNB) by reason of a contract made by the Manager or the Trust or a related corporation with any director or with a firm of which he is a member, or with a company in which he has substantial financial interest.

DIRECTORS' INTEREST

None of the directors in office at the end of the financial year had any interest in the Trust during the financial year.

During and at the end of financial year, no material contracts have been entered into involving any directors and major unit holders.

MANAGER'S REPORT**ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)****OTHER STATUTORY INFORMATION**

- (a) Before the statement of comprehensive income and statement of financial position of the Trust were made out, the Manager took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were 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 might be expected so to realise.
- (b) At the date of this report, the Manager is not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Trust inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Trust misleading.
- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Trust misleading or inappropriate.
- (d) 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 the Trust which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Trust which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Trust which has arisen since the end of the financial year.
- (f) In the opinion of the directors of the Manager:
- (i) no contingent or other liability of the Trust has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Trust to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Trust for the financial year in which this report is made.
- (g) Neither the Manager nor its delegates receive any soft commission from its brokers by virtue of transactions transacted by the Trust.
- (h) AHP has not been involved or undertaken any corporate social responsibility ("CSR") activities or practices. However, PNB Group, the larger entity to which the Manager is part of, is highly committed to a variety of CSR programmes which include education, social and welfare programmes for members of the public.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Messrs. Hanafiah Raslan & Mohamad, have indicated their willingness to continue in office.

Auditors' remuneration are disclosed in the statement of comprehensive income.

Signed on behalf of PELABURAN HARTANAH NASIONAL BERHAD, being the Manager of AMANAH HARTA TANAH PNB, in accordance with a resolution of the directors dated 17 January 2018.

TAN SRI ABDUL WAHID BIN OMAR

DATO' ABDUL RAHMAN BIN AHMAD

Kuala Lumpur, Malaysia

STATEMENT BY MANAGER

We, TAN SRI ABDUL WAHID BIN OMAR and DATO' ABDUL RAHMAN BIN AHMAD, being two of the directors of PELABURAN HARTANAH NASIONAL BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 45 to 74 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts and the provisions of the Trust Deed so as to give a true and fair view of the financial position of AMANAH HARTA TANAH PNB as at 31 December 2017 and of its financial performance and cash flows for the year then ended.

Signed on behalf of PELABURAN HARTANAH NASIONAL BERHAD, being the Manager of AMANAH HARTA TANAH PNB, in accordance with a resolution of the directors dated 17 January 2018.

TAN SRI ABDUL WAHID BIN OMAR

DATO' ABDUL RAHMAN BIN AHMAD

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

I, DATO' MOHD NIZAM BIN ZAINORDIN, being the officer of the Manager primarily responsible for the financial management of AMANAH HARTA TANAH PNB, do solemnly and sincerely declare that the accompanying financial statements set out on pages 45 to 74 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in the
Federal Territory on 17 January 2018

DATO' MOHD NIZAM BIN ZAINORDIN

Before me,

TRUSTEE'S REPORT
For the Financial Year Ended 31 December 2017

To the Unit holders of
AMANAH HARTA TANAH PNB

We, AmanahRaya Trustees Berhad, have acted as Trustee of AMANAH HARTA TANAH PNB for the financial year ended 31 December 2017. In our opinion, PELABURAN HARTANAH NASIONAL BERHAD, the Manager, has managed AMANAH HARTA TANAH PNB in accordance with the limitations imposed on the investment powers of the management company and the Trustee under the Deed, other provisions of the Deed, the applicable Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year then ended.

We are of the opinion that:

- (a) The procedures and processes employed by the Manager to value and/ or price the units of AMANAH HARTA TANAH PNB are adequate and that such valuation/ pricing is carried out in accordance with the Deed and other regulatory requirements; and
- (b) The distribution of returns made by AMANAH HARTA TANAH PNB as declared by the Manager is in accordance with the investment objective of AMANAH HARTA TANAH PNB.

Yours faithfully
AMANAHRAYA TRUSTEES BERHAD

HABSAH BINTI BAKAR
Chief Executive Officer

Kuala Lumpur, Malaysia
18 January 2018

Independent Auditors' Report to the unit holders of AMANAH HARTA TANAH PNB

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AMANAH HARTA TANAH PNB ("the Trust"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 74.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our 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 the Trust in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

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

Valuation of investment in real estates

The Trust's disclosures about its investments in real estates and the valuation assumptions are included in Note 13 and 30 respectively. Real estates represent 95.3% of the total amount of the Trust's investments. Because the valuation of the real estates is derived from various valuation models and assumptions, there is significant measurement uncertainty involved in this valuation. As a result, the valuation of real estates was significant to our audit. The Trust has engaged an independent firm of professional valuers to assist with the determination of the fair value by using the comparison and investment method of valuation in accordance with the Malaysian Valuation Standards.

Our audit procedures focused on the valuations performed by firms of independent valuers, which included amongst others the following procedures:

- (i) We considered the objectivity, independence and expertise of the firms of independent valuers;
- (ii) We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry; and
- (iii) As part of our evaluations of the fair values of investment properties, we had discussions with the independent valuers to obtain an understanding of the input to the valuation models.

Independent Auditors' Report to the unit holders of AMANAH HARTA TANAH PNB (Contd.)

Information other than financial statements and auditors' report thereon

The Manager of the Trust is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Trust and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements of the Trust, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Manager of the Trust and take appropriate action.

Responsibilities of the Manager and the Trustees for the financial statements

The Manager of the Trust is responsible for the preparation of financial statements of the Trust that give a true and fair view in accordance with 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 the Trust that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

In preparing the financial statements of the Trust, the Manager is responsible for assessing the Trust'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 intends to either liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Trust 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 in 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards in 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 the Trust, 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

Independent Auditors' Report to the unit holders of AMANAH HARTA TANAH PNB

Report on the audit of the financial statements

Auditor's responsibilities for the audit of the financial statements (Contd.)

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

- Conclude on the appropriateness of 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 the Trust'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 the Trust 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 auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Trust, including the disclosures, and whether the financial statements of the Trust represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Other matters

This report is made solely to the unit holders of the Trust, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Hanafiah Raslan & Mohamad
AF: 0002
Chartered Accountants

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
17 January 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
INCOME			
Gross rental income			
- Realised		29,241,672	20,836,651
- Unrealised (unbilled rental income receivable)		10,302,997	2,527,181
	5	39,544,669	23,363,832
Less: Real estate operating expenditure	6	(6,509,810)	(6,135,056)
Depreciation		(2,343)	(2,484)
Net rental income		33,032,516	17,226,292
Interest income from deposits with financial institutions		677,749	260,476
Gross dividends from investments in:			
- Real estate-related assets		-	17,813
- Non-real estate-related assets		-	33,384
Unrealised gain/(loss) on revaluation of real estates:			
- Fair value per valuation report	13	6,297,957	(5,750,851)
- Unbilled rental income receivable	13	(10,302,997)	(2,527,181)
Net (loss)/gain from financial assets at fair value through profit and loss ("FVTPL"):			
- Real estate-related assets		-	51,463
- Non-real estate-related assets		-	(55,665)
		29,705,225	9,255,731
EXPENSES			
Management fee	7	(2,745,799)	(1,569,039)
Trustee's fee	8	(130,000)	(130,000)
Auditors' remuneration		(17,500)	(13,500)
Tax agent's fee		(5,100)	(4,400)
Valuation fee		(100,000)	(24,000)
Printing, postage and general expenses		(168,398)	(108,709)
Finance cost - financing facilities	9 (a)	(8,535,802)	(4,548,969)
Deemed finance cost	9 (b)	(269,575)	(2,314,200)
		(11,972,174)	(8,712,817)
NET INCOME BEFORE TAXATION		17,733,051	542,914
TAXATION	10	(314,898)	287,543
NET INCOME AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		17,418,153	830,457
NET INCOME AFTER TAXATION IS MADE UP OF THE FOLLOWING:			
Realised		11,435,094	6,293,765
Unrealised		5,983,059	(5,463,308)
		17,418,153	830,457
EARNINGS PER UNIT (sen)	11	7.92	0.83
EARNINGS PER UNIT (BEFORE MANAGEMENT FEE) (sen)			
- Gross of tax		9.31	2.11
- Net of tax		9.17	2.40
NET INCOME DISTRIBUTION			
Interim income distribution of 2.70 sen per unit paid on 30 August 2017 (2016: 3.00 sen per unit paid on 30 August 2016)	12	5,940,000	3,000,000
Final income distribution of 2.50 sen per unit payable on 28 February 2018 (2016: 1.50 sen per unit paid on 28 February 2017)		5,500,000 *	3,300,000
FINAL INCOME DISTRIBUTION PER UNIT (sen)	12	2.50	1.50
- Gross of tax		2.50	1.50
- Net of tax		2.50	1.50
INTERIM INCOME DISTRIBUTION PER UNIT (sen)	12	2.70	3.00 ^
- Gross of tax		2.70	3.00 ^
- Net of tax		2.70	3.00 ^

* Proposed final income distribution for the year ended 31 December 2017.

