



AMANAH HARTA TANAH PNB

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# Annual Report<sup>2019</sup>



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THE EDGE  
CENTURION Club  
2019

SOJAK  
CENTURION Club  
2019

REIT  
Highest Growth in Profit After Tax  
Over Three Years

AMANAH HARTA TANAH PNB

“AHP’s net realised income doubled from RM6.3 million in its financial year ended Dec 31, 2016 (FY2016), to RM12.4 million in FY2018, while its distribution per unit improved from 4.5 sen in FY2016 to 5.63 sen in FY2018. This translates into an adjusted compound annual growth rate of 15% over the three financial years ended Dec 31 from 2016 (FY2016) to 2018 (FY2018).” - *The Edge*, November 18, 2019

## CORPORATE INFORMATION

### MANAGER

Pelaburan Hartanah Nasional Berhad  
(198801008611 / 175967-W)

### 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

Dato' Johan bin Ariffin  
(Independent Non-Executive Chairman)

Encik Abdul Jalil bin Abdul Rasheed  
(Appointed : 11 October 2019)  
(Non-Independent Non-Executive Director)

Datuk Wong Tuck Wai  
(Independent Non-Executive Director)

Dato' Nafisah binti Radin  
(Independent Non-Executive Director)

Datuk Mohd Anwar bin Yahya  
(Independent Non-Executive Director)

Encik Rizal Rickman bin Ramli  
(Non-Independent Non-Executive Director)

Encik Hafidz Atrash Kosai bin Mohd Zihim  
(Chief Executive Officer / Non-Independent Executive Director)

### PROPERTY INVESTMENT COMMITTEE

Dato' Johan bin Ariffin

Professor Datuk Dr. Nik Mohd. Zain bin  
Haji Nik Yusof

### AUDIT COMMITTEE

Datuk Mohd Anwar bin Yahya  
(Chairman)

Encik Abdul Jalil bin Abdul Rasheed

Dato' Nafisah binti Radin

### SECRETARY OF THE MANAGER

Puan Adibah Khairiah binti Ismail @ Daud  
(MIA 13755)

Tingkat 4, Balai PNB  
201-A, Jalan Tun Razak  
50400 Kuala Lumpur

### MANAGEMENT OF THE MANAGER

Dato' Mohd. Nizam bin Zainordin  
(PNB Group Chief Financial Officer)

Hafidz Atrash Kosai bin Mohd Zihim  
(Chief Executive Officer / Executive Director)

Nur Adzlina binti Kamaruddin  
(Head, Finance & Operations)

Meor Amirudin Fikri bin Meor Adam  
(Head, Compliance & Investor Relations)

Hamdi bin Othman  
(Head, Financial Reporting & Taxation)

Huda binti Che Mohd Noh  
(Head, Asset Management)

Mohamed Nadzir bin Haji Azizi  
(Manager, Asset Management)

Adilah binti Ghazali  
(Manager, Asset Management)

Normala binti Lamin  
(Head, Strategy & Investment)

Badrul Hisham bin Abdullah  
(Manager, Strategy & Investment)

### INVESTMENT MANAGER

Permodalan Nasional Berhad  
(197801001190 / 38218-X)

Tingkat 4, Balai PNB,  
201-A, Jalan Tun Razak  
50400 Kuala Lumpur

### PROPERTY MANAGER OF THE REAL ESTATE PORTFOLIO

IM Global Property Consultants Sdn Bhd  
(200501019108 / 701223-X)

47-2, 2nd Floor, Wisma IMG  
Jalan 3/76D, Desa Pandan  
55100 Kuala Lumpur

### TRUSTEE

AmanahRaya Trustees Berhad  
(200701008892 / 766894-T)

Tingkat 2, Wisma Amanah Raya II  
No. 21, Jalan Melaka  
50100 Kuala Lumpur

Telephone : 03-20365000  
Facsimile : 03-20720320

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

Boardroom Share Registrars Sdn Bhd  
(formerly known as Symphony Share Registrars Sdn. Berhad)  
(199601006647 / 378993-D)

11th Floor, Menara Symphony,  
No.5, Jalan Semangat (Jalan Professor Khoo Kay Kim),  
Seksyen 13,  
46200 Petaling Jaya  
Selangor Darul Ehsan

Telephone : 03-78418000  
Facsimile : 03-78418151/52

### AUDITORS

Messrs. Hanafiah Raslan & Mohamad PLT  
202006000002 (LLP0022759-LCA) & AF 0002

### SOLICITORS ADVISING THE MANAGER IN CONNECTION WITH THE TRUST

Messrs. Zainal Abidin & Co.