^ Based on 100 million units in circulation.

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
INVESTMENTS			
Real estates	13	446,769,822	446,095,719
Deposits with financial institutions	14	21,799,484	9,487,647
TOTAL INVESTMENTS		<u>468,569,306</u>	<u>455,583,366</u>
OTHER ASSETS			
Equipment, furniture and fittings	15	11,061	13,404
Tax recoverable	16	600,998	600,998
Trade receivables	17	296,286	1,666,206
Other receivables	18	13,325,539	10,853,799
Cash and bank balances		138,969	92,072
TOTAL OTHER ASSETS		<u>14,372,853</u>	<u>13,226,479</u>
TOTAL ASSETS		<u>482,942,159</u>	<u>468,809,845</u>
LIABILITIES			
Financing	19	189,785,590	196,505,590
Rental deposits	20	5,359,943	4,951,418
Other payables	21	3,925,982	111,210,941
Amount due to Manager	22	253,225	138,397
Deferred tax liability	23	2,441,371	2,126,473
TOTAL LIABILITIES		<u>201,766,111</u>	<u>314,932,819</u>
FINANCED BY:			
UNIT HOLDERS' FUNDS			
Unit holders' capital	24	219,120,869	100,000,000
Retained earnings		62,055,179	53,877,026
TOTAL NET ASSET VALUE ATTRIBUTABLE TO UNIT HOLDERS		<u>281,176,048</u>	<u>153,877,026</u>
TOTAL UNIT HOLDERS' FUNDS AND LIABILITIES		<u>482,942,159</u>	<u>468,809,845</u>
NUMBER OF UNITS IN CIRCULATION		<u>220,000,000</u>	<u>100,000,000</u>
NET ASSET VALUE ("NAV")		<u>281,176,048</u>	<u>153,877,026</u>
NAV (EX-DISTRIBUTION) PER UNIT		<u>1.2781</u>	<u>1.5388</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Unit holders' Capital RM	← Retained Earnings →		Total NAV Attributable to Unit Holders RM
			Distributable Realised Income RM	Distributable Unrealised Income RM	
At 1 January 2016		100,000,000	13,587,971	45,958,598	159,546,569
Total comprehensive income for the year		-	6,293,765	(5,463,308)	830,457
Income distribution:	12				
Final distribution					
- 31 December 2015		-	(3,500,000)	-	(3,500,000)
Interim distribution					
- 31 December 2016		-	(3,000,000)	-	(3,000,000)
At 31 December 2016		<u>100,000,000</u>	<u>13,381,736</u>	<u>40,495,290</u>	<u>153,877,026</u>
At 1 January 2017		100,000,000	13,381,736	40,495,290	153,877,026
Issuance of units		120,000,000	-	-	120,000,000
Expenses related to issuance of units		(879,131)	-	-	(879,131)
Total comprehensive income for the year		-	11,435,094	5,983,059	17,418,153
Income distribution:	12				
Final distribution					
- 31 December 2016		-	(3,300,000)	-	(3,300,000)
Interim distribution					
- 31 December 2017		-	(5,940,000)	-	(5,940,000)
At 31 December 2017		<u>219,120,869</u>	<u>15,576,830</u>	<u>46,478,349</u>	<u>281,176,048</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 RM	2016 RM Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	17,733,051	542,914
Adjustments for:		
Depreciation	2,343	2,484
Unrealised (gain)/loss on revaluation of real estate: Fair value per valuation report and net accrued rental income	4,005,040	8,278,032
Net (gain)/loss from financial assets at fair value through profit and loss ("FVTPL"):		
- Real estate-related assets	-	(51,463)
- Non-real estate-related assets	-	55,665
Interest income from deposits with financial institutions	(677,749)	(260,476)
Gross dividends from investments in:		
- Real estate-related assets	-	(17,813)
- Non-real estate-related assets	-	(33,384)
Financing costs	8,535,802	4,548,969
Operating profit before working capital changes	29,598,487	13,064,928
Increase in receivables	(1,097,672)	(5,758,215)
Increase in other payables	2,439,921	138,868
Increase in rental deposits	408,525	375,218
Increase/(decrease) in amount due to the Manager	114,828	(5,172)
Net cash generated from operating activities	31,464,089	7,815,627
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in completed real estate	(114,879,143)	(133,283,506)
Proceeds from disposal of:		
- Real estate-related assets	-	687,767
- Non-real estate-related assets	-	1,760,117
Purchase of real and non-real estate related-assets	-	(239,631)
Interest received	673,602	264,114
Dividends received from investments in:		
- Real estate-related assets (Note 14)	-	17,813
- Non-real estate-related assets (Note 14)	-	46,787
(Increase)/decrease in deposits with financial institutions with maturity of more than 3 months	(25,107)	702,315
Net cash used in investing activities	(114,230,648)	(130,044,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown from financing	-	136,611,849
Financial service reserve account pledged	(10,812)	(1,387,500)
Increase in deposits restricted	(5,620)	(179,680)
Financing costs paid	(8,060,683)	(3,956,660)
Financing principal paid	(6,720,000)	-
Proceeds from rights issue	119,120,869	-
Payment of income distributions	(9,240,000)	(6,500,000)
Net cash generated from financing activities	95,083,754	124,588,009
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,317,195	2,359,412
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,827,646	5,468,234
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20,144,841	7,827,646
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	138,969	92,072
Deposits with financial institutions (Note 14)	21,799,484	9,487,647
	21,938,453	9,579,719
Deposits with financial institutions with maturity of more than 3 months	(210,000)	(184,893)
Deposits restricted (Note 14)	(185,300)	(179,680)
Financial service reserve account (Note 14)	(1,398,312)	(1,387,500)
Cash and cash equivalents	20,144,841	7,827,646

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

1. THE TRUST, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Amanah Harta Tanah PNB ("AHP" or "the Trust"), a Real Estate Investment Trust, was constituted under a Deed of Trust dated 20 March 1989, between the Manager, Pelaburan Hartanah Nasional Berhad ("PHNB" or "the Manager"), the Trustee, AmanahRaya Trustees Berhad and the several persons who acquire units in the Trust.

The Trust was launched on 21 March 1989 and was listed on the Bursa Malaysia Securities Berhad ("Bursa Securities") on 28 December 1990. The principal activity of the Trust is investment in real estates and other authorised investments with the objectives of achieving steady returns and for long term capital growth. There has been no significant change in the nature of this activity during the year.

The Manager, a company incorporated in Malaysia, is a subsidiary company of Permodalan Nasional Berhad ("PNB"). The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the year.

PNB is a company incorporated in Malaysia. Its principal activity is investment holding mainly for the purpose of promoting greater ownership of share capital in the corporate sector in Malaysia by the Bumiputera.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the directors on 17 January 2018.

2. TERM OF THE TRUST

The Trust will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 23 of the First Restated Deed of Trust of AHP.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and applicable Securities Commission's Guidelines on Real Estate Investment Trusts.

The financial statements of the Trust have been prepared under the historical cost convention except for investment in real estates which are stated at fair value.

The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Trust.

The comparatives for the statement of cash flows have been reclassified to conform with current year presentation.

(a) Early adoption of MFRS 9 Financial Instruments: Classification and Measurement ("MFRS 9")

Since the prior financial year, the Trust has applied MFRS 9 Financial Instruments ("MFRS 9") (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of their effective dates. The date of initial application (i.e the date on which the Trust has assessed its existing financial assets and financial liabilities) is 1 January 2011.

(b) Changes in accounting policies

The new and revised MFRSs which are mandatory for companies with financial period beginning on or after 1 January 2017 do not give rise to any significant effects on the financial statements of the Trust.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

3. BASIS OF PREPARATION (CONTD.)

(c) Standards issued but not yet effective

The following are standards issued but not yet effective up to the date of issuance of the Trust's financial statements.

	Effective for financial period beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 15 Clarifications to MFRS 15	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 128 Investments in Associates and Joint Ventures (Amendments to MFRS 128: Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Investments in Associates and Joint Ventures (Amendments to MFRS 128: Long Term Interests in Associates Joint Ventures)	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Standards, Amendments and Interpretation that have been issued by Malaysian Accounting Standard Board ("MASB") as at the date of authorisation of these financial statements are not relevant to the Trust other than the following:

Effective for financial periods beginning on or after 1 January 2018**MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2015)**

On 24 July 2015, the International Accounting Standard Boards ("IASB") issued the final version of IFRS 9 which includes the three phases of the financial instruments projects; Classification and measurement, Impairment (Expected credit losses) and Hedge accounting. Subsequently, MASB issued a pronouncement on 17 November 2015 to fully adopt the new IFRS 9 requirements. As the Trust has early adopted the previous version of MFRS 9 prior to 31 January 2015, the Trust may continue to apply that version of MFRS 9 until the mandatory effective date of 1 January 2018.

The application of MFRS 9 is expected to result in an increase in the impairment provision required for trade receivables. The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Trust will apply the simplified approach whereby lifetime ECL will be applied to its trade receivables. The Manager of the Trust is currently finalising the impairment model to comply with the requirements of MFRS 9.

MFRS 15 Revenue from contracts with customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

3. BASIS OF PREPARATION (CONTD.)

(c) Standards issued but not yet effective (Contd.)

MFRS 15 Revenue from contracts with customers (Contd.)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018.

The application of MFRS 15 requires the Trust to identify all promised services to determine if separate performance obligations exist. In its preliminary assessments, the Trust’s revenue may include maintenance and ancillary services that need to be accounted for separately. The Manager of the Trust is currently finalising its review of the relevant contracts with tenants in order to determine the appropriate treatment under MFRS 15.

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Trust does not expect the adoption of MFRS 16 to have a significant impact on the financial statements of the Trust upon the initial adoption.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Assets

Financial assets are recognised when the Trust becomes a party to the contractual provision of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Financial Assets (contd.)

The Trust determines the classification of its financial assets at initial recognition, and its financial assets include receivables, deposits with financial institutions and cash and bank balances.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the assets.

(i) Classification of financial assets

Unless designated as at FVTPL on initial recognition, debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- The assets is held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost.

(iii) Financial assets at fair value through profit or loss ("FVTPL")

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurements recognised in profit or loss.

Interest income on debt instruments at FVTPL is disclosed separately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Financial Assets (contd.)

(iv) Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- It becomes probable that the borrower will enter bankruptcy or financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(v) Derecognition of financial assets

The Trust derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Trust recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Trust continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of financial asset classified as FVTPL, the cumulative unrealised gain or loss previously recognised is transferred to realised gain or loss on disposal in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Financial Liabilities and Equity Instruments**Classification as debt or equity**

Debt and equity instruments issued by the Trust are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Trust becomes a party to the contractual provisions of the financial instruments.

All financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

The Trust derecognised financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Income Recognition**(i) Rental income**

Rental income arising from operating leases on real estates is accounted for on a straight-line basis over the lease terms.

Pursuant to the requirements of MFRS 117 Leases to recognise income from operating lease on a straight-line basis, including contractual increase in rental rates over the fixed tenure of the lease agreement, unrealised rental income relating to the unbilled rental income receivable are also included in the rental income for the year.

(ii) Gross dividend income

Gross dividend income from quoted shares are recognised on a declared basis, when the right to receive dividends has been established.

(iii) Other Income

Interest income, car park income and other real estate income are accounted for on an accrual basis.

(d) Equipment, Furniture and Fittings, Computer Equipment and Depreciation

Equipment, furniture and fittings and computer equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4(l). Depreciation of equipment, furniture and fittings and computer equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Equipment	20%
Furniture and fittings	20%
Computer equipment	25%

Upon the disposal of equipment, furniture and fittings, and computer equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Real Estates

Real estates are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, real estate are stated at fair value. The fair value of real estates is determined using the comparison and investment method which considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process, performed by registered independent valuers having an appropriate recognised qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair value of real estate are recognised in profit or loss in the year in which they arise.

Where the fair value of the real estate under construction ("REUC") is not reliably determinable, the REUC is measured at cost until either its fair value has been reliably determinable or construction is complete, whichever is earlier.

Real estate are derecognised when either they have been disposed of or when the real estate is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of a real estate are recognised in profit or loss in the year in which they arise.

(f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) The Trust as a lessor

Leases in which the Trust does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(g) Proposed Distribution

Proposed distribution is recognised once the obligation to pay has been established.

Proposed distribution will be disclosed by way of note to the financial statements and such distribution will be accounted for as an appropriation of undistributed income in the period where the obligation to pay has been established.

(h) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value with an original maturity of 3 months or less.

(i) Unit holder's Capital

The unit holder's capital of the Trust meet the definition of puttable instruments classified as equity instruments under the revised MFRS 132 Financial Instruments: Presentation.

(j) Segmental Reporting

For management purposes, the Trust has one operating segment - real estates. The operating results are regularly reviewed by the Manager, who assumes the role of chief operating decision maker, for performance assessment purposes and to make decisions about resources allocated to each investment segment.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

(i) Current Tax

Current tax expense is the expected amount of tax payable in respect of the undistributed taxable income for the year and is measured using the statutory tax rates that have been enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

(ii) Deferred Tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused investment tax allowances, unused tax losses and unused tax credit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused investment tax allowances, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on statutory tax rates at the reporting date.

Deferred tax is provided for unrealised fair value adjustments on real estate at the prevailing Real Property Gains Tax rate based on the presumption of realisation through eventual sale of the real estate.

(l) Impairment of Non-financial Assets

At each statement of financial position date, the Manager reviews the carrying amounts of the Trust's non-financial assets other than real estates, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. An impairment loss is charged to the profit or loss immediately.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(m) Significant Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future. The most significant use of judgements is as follows:

Valuation of real estates

There is significant judgement involved in the valuation of real estates as these valuation of real estates are derived from various valuation models and assumptions. The details of the valuation and key assumptions are disclosed in Note 13 and Note 30 of financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

5. GROSS RENTAL INCOME

		2017 RM	2016 RM
Realised:			
Realised rental income	(a)	28,700,419	18,345,156
Other real estate income	(b)	541,253	2,491,495
		<u>29,241,672</u>	<u>20,836,651</u>
Unrealised:			
Unbilled rental income receivables		10,302,997	2,527,181
		<u>39,544,669</u>	<u>23,363,832</u>

(a) Included in the rental income is rental received from a company related to the Manager amounting to RM156,000 (2016: RM156,000). The details are disclosed in Note 25.

(b) Included in the other real estate income is an amount of RM269,575 (2016: RM2,314,200) related to the deemed rental income during the pre-completion period for the acquisition of Mydin Seremban 2.

6. REAL ESTATE OPERATING EXPENDITURE

Included in the amounts are the following:

		2017 RM	2016 RM
Maintenance, repairs and improvements expenses		1,897,710	1,715,324
Assessment		918,852	918,852
Quit rent		55,297	55,297
Utilities		2,266,260	2,005,135
Others		1,205,856	1,284,073
Property Manager's fee*		165,835	156,375
		<u>6,509,810</u>	<u>6,135,056</u>

* The Property Manager, I.M Global Building Services Sdn Bhd ("IMG") (2016: IMG), is entitled to a property management fee in respect of the maintenance of the real estates owned by the Trust, as provided in the Deed of Trust. The fee is based on a certain graduated scale as provided in the Deed of Trust and as prescribed in the revised Valuers, Appraisers and Estate Agents Act 1981 and its rules.

7. MANAGEMENT FEE

The Manager is entitled to a fee not exceeding 2% per annum of the Net Asset Value ("NAV") of the Trust on each day of the accrual period, as defined in the Deed of Trust. The management fee charged for the year ended 31 December 2017 is 1% (2016: 1%) per annum of the daily NAV of the Trust.

No other fee, commission or initial service charges has been paid or is payable to the Manager other than the acquisition fee for Mydin Seremban 2 amounting to RM1,200,000, included as part of the additions of completed real estates as disclosed in Note 13.

8. TRUSTEE'S FEE

The Trustee is entitled to a fee not exceeding 0.1% per annum of the net asset value of the Trust on each day of the accrual period, as defined in the Deed of Trust. The Trustee's fee charged for the year ended 31 December 2017 is RM130,000 (2015: RM130,000).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

9. FINANCE COSTS

(a) Financing facilities	2017 RM	2016 RM
Islamic Revolving Credit Facility (i-RC)	3,035,802	4,098,149
Term Loan (i-TL)	5,500,000	450,820
	<u>8,535,802</u>	<u>4,548,969</u>

(b) This relates to the deemed finance cost during the pre-completion period for the acquisition of Mydin Seremban 2 as disclosed in Note 21(a).

10. TAXATION

Deferred tax (Note 23):	2017 RM	2016 RM
Relating to origination and reversal of temporary differences	314,898	(287,543)
	<u>314,898</u>	<u>(287,543)</u>

Pursuant to Section 61A(1) of Income Tax Act, 1967 under the Finance Act 2006, the total income of the Trust for the year of assessment shall be exempted from tax provided that 90% or more of the total income of the Trust is distributed to its unit holders. Total income of the Trust is equivalent to the amount of income distributable to unit holders.