### BANKERS FOR THE TRUST

Maybank Islamic Berhad  
(200701029411 / 787435-M)

CIMB Islamic Bank Berhad  
(200401032872 / 671380-H)

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

### STOCK NAME / STOCK CODE

AHP / 4952

### WEBSITE

www.ahp.com.my

## FY2019 FINANCIAL SNAPSHOT

**Market Capitalisation**

**RM168.3 million**  
(as at 31 Dec 2019)



**Total Asset Value**

**RM457.5 million**  
(as at 31 Dec 2019)



**Occupancy Rate**

**92.8%**  
(as at 31 Dec 2019)

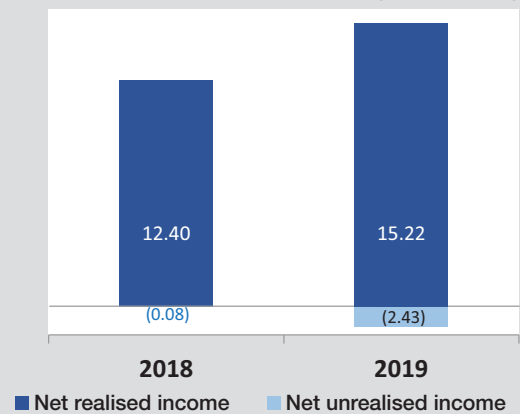


**DPU**

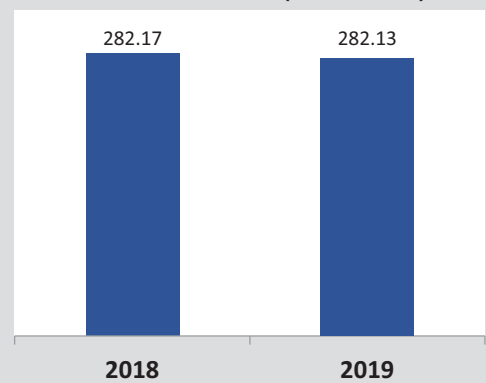
**5.75 sen**



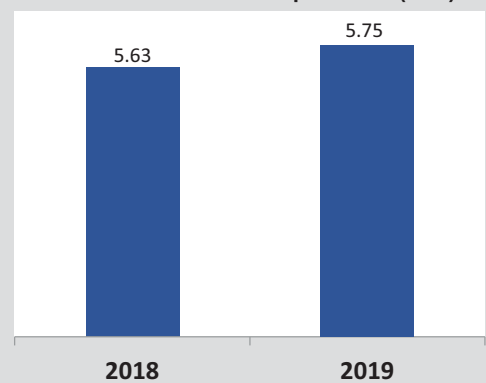
Net Income After Taxation (RM Million)



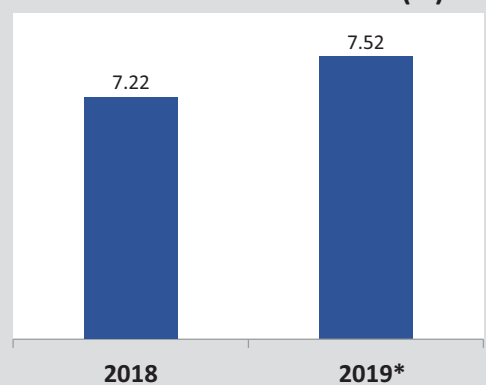
Net Asset Value (RM Million)



Income Distribution per Unit (sen)



Income Distribution Yield (%)



\* based on market price as at 31 Dec 2019

## SALIENT FEATURES OF AHP



### Fund Category

Real Estate Investment Trust



### Number of Units in Circulation

220 million units



### Market Capitalisation

RM168.3 million



### Total Asset Value

RM457.5 million



### Permissible Investment

Investment in real estate, non-real estate-related assets and cash, deposit and money market instruments. At least 75% of AHP's total assets must be invested in real estate that generates recurrent rental income at all times



### Financial Year End

31 December



### Distribution Policy

The Manager endeavours to ensure two distributions in each financial year

The Manager aims to distribute at least 90% of the distributable income for each financial year



### Financing Limitations

Not exceeding 50% of the total asset value of the Trust



### Revaluation Policy

The investment properties shall be revalued at least once every year by independent registered valuers