As the Trust distributes at least 90% of its total income, the Trust is fully exempt from taxation.

A reconciliation of income tax expense applicable to net income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Trust is as follows:

	2017 RM	2016 RM
Net income before taxation	<u>17,733,051</u>	<u>542,914</u>
Taxation at Malaysia statutory tax rate of 24% (2016: 24%)	4,255,932	130,299
Effect of income not subject to tax	(4,332,419)	(2,127,390)
Expenses not deductible for tax purposes	76,866	1,997,470
Utilisation of current year capital allowances	(379)	(379)
Effect of deferred tax recognised at RPGT rate	314,898	(287,543)
Tax expense/(credit) for the year	<u>314,898</u>	<u>(287,543)</u>

11. EARNINGS PER UNIT

The earnings per unit for the year has been calculated by dividing the net income after taxation for the year of RM17,418,153 (2016: RM830,457) by the number of units in circulation as at the statement of financial position date of 220,000,000 (2016: 100,000,000).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

12. INCOME DISTRIBUTION

	2017		2016	
	Gross RM	Net RM	Gross RM	Net RM
Interim income distribution of 2.70 sen per unit paid on 30 August 2017 (2016: 3.00 sen per unit paid on 30 August 2016)	5,940,000	5,940,000	3,000,000	3,000,000
Final income distribution of 2.50 sen per unit payable on 28 February 2018 (2016: 1.50 sen per unit paid on 28 February 2017)	5,500,000	5,500,000	3,300,000	3,300,000
Total distribution for the year	11,440,000	11,440,000	6,300,000	6,300,000

* For the financial year ended 31 December 2017, final income distribution of 2.50 sen per unit (tax exempt at Trust level) on 220,000,000 units amounting to RM5,500,000 to be paid on 28 February 2018, was approved by the Manager and the Trustee on 17 and 18 January 2018, respectively. The relevant announcement was made on 22 January 2018. The financial statements for the current year do not reflect this proposed distribution. Such distribution will be accounted for as an appropriation of undistributed income in the next reporting period ending 31 March 2018.

Sources of Distribution

Distribution to unit holders is from the following sources:

	2017 RM	2016 RM
Net rental income (excluding unrealised unbilled rental income receivable)	22,729,519	14,701,144
Gross dividends from investments in:		
- Real estate-related assets	-	17,813
- Non-real estate-related assets	-	33,384
Interest income from deposits with financial institutions	677,749	260,476
Previous years' realised income	4,906	-
	23,412,174	15,012,817
Less: Expenses	(11,972,174)	(8,712,817)
Total distribution	11,440,000	6,300,000
Gross/net interim income distribution per unit (sen)	2.70	3.00
Gross/net proposed final income distribution per unit (sen)	2.50	1.50
Gross/net total interim income distribution	5,940,000	3,000,000
Gross/net total proposed final income distribution	5,500,000	3,300,000
	11,440,000	6,300,000

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

13. REAL ESTATES

	Completed real estate at fair value RM	Real estate under construction at cost RM	Total RM
At 31 December 2017			
At 1 January 2017	446,095,719	-	446,095,719
Addition	4,679,143	-	4,679,143
Fair value per valuation report	6,297,957	-	6,297,957
Accrued rental income	(10,302,997)	-	(10,302,997)
At 31 December 2017	446,769,822	-	446,769,822
At 31 December 2016			
At 1 January 2016	180,700,000	30,190,245	210,890,245
Reclass to completed real estate	30,190,245	(30,190,245)	-
Addition	243,483,506	-	243,483,506
Fair value per valuation report	(5,750,851)	-	(5,750,851)
Accrued rental income	(2,527,181)	-	(2,527,181)
At 31 December 2016	446,095,719	-	446,095,719

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations as at reporting date. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the income method that makes reference to estimated market rental values and equivalent yields.

Properties pledged as security

Certain investment properties of the Trust amounting to RM200,000,000 is pledged against financing facilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

13. REAL ESTATES (CONTD.)

Details of investment in completed real estates and basis of valuation are as follows:

Description of Real Estate	Tenure	Date of Acquisition	Cost of Acquisition and Additions RM	Fair Value* RM
Plaza VADS, Taman Tun Dr. Ismail, Kuala Lumpur**	Freehold	21/03/1989	116,844,332	137,120,938
Bangunan AHP, Taman Tun Dr. Ismail, Kuala Lumpur	Freehold	21/03/1989	33,642,435	44,300,000
Sri Impian, Taman Setiawangsa, Kuala Lumpur	Freehold	15/05/1996	13,771,846	15,000,000
Strata shop office, Asia City, Kota Kinabalu	Leasehold	12/12/1995	1,652,917	1,900,000
Three storey shop house in Taman Tun Dr. Ismail, Kuala Lumpur	Freehold	16/10/1995	909,879	4,300,000
Four storey shop office, Pusat Bandar Melawati, Kuala Lumpur	Freehold	30/08/1996	814,016	2,100,000
Mydin Seremban 2 Seremban, Negeri Sembilan**	Perpetuity	27/04/2015***	243,044,855	242,048,884
			410,680,280	446,769,822

* Fair values as at 31 December 2017 is determined based on valuation dated 30 November 2017 by an independent firm of professional valuers by using the comparison and investment method of valuation in accordance with the Malaysian Valuation Standards. Further details of the valuation method is provided in Note 30 of the financial statements.

All the real estates were valued by the following valuers:

Name of Firm	Name of Valuer and Qualification
Rahim & Co International Sdn Bhd	Thong Soo Fun B. Surv (Property Management), UTM M.R.I.S.M Registered Valuer - V561
	Max Sylver Sintia BSc (Hons) Estate Management, UiTM M.R.I.S.M Registered Valuer - V0936
	Kan Kok Leong MSc (Real Estate Management), Oxford Brookes M.R.I.C.S., M.R.I.S.M., M.P.E.P.S., M.M.I.P.P.M. Registered Valuer - V588

Rahim & Co International Sdn Bhd is an associate of Permodalan Nasional Berhad, the parent company of the Manager. The valuation fee paid to Rahim & Co. during the year is RM100,000.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

13. REAL ESTATES (CONTD.)

** The fair values per valuation report for Mydin Seremban 2 and Plaza VADS have been adjusted for the accrued rental income receivables as follows:

*** Based on the sales and purchase agreement. All conditions precedents were complied on 13 September 2016

	Per valuation report RM	Accrued rental income RM	Fair value RM
At 31 December 2017			
Mydin Seremban 2	253,000,000	(10,951,116)	242,048,884
Plaza VADS	139,000,000	(1,879,062)	137,120,938
At 31 December 2016			
Mydin Seremban 2	240,000,000	(2,527,181)	237,472,819

14. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2017 RM	2016 RM
Fixed deposits	185,300	179,680
Short term deposits	-	3,330,681
Islamic instruments	21,614,184	5,977,286
Total deposits with financial institutions	21,799,484	9,487,647

The weighted average effective interest/profit rates ("WAEIPR") per annum and the average maturity of deposits with financial institutions as at the reporting date were as follows:

	2017		2016	
	WAEIPR (% p.a.)	Average Maturity (Days)	WAEIPR (% p.a.)	Average Maturity (Days)
Licensed banks	3.49	13	3.99	26

Included within deposits with financial institutions are balances with maturity of less than 90 days amounting to RM21,589,484 (2016: RM9,302,754).

The Islamic instruments include amounts held in Financial Service Reserve Account for the Islamic Term Loan as disclosed in Note 19(a) amounting to RM1,398,312 (2016: RM1,387,500).

Fixed deposits include an amount of RM185,300 (2016: RM179,680) for pledged as Bank Guarantee with a financial institution for Tenaga Nasional Berhad in relation to electricity deposit for Plaza VADS and Bangunan AHP.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

15. EQUIPMENT, FURNITURE AND FITTINGS

	Equipment RM	Furniture and Fittings RM	Computer Equipment RM	Total RM
Cost				
At 1 January 2016/ 31 December 2016/ 31 December 2017	70,163	54,745	24,301	149,209
Accumulated Depreciation				
At 1 January 2016	54,447	54,583	24,291	133,321
Charge for the year	2,343	141	-	2,484
At 31 December 2016	56,790	54,724	24,291	135,805
Charge for the year	2,343	-	-	2,343
At 31 December 2017	59,133	54,724	24,291	138,148
Net Book Value				
At 31 December 2017	11,030	21	10	11,061
At 31 December 2016	13,373	21	10	13,404
Depreciation charge for 2017	2,343	-	-	2,343
Depreciation charge for 2016	2,343	141	-	2,484

Included in equipment, furniture and fittings of the Trust are cost of fully depreciated assets which are still in use amounting to RM125,782 (2016: RM125,573).

16. TAX RECOVERABLE

The tax recoverable amount represents over payment of tax to the Malaysian Inland Revenue Board (Malaysian IRB) and is recoverable.

17. TRADE RECEIVABLES

	2017 RM	2016 RM
Trade receivables	296,286	1,838,626
Less: Allowance for impairment	-	(172,420)
Trade receivables, net	296,286	1,666,206

The Trust's normal credit term is 30 days. The trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

17. TRADE RECEIVABLES (CONTD.)

Ageing analysis of trade receivables

The ageing analysis of the Trust's trade receivables is as follows:

	2017 RM	2016 RM
Neither past due nor impaired	193,967	1,187,341
31 to 60 days past due not impaired	20,264	157,247
61 to 90 days past due not impaired	19,316	18,037
91 to 120 days past due not impaired	12,633	555
More than 121 days past due not impaired	50,106	303,026
	<u>296,286</u>	<u>1,666,206</u>
Impaired	-	172,420
	<u>296,286</u>	<u>1,838,626</u>

The Trust's trade receivables that are impaired at the reporting date are as follows:

	2017 RM	2016 RM
Trade receivables	-	172,420
Less: Allowance for impairment	-	(172,420)
	<u>-</u>	<u>-</u>

Movement in the allowance for impairment during the year:

	2017 RM	2016 RM
At 1 January	172,420	172,420
Amount written off	(172,420)	-
At 31 December	<u>-</u>	<u>172,420</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Trust.

None of the Trust's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Trust has trade receivables amounting to RM102,319 (2016: RM478,865) that are past due at the reporting date. The remaining receivables that are past due but not impaired are expected to be collected in the next 12 months.

There is no concentration on credit risk on the balances as at year end.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

18. OTHER RECEIVABLES

	2017 RM	2016 RM
Interest	16,915	12,767
Deposits	415,783	415,783
Accrued rental income receivable	12,830,178	2,527,181
Prepayments	62,663	594,207
GST receivable	-	7,303,861
	<u>13,325,539</u>	<u>10,853,799</u>

19. FINANCING

	2017 RM	2016 RM
Islamic Revolving Credit (i-RC)	64,785,590	71,505,590
Islamic Term Loan (i-TL)	125,000,000	125,000,000
	<u>189,785,590</u>	<u>196,505,590</u>

(a) Islamic revolving credit (i-RC)

The i-RC is to finance the upgrading and refurbishment of Plaza VADS and construction of new Annex Block of Plaza Vads. The i-RC are secured by a first party legal charge over Plaza VADS. The facility has no fixed maturity and is subject to yearly or any periodical review at the discretion of the bank and is callable on demand.

The financing bears profit rate of 4.33% to 4.40% (2016: 4.32% to 4.52%) per annum.

As at 31 December 2017, the Trust has made fourteen (2016: fifteen) drawdowns amounting to RM64,785,590 (2016: RM71,505,590).

At the date of authorisation of the financial statements, the Trust has subsequently rolled over these drawdowns for another three months.

(b) Islamic term loan (i-TL)

i-TL is to finance the purchase of Mydin Seremban 2. The facility is secured by a first party legal charge over Mydin Seremban 2. The facility requires a Financial Service Reserve Account to be maintained throughout the facility tenure as disclosed in Note 14 to the financial statements.

The financing bears profit rate of 4.40% (2016: 4.40%) per annum, and will mature on 13 September 2021.

The changes in the financing during the current and previous financial years are as follows:

	2017 RM	2016 RM
1 January	196,505,590	59,893,741
Drawdown during the year	-	136,611,849
Principal paid during the year	(6,720,000)	-
31 December	<u>189,785,590</u>	<u>196,505,590</u>

20. RENTAL DEPOSITS

	2017 RM	2016 RM
Payable within 12 months	3,122,697	2,801,334
Payable after 12 months	2,237,246	2,150,084
	<u>5,359,943</u>	<u>4,951,418</u>

Included in the rental deposit is an amount of RM65,400 (2015: RM65,400) received from companies related to the Manager as disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

21. OTHER PAYABLES

	2017 RM	2016 RM
Rental received in advance	1,299,665	-
Financing costs payable	1,166,335	691,216
Sundry payables	1,404,232	184,248
Provision for property expenditure	55,750	135,477
Amount due to vendor	-	110,200,000
	<u>3,925,982</u>	<u>111,210,941</u>

(a) In prior year, the amount represents the remaining balance of purchase price for Mydin Seremban 2 which was settled via proceeds from the rights issue in 2017. The acquisition of the Mydin Seremban 2 was funded by borrowing of RM125,000,000 and proceeds from the rights issue.

22. AMOUNT DUE TO MANAGER

The amount due to Manager is in respect of management fee, and is unsecured, interest free and repayable on demand.

23. DEFERRED TAX LIABILITY

	2017 RM	2016 RM
At 1 January	2,126,473	2,414,016
Recognised in profit or loss	314,898	(287,543)
At 31 December	<u>2,441,371</u>	<u>2,126,473</u>

The deferred tax liability relates to Real Property Gains Tax ("RPGT") on fair value adjustments of real estate which are expected to be recovered through sale.

24. UNITS HOLDERS' CAPITAL

	Number of Units		Amount	
	2017 Units	2016 Units	2017 RM	2016 RM
Authorised:				
At end of year	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:				
At beginning of the year	100,000,000	100,000,000	100,000,000	100,000,000
Issuance during the year	120,000,000	-	120,000,000	-
Expenses relating to issuance of units	(879,131)	-	(879,131)	-
At end of year	<u>219,120,869</u>	<u>100,000,000</u>	<u>219,120,869</u>	<u>100,000,000</u>

As at 31 December 2017, the Manager did not hold any unit in the Trust. However, PNB held 11,139,700 (2016: 5,063,500) units, representing approximately 5.06% (2016: 5.06%) of the total units in issue. Based on market price as at 31 December 2017 of 83.5 sen (2016: 97.5 sen) per unit, the value of units held by PNB was RM9,301,650 (2016: RM4,936,913).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

25. RELATED PARTY DISCLOSURES

	2017 RM	2016 RM
Amanah Saham Nasional Berhad ("ASNB"), a wholly-owned subsidiary of PNB		
- Rental income received during the year	156,000	156,000
- Rental deposits balance as at year end	<u>65,400</u>	<u>65,400</u>

26. PORTFOLIO TURNOVER RATIO

	2017 RM	2016 RM
Portfolio Turnover Ratio ("PTR")	<u>1.91 times</u>	<u>1.87 times</u>

PTR is the ratio of the average of acquisitions and disposals of investments for the year to the average Net Asset Value ("NAV") of the Trust, calculated on a yearly basis.

Since the average NAV of the Trust is calculated on a yearly basis, comparison of the PTR of the Trust with other unit trusts which use different basis of calculation may not be an accurate comparison.

27. MANAGEMENT EXPENSE RATIO

	2017 RM	2016 RM
Management Expense Ratio ("MER")	<u>1.45%</u>	<u>1.18%</u>

MER is calculated based on the total fees and expenses incurred for the year by the Trust divided by the average NAV of the Trust, calculated on yearly basis.

Since the average NAV of the Trust is calculated on a yearly basis, comparison of the MER of the Trust with other unit trusts which use different basis of calculation may not be an accurate comparison.

28. SEGMENTAL REPORTING

Geographical information

For management purposes, the Trust has one operating segment - real estates. The operating results are regularly reviewed by the Manager, who assumes the role of chief operating decision maker, for performance assessment purposes and to make decisions about resources allocated to each investment segment.

The Trust's assets are located in Malaysia and hence, revenue is generated in Malaysia.

29. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The Trust's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 4(a), 4(b) and 4(c) describe how the classes of financial instruments are measured, and how income and expenses, including fair value on gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Trust in the statement of financial position as at 31 December 2016 by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

29. FINANCIAL INSTRUMENTS (CONTD.)

(a) Classification of financial instruments (contd.)