### Minimum Initial Investment

100 Units



### Quotation

Main Market of Bursa Securities



### Stock Name

AHP



### Stock Code

4952



### No. of Properties

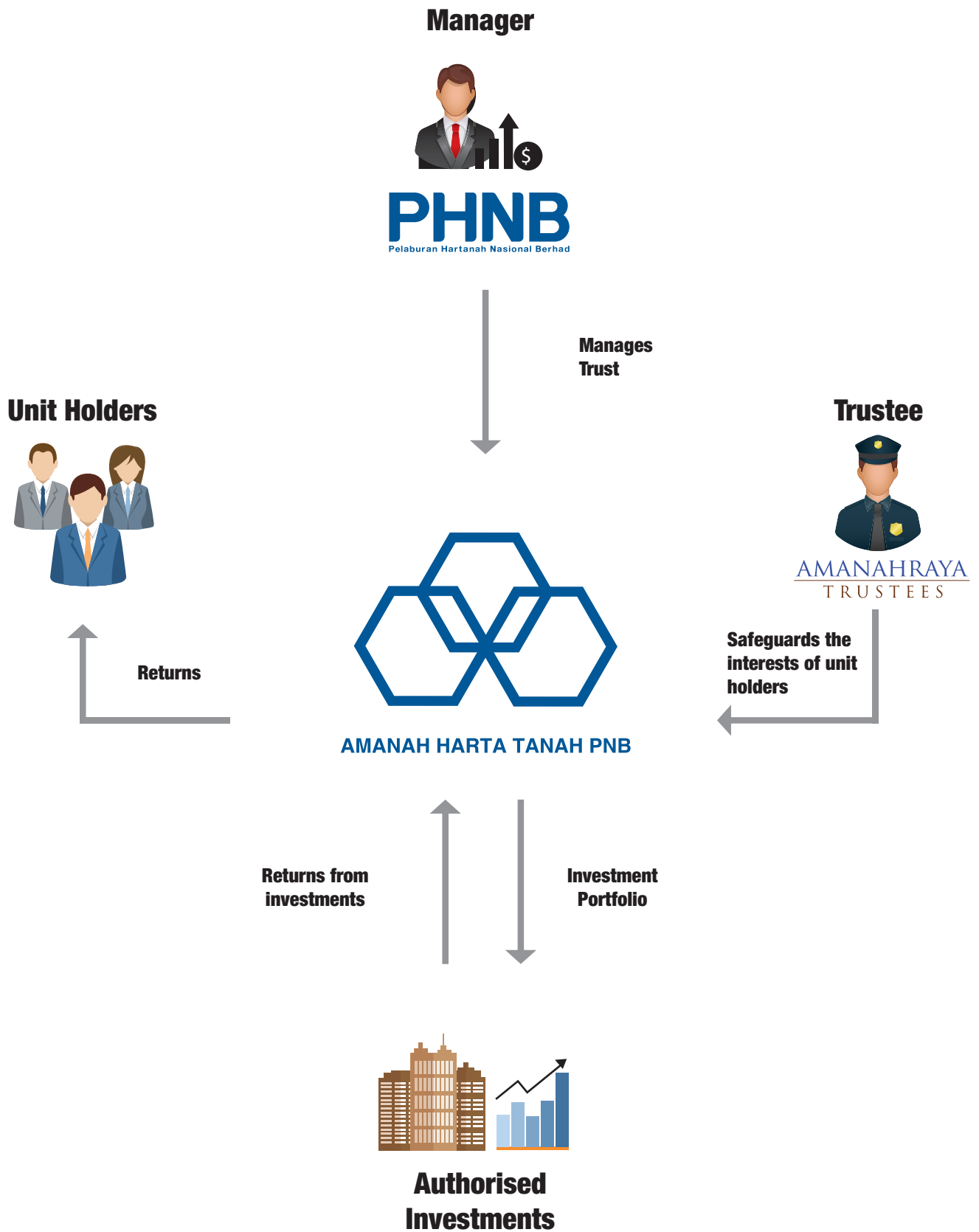
4



### Total Net Lettable Area

778,045 sq. ft.

# AHP STRUCTURE



# PROFILE OF DIRECTORS OF THE MANAGER

**Dato' Johan bin Ariffin**, aged 60, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad (PHNB) on January 1, 2017 and was appointed as Chairman of PHNB on July 27, 2018.

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 director of Permodalan Nasional Berhad and Sime Darby Property Berhad as well as several companies in the Etiqa Group.



## ► DATO' JOHAN BIN ARIFFIN (Independent Non-Executive Chairman)

**Encik Abdul Jalil bin Abdul Rasheed**, aged 37, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on October 11, 2019. He is also the President & Group Chief Executive and Director of Permodalan Nasional Berhad (PNB).

He was formerly the Chief Executive Officer (CEO), South East Asia for Invesco Ltd., based in Singapore. He led the firm's business activities across the region and investment strategy in all asset classes across emerging markets. He was also a member of Invesco's Global Investment Committee & Global Management Committee.

Prior to joining Invesco, he spent 10 years with Aberdeen Asset Management in various investment leadership roles. His last position was CEO of Aberdeen Islamic Asset Management, based in Kuala Lumpur, where he established and managed the firm's investment desk and developed the overall Malaysian & Global Shariah business.