	Amortised Cost RM	Financial liabilities at amortised cost RM	Total RM
2017			
Assets			
Deposits with financial institutions	21,799,484	-	21,799,484
Trade receivables	296,286	-	296,286
Other receivables	13,262,876	-	13,262,876
Cash and bank balances	138,969	-	138,969
Total financial assets	<u>35,497,615</u>	<u>-</u>	<u>35,497,615</u>
Liabilities			
Financing	-	189,785,590	189,785,590
Rental deposits	-	5,359,943	5,359,943
Other payables	-	3,870,232	3,870,232
Amount due to Manager	-	253,225	253,225
Total financial liabilities	<u>-</u>	<u>199,268,990</u>	<u>199,268,990</u>
2016			
Assets			
Deposits with financial institutions	9,487,647	-	9,487,647
Trade receivables	1,666,206	-	1,666,206
Other receivables	2,955,731	-	2,955,731
Cash and bank balances	92,072	-	92,072
Total financial assets	<u>14,201,656</u>	<u>-</u>	<u>14,201,656</u>
Liabilities			
Financing	-	196,505,590	196,505,590
Rental deposits	-	4,951,418	4,951,418
Other payables	-	111,075,464	111,075,464
Amount due to Manager	-	138,397	138,397
Total financial liabilities	<u>-</u>	<u>312,670,869</u>	<u>312,670,869</u>

30. FAIR VALUE HIERARCHY

(a) Fair value information

Fair value of completed real estates is classified as level 3 fair value.

(b) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical real estates that the entity can assess at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

There is no transfer between Level 1 and 2 fair values during the current and previous financial year.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

30. FAIR VALUE HIERARCHY (CONTD.)

(c) Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the real estates.

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

	2017 RM	2016 RM
At 1 January	446,095,719	180,700,000
Addition	4,679,143	273,673,751
Fair value per valuation report	6,297,957	(5,750,851)
Accrued rental income	(10,302,997)	(2,527,181)
At 31 December	446,769,822	446,095,719

The fair value of real estate is determined by independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent professional valuers provide the fair value of the Trust's real estate portfolio annually. Changes in Level 3 fair values are analysed by the management annually after obtaining valuation report from the professional valuers.

The fair value of real estate is determined using the comparison and investment method which considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually net income figure) and a defined value type by converting an income amount into value estimate. This process may consider direct relationship (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 highest return commensurate with a given level of risk leads to the most probable value figure. The significant unobservable input for all investment properties are the capitalisation term yield and the reversion yield that are used as discount factor in deriving the fair values of real estates.

Description of real estates valued on 30 November 2017	Term yield ¹	Reversion yield ²
Plaza VADS, Taman Tun Dr. Ismail, Kuala Lumpur	5.75%	6.00%
Bangunan AHP, Taman Tun Dr. Ismail, Kuala Lumpur	5.75%	6.00%
Sri Impian, Taman Setiawangsa, Kuala Lumpur	5.25%	5.50%
Strata shop office, Asia City, Kota Kinabalu	5.50%	5.75%
Three storey shop house in Taman Tun Dr. Ismail, Kuala Lumpur	3.75%	4.00%
Four storey shop office, Pusat Bandar Melawati, Kuala Lumpur	4.50%	5.00%
Mydin Seremban 2, Seremban, Negeri Sembilan	8.00%	8.25%

¹ yield that the investment properties are expected to achieve and is derived from the current average rental rate, including revision upon renewal of tenancies during the year.

² yield that the investment properties are expected to achieve upon expiry of current term rental.

Significant increases/(decreases) in estimated inputs in isolation would result in a significant (lower)/higher fair value.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Introduction

The Trust's exposure to financial instruments arise from its receivables, deposits with financial institutions, cash and bank balances, financing and other liabilities.

The Trust is exposed to a variety of risks including interest rate risk, credit risk, and liquidity risk. Whilst these are the most important types of financial risks inherent in each type of financial instruments, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Trust.

The Trust's objective in managing risk is the creation and protection of Unit holders' value. Risk is inherent in the Trust's activities, but it is managed through a process of ongoing identification, measurement and monitoring of risks. Financial risk management is also carried out through sound internal control systems and adherence to the investment restrictions as stipulated in the Trust Deed, the Securities Commission's Guidelines on Real Estate Investments Trusts and the Capital Markets and Services Act, 2007.

(b) Risk management structure

The Trust's Manager is responsible for identifying and managing risks. The Board of Directors of the Manager is ultimately responsible for the overall risk management approach within the Trust.

(c) Risk measurement and reporting system

Monitoring and managing risks is primarily set up to be performed based on limits established by the Manager and the Trustee. These limits reflect the investment strategy and market environment of the Trust as well as the level of the risk that Trust is willing to accept. In addition, the Trust monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks type and activities.

(d) Risk mitigation

The Trust has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy. The Manager ensures that the Trust complies with the various regulations and guidelines as stipulated in its Trust Deed, the Securities Commission's Guidelines on Real Estate Investment Trust and the Capital Markets and Services Act, 2007.

It is, and has been throughout the current and previous financial year, the Trust's policy that no derivatives shall be undertaken for either investment or risk management purposes.

(e) Excessive risk concentration

Concentration indicates the relative sensitivity of the Trust's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Trust's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio in accordance with the Trust's Trust Deed, and the Securities Commission's Guidelines on Real Estate Investment Trusts. Portfolio diversification across a number of sectors and industries minimises the risk not only of any single company's securities becoming worthless but also of all holdings suffering uniformly adverse business conditions. Specifically, the Trust's Trust Deed and Securities Commission's Guidelines on Real Estate Investment Trusts limits the Trust's exposure to a single entity/industry sector to a certain percentage of its NAV.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(f) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in interest rates. The maximum risk resulting from financial instruments equals their fair value.

The Trust's investments in deposits with financial institutions carry fixed interest rates and are usually rolled-over on a daily/month basis.

The Trust's revolving credit facility carries floating rate and usually rolled-over on maturity date. The Trust's term financing carries floating rate of Cost of Fund (COF) + 0.60% per annum.

(i) Interest rate risk sensitivity

The following table demonstrates the sensitivity of the Trust's profit/(loss) for the year and other comprehensive income to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity is the effect of the assumed changes in interest rates on:

- the financing costs for one year, based on the floating rate financial liability held at the end of the reporting period; and
- changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the end of the reporting period.

	Changes in basis points *	Sensitivity of interest income and profit Increase/ (decrease) RM
2017		
Deposit with financial institutions	+25 /-25	54,499 (54,499)
Financing	-25 / +25	474,464 (474,464)
2016		
Deposit with financial institutions	+25 /-25	23,719/ (23,719)
Financing	-25 / +25	491,264/ (491,264)

* The assumed movement in basis points for interest rate sensitivity is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(f) Interest rate risk (Contd.)

(ii) Interest rate risk exposure

The following table analyses the Trust's interest rate risk exposure. The Trust's assets and liabilities are included at fair value and categorised by maturity dates.

	0 - 3 months RM	3 months - 1 year RM	5 years RM	Non-interest bearing RM	Total RM	Effective Interest rate * %
2017						
Assets:						
Deposits with financial institutions	21,589,484	210,000	-	-	21,799,484	3.49
Trade receivables	-	-	-	296,286	296,286	-
Other receivables	-	-	-	13,262,876	13,262,876	-
Cash and bank balances	-	-	-	138,969	138,969	-
Total assets	<u>21,589,484</u>	<u>210,000</u>	<u>-</u>	<u>13,698,131</u>	<u>35,497,615</u>	
Liabilities:						
Financing	64,785,590	-	125,000,000	-	189,785,590	4.31
Rental deposit	-	-	-	5,359,943	5,359,943	-
Other payables	-	-	-	3,870,232	3,870,232	-
Amount due to Manager	-	-	-	253,225	253,225	-
Total liabilities	<u>64,785,590</u>	<u>-</u>	<u>125,000,000</u>	<u>9,483,400</u>	<u>199,268,990</u>	
Total interest sensitivity gap	<u>(43,196,106)</u>	<u>210,000</u>	<u>(125,000,000)</u>	<u>4,214,731</u>	<u>(163,771,375)</u>	
2016						
Assets:						
Deposits with financial institutions	9,302,754	184,893	-	-	9,487,647	3.99
Trade receivables	-	-	-	1,666,206	1,666,206	-
Other receivables	-	-	-	2,955,731	2,955,731	-
Cash and bank balances	-	-	-	92,072	92,072	-
Total assets	<u>9,302,754</u>	<u>184,893</u>	<u>-</u>	<u>4,714,009</u>	<u>14,201,656</u>	
Liabilities:						
Financing	71,505,590	-	-	-	196,505,590	4.10
Rental deposit	-	-	125,000,000	4,951,418	4,951,418	-
Other payables	-	-	-	111,075,464	111,075,464	-
Amount due to Manager	-	-	-	138,397	138,397	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,165,279</u>	<u>312,670,869</u>	
Total interest sensitivity gap	<u>9,302,754</u>	<u>184,893</u>	<u>-</u>	<u>(111,451,270)</u>	<u>(298,469,213)</u>	

* Computed based on interest-bearing assets and liabilities only

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(g) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Trust by failing to discharge an obligation. The Trust is exposed to the risk of credit-related losses that can occur as a result of a tenant and issuer/counterparty or issuer being unable or unwilling to honour its contractual obligations to make timely repayments of interest, principal, settlement of receivables and proceeds from realisation of investments. These credit exposures exist within financing relationships and other transactions.

The Manager manages the Trust's credit risk by undertaking credit evaluation and close monitoring of any changes to the tenant and issuer/counterparty's credit profile to minimise such risk. It is the Trust's policy to enter into financial instruments with reputable tenant and counterparties. The Manager also closely monitors the creditworthiness of the Trust's counterparties e.g., brokers, custodians, banks, etc.

Credit risk exposures

At the reporting date, the Trust's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 19.

(h) Liquidity Risk

Liquidity risk is defined as the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Trust could be required to pay its liabilities earlier than expected.

The Trust manages its liquidity risk by maintaining a portion of its resources in deposits with financial institutions to meet estimated commitments arising from financial liabilities. In addition, the Manager monitors and observes the Trust's compliance with the Securities Commission Guidelines on Real Estate Investment Trusts concerning limits on total financing.

As disclosed in Note 19 to the financial statements, the financing refers to the i-RC and i-TL which can be rolled over in the next one, two, three or six months. There will be no roll over risk for i-RC and i-TL since the Trust is not in breach of any covenants that would trigger an event of default which would affect the Trust's ability to renew the facilities.

The following table summarises the maturity profile of the Trust's financial liabilities based on its remaining contractual maturity. Balances due within six months equal their carrying amounts, as the impact of discounting is insignificant.

	Less than 1 month RM	1 month to 3 months RM	More than 3 months but less than 5 years RM	Total RM
2017				
Financial liabilities:				
Financing	70,418,157	1,375,000	141,500,000	213,293,157
Other liabilities	3,870,232	-	-	3,870,232
Total undiscounted financial liabilities	<u>74,288,389</u>	<u>1,375,000</u>	<u>141,500,000</u>	<u>217,163,389</u>
2016				
Financial liabilities:				
Financing	71,668,554	1,375,000	147,000,000	220,043,554
Other liabilities	5,965,279	110,200,000	-	116,165,279
Total undiscounted financial liabilities	<u>77,633,833</u>	<u>111,575,000</u>	<u>147,000,000</u>	<u>336,208,833</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTD.)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(h) Liquidity Risk (Contd.)

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Trust can be required to pay.

32. COMMITMENTS

	2017 RM	2016 RM
Capital commitments:		
Approved and contracted for real estate	5,470,000	780,000

33. CURRENCY

All amount are stated in Ringgit Malaysia ("RM").

34. SIGNIFICANT EVENTS

(a) On 12 January 2017, the 120 million rights units were listed on the Main Market of Bursa Securities resulting in enlarged units in circulation of 220 million units.

(b) On 13 January 2017, the acquisition of Mydin Seremban 2 was completed.

UNIT HOLDERS RESOURCE PAGE

The following information is intended to help you in answering the “What to do?” questions that you may have in managing some of the common issues concerning your investment in AHP.

1. I am holding unit certificate of Amanah Harta Tanah PNB. What is the status of my units and what should I do?
 - “Old” unit certificates issued in 1989 (pink in colour) is no longer valid as they have been replaced with “new” certificates (blue in colour) in 1990.
 - If you are holding the “new” unit certificate issued in 1990, it is very likely that your units have been transferred to the Minister of Finance by virtue of Section 29 of the Securities Industry (Central Depositories) (Amendment)(No. 2) Act 1998 (refer to “What if my units have been transferred to the Minister of Finance?”).
 - If you have the “old” certificate but do not have the “new” unit certificate, kindly check your CDS account as you may have already deposited the “new” certificate into your CDS account. There is also possibility that you have sold/transferred the units subsequent to depositing the certificate into your CDS account.
 - It is recommended that you check your records (bank statements, CDS statements, etc) to determine the status of your units before contacting the Share Registrar (Symphony Share Registrars Sdn Bhd). It is very difficult and time consuming for the Share Registrar to check records which are over 7 years old (please note that the Share Registrar is not obligated to keep records which are over 7 years old).

2. How to update any change in correspondence address?
 - You simply need to update the details of your CDS account in which your units are deposited into.
 - To update your CDS account details, simply contact your broker or the “CDS Department” of the securities company at which you opened your CDS account.
 - During each income distribution, the Share Registrar will obtain a copy of Record of Depositors (ROD) from Bursa Malaysia Depository Sdn Bhd which contains information such as your name, your CDS account no., correspondence address and the number of AHP units that you have. The data in the ROD corresponds with the details of your CDS account. Thus, by updating your CDS account, the Share Registrar can “obtain” your latest address from the ROD.

3. AHP had made income distribution but I still have not received my income distribution warrant.
 - If you have not deposited your units into CDS account, your units would have been transferred to the Minister of Finance (refer to “What if my units have been transferred to the Minister of Finance?”).
 - If your correspondence address have changed after the entitlement date of the income distribution, your warrant would have been sent to your old address. Kindly check at your old address or you could also request for a replacement warrant in which case it is treated as lost income distribution warrant (refer to “How do I obtain a replacement income distribution warrant?”).
 - If you have not moved and there is no change in your correspondence address and it has been more than 2 weeks after the payment date of the income distribution, it is highly possible that the warrant is lost in mail and therefore you could contact the Share Registrar for a replacement warrant (refer to “How do I obtain a replacement income distribution warrant?”).

4. How do I obtain a replacement income distribution warrant?
 - Contact the Share Registrar (Symphony Share Registrars Sdn Bhd) to request for a replacement warrant.
 - Any request for replacement warrant involves a fee of RM5.00.
 - Contact details of the Share Registrar:
 SYMPHONY SHARE REGISTRARS SDN BHD
 LEVEL 6, SYMPHONY HOUSE
 PUSAT DAGANGAN DANA 1
 JALAN PJU 1A/46
 47301 PETALING JAYA
 SELANGOR
 Tel: 03-7841 8000
 Fax: 03-7841 8151 / 8152

UNIT HOLDERS RESOURCE PAGE (CONTD.)

5. How do I get my expired/out-dated warrant replaced?
 - Income distribution warrant is valid for six months from the payment date.
 - Expired/out-dated warrants can be replaced by contacting the Share Registrar (refer to “How do I obtain a replacement income distribution warrant?”).

6. What if my units have been transferred to the Minister of Finance?
 - Under Section 29 of the Securities Industry (Central Depositories) (Amendment)(No. 2) Act 1998, any securities not deposited into CDS account by 1 December 1998 would be transferred to the Minister of Finance.
 - Affected unit holders were given until 1 June 1999 to file a claim with the authorities for the recovery of their units.
 - Unit holders who failed to file a claim for recovery, now can only claim for refund of proceeds from the sale of the units by submitting relevant forms and supporting documents to the Jabatan Akauntan Negara (refer to “How to claim for refund of sale proceeds from Jabatan Akauntan Negara?”).

7. If a unit holder passed-away, what happened to his/her units?
 - If the units have been deposited into CDS account of the deceased, the units will remain in the account and the duly authorised administrator or beneficiaries can submit application for the units to be transferred into their CDS account (refer to “I am the authorised administrator of the estate of a deceased unit holder. How do I get the units transferred?”).
 - If the units have not been deposited into CDS account, duly authorised administrator or beneficiaries can submit application to the Jabatan Akauntan Negara for refund of proceeds from the disposal of the units (refer to “How to claim for refund of sale proceeds from Jabatan Akauntan Negara?”).

8. I am the authorised administrator of the estate of a deceased unit holder. How do I get the units of the deceased transferred to my CDS account?
 - If the units are to be transferred to you, you should have a Central Depository System Account (CDS Account) opened in your name.
 - CDS account can be opened at any stock broking companies. A minimal one-time fee of RM10.00 is applicable.
 - If you are in the Klang Valley, you may proceed directly to the Customer Service Counter of Bursa Malaysia (located on the ground floor) to fill-in the relevant forms and submit certified copy of the relevant Letter of Administration or Grant of Probate.
 - If you are outside of Klang Valley, you may submit your application through the stock broking company at which your CDS account is maintained.

9. How to claim for refund of sale proceeds from Jabatan Akauntan Negara?
 - Obtain Form SPS2 and UMA7 from Jabatan Akauntan Negara or from the Share Registrar (Symphony Share Registrars Sdn Bhd).
 - Duly completed forms and supporting documents should be submitted to:
 JABATAN AKAUNTAN NEGARA
 SEKSYEN PENGURUSAN SEKURITI
 TINGKAT 42, MENARA MAYBANK
 100, JALAN TUN PERAK
 50050 KUALA LUMPUR
 Tel: 03-2056 8061, 8062, 8063, 8064
 - Relevant supporting documents:
 - i. Original unit certificate
 - ii. Certified copy of identity card
 - iii. Certified copy of Letter of Administration/Grant of Probate (for deceased case)
 - Additional supporting documents if original unit certificate is lost:
 - i. Confirmation letter from the Share Registrar
 - ii. Copy of newspaper advertisement if value of claim in excess of RM10,000 (contact Jabatan Akauntan Negara to confirm the value of claim)
 - iii. Statutory declaration
 - iv. Original/certified copy of police report
 - v. Form UMA-8 (with RM10 revenue stamp duly endorsed by IRB)

UNIT HOLDERS RESOURCE PAGE (CONTD.)

10. How can I buy/sell units of AHP?

- AHP is a real estate investment trust which is listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities).
- As a listed counter, the process of buying/selling units of AHP is similar to those of other listed counters.
- Buying and selling of units can only be carried out through licensed stock broking companies.
- Further details on Bursa Securities and trading of securities quoted on Bursa Securities, kindly visit Bursa Malaysia's website at www.bursamalaysia.com

AMANAH HARTA TANAH PNB
NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the 6th. Annual General Meeting of Amanah Harta Tanah PNB ("AHP") will be held at the Theatre, 2nd Floor of Menara PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur on Thursday, 29 March 2018 at 3.00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To lay before the Meeting the Audited Financial Statements of AHP for the year ended 31 December 2017 together with the Auditors' Report issued by Messrs. Hanafiah Raslan & Mohamad.

**For
Discussion Only**

BY ORDER OF THE BOARD

Pelaburan Hartanah Nasional Berhad (175967-W)
(as the Manager of Amanah Harta Tanah PNB)

Adibah Khairiah binti Ismail @ Daud (MIA 13755)
Company Secretary
Kuala Lumpur
28 February 2018

Notes:

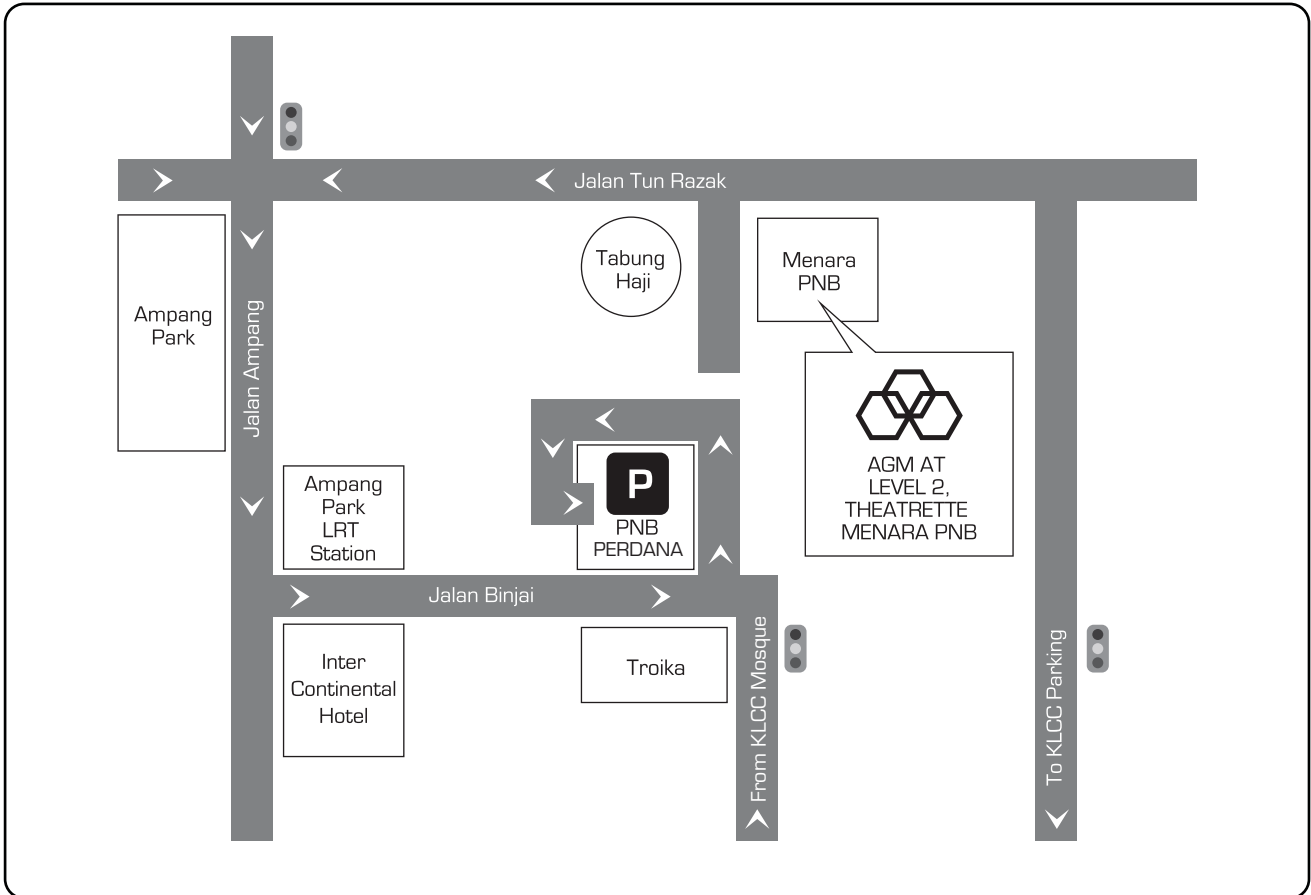
1. A Unit Holder who is entitled to attend the meeting is entitled to appoint up to two (2) proxies to attend instead of him. Where a Unit Holder intends to appoint two proxies, the appointment shall be invalid unless the Unit Holder specifies the proportions of his/her holdings to be represented by each proxy.
2. Where a Unit Holder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint a proxy in respect of each securities account it holds in units standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of its attorney duly authorised in writing or if such appointer is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
4. The instrument appointing proxy shall be deposited at the office of the appointed Registrar of AHP, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
5. Only Unit Holders whose names appear in the Record of Depositors as at 26 March 2018 shall be entitled to attend and speak at the Meeting or appoint proxy(ies) to attend on his behalf.

This Notice of Annual General Meeting and Form of Proxy are also available in the accompanying AHP Annual Report 2017 or can be downloaded from our website at www.ahp.com.my

ADMINISTRATIVE NOTES FOR UNIT HOLDERS ATTENDING THE 6th AGM

- i. Registration will commence at 2.00 p.m. and unit holders are requested to be punctual.
- ii. Original national registration identity card (NRIC) is required during registration for verification purpose.
- iii. Parking is available at the upper levels of PNB Perdana On The Park (formerly known as PNB Darby Park), a building adjacent to Menara PNB. Access to the parking is via Jalan Binjai.

**PETA KE TEMPAT LETAK KERETA DI PNB PERDANA ON THE PARK (PNB DARBY PARK)
MAP TO CAR PARK AT PNB PERDANA ON THE PARK (PNB DARBY PARK)**



AMANAH HARTA TANAH PNB
FORM OF PROXY



6th ANNUAL GENERAL MEETING

I/We _____ NRIC/Company No. _____

Telephone no. _____ of _____

being a Registered Unit Holder of Amanah Harta Tanah PNB ("AHP") hereby appoint:

1st
Proxy

Full Name, Address and Telephone No.	NRIC No.	Proportion of Unit Holdings to be Represented

and/or failing whom (to delete whichever is not applicable):

2nd
Proxy

Full Name, Address and Telephone No.	NRIC No.	Proportion of Unit Holdings to be Represented

or failing whom, the Chairman of the meeting as my/our proxy/proxies to attend and vote on my/our behalf at the 6th Annual General Meeting of AHP to be held at the Theatrette, 2nd Floor of Menara PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur on 29 March 2018 at 3.00 p.m. and any adjournment thereof.

Dated this _____ day of _____, 2018

Number of Units Held	
CDS Account No.	

Signature/Seal of Unit Holder

Notes:

1. A Unit Holder who is entitled to attend the meeting is entitled to appoint up to two (2) proxies to attend instead of him. Where a Unit Holder intends to appoint two proxies, the appointment shall be invalid unless the Unit Holder specifies the proportions of his/her holdings to be represented by each proxy.
2. Where a Unit Holder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint a proxy in respect of each securities account it holds in units standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of its attorney duly authorised in writing or if such appointer is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
4. The instrument appointing proxy shall be deposited at the office of the appointed Registrar of AHP, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
5. Only Unit Holders whose names appear in the Record of Depositors as at 26 March 2018 shall be entitled to attend and speak at the Meeting or appoint proxy(ies) to attend on his behalf.



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AFFIX
STAMP

SYMPHONY SHARE REGISTRARS SDN BHD
[Registrar for Amanah Harta Tanah PNB]
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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