He graduated with a BSc (Honours) in Accounting and Finance from the London School of Economics.

Presently, Encik Abdul Jalil also sits on the Board of Permodalan Nasional Berhad and Amanah Saham Nasional Berhad.



## ◀ ENCIK ABDUL JALIL BIN ABDUL RASHEED (Non-Independent Non-Executive Director)



## PROFILE OF DIRECTORS OF THE MANAGER (CONTD.)



**Datuk Wong Tuck Wai**, aged 64, 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.

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., Setia Putrajaya Sdn. Bhd. and Battersea Power Station Malaysia Sdn. Bhd. He is also the Chairman of Battersea Power Station Development Company Limited and Battersea Power Station Estates Limited.

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

**Dato' Nafisah binti Radin**, aged 59, 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, set up Veritas Architects branch office in Penang. Dato' Ar. Nafisah Radin is 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. Her works are also featured in various magazines and books.

Currently, Dato' Nafisah gives back to society through active involvement in non-government organizations, 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' NAFISAH BINTI RADIN** *(Independent Non-Executive Director)*

## PROFILE OF DIRECTORS OF THE MANAGER (CONTD.)



**Datuk Mohd Anwar bin Yahya**, aged 65, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on December 12, 2018.

Datuk Anwar brings to the Board of Directors audit, financial management, and management consulting expertise established through his stints with leading audit firms as well as the Kelantan State Investment and development bodies. He has more than 30 years of experience in corporate finance, mergers & acquisitions, restructuring and valuations.

He holds a Bachelor of Science (Hons.) in Economics & Accountancy from the University of Hull, United Kingdom and is a Member of three accounting professional bodies in the United Kingdom and Malaysia.

Currently, he serves on the boards of Maybank Islamic Berhad, FGV Holdings Berhad, Fraser & Neave Holdings Berhad, Amanah Saham Nasional Berhad, Usains Holdings Sdn Bhd and Technology Park Malaysia Corporation Sdn Bhd.

### **DATUK MOHD ANWAR BIN YAHYA** ◀ (Independent Non-Executive Director)

**Encik Rizal Rickman bin Ramli**, aged 41, a Malaysian, was appointed to the Board of Directors of Pelaburan Hartanah Nasional Berhad on March 13, 2018. He is the Chief Investment Officer, Real Estate of Permodalan Nasional Berhad (PNB). In his current role, Rick oversees all activities related to PNB's real estate portfolio including landbanking, strategic development, domestic and international property investments and hospitality.

Prior to joining PNB, he was the Country Managing Partner for The Boston Consulting Group ("BCG") in Malaysia. During his time at BCG, he has worked on client assignments in more than 10 countries around the world and was based out of BCG's London office. His area of expertise include strategy development (business model innovation and growth) and corporate and industry level transformations.

He currently also sits on the boards of Sime Darby Property Berhad, Velesto Energy Berhad (formerly known as UMW Oil & Gas Corporation Berhad), Villea Rompin Berhad (formerly known as Lanjut Golf Berhad) and MIDF Property Berhad.



### ▶ **ENCIK RIZAL RICKMAN BIN RAMLI** (Non-Independent Non-Executive Director)

## PROFILE OF DIRECTORS OF THE MANAGER (CONTD.)



**ENCIK HAFIDZ ATRASH KOSAI  
BIN MOHD ZIHIM** ◀  
*(Non-Independent Executive Director /  
Chief Executive Officer)*

**Encik Hafidz Atrash Kosai bin Mohd Zihim**, aged 44, 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 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.

Encik Hafidz has no family relationship with any of the directors and/or major unitholders 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.

## PROFILE OF DIRECTORS OF THE MANAGER (CONTD.)

### OTHER DIRECTORSHIP OF PUBLIC COMPANIES

DIRECTOR	PUBLIC COMPANIES
<b>Dato' Johan bin Ariffin</b>	<ol style="list-style-type: none"> <li>1. Permodalan Nasional Berhad</li> <li>2. Etiqa Family Takaful Berhad</li> <li>3. Etiqa Life Insurance Berhad</li> <li>4. Etiqa General Takaful Berhad</li> <li>5. Maybank Ageas Holdings Berhad</li> <li>6. Sime Darby Property Berhad</li> </ol>
<b>Encik Abdul Jalil bin Abdul Rasheed</b>	<ol style="list-style-type: none"> <li>1. Permodalan Nasional Berhad</li> <li>2. Amanah Saham Nasional Berhad</li> </ol>
<b>Dato' Nafisah binti Radin</b>	Nil
<b>Datuk Mohd Anwar bin Yahya</b>	<ol style="list-style-type: none"> <li>1. Maybank Islamic Berhad</li> <li>2. FGV Holdings Berhad</li> <li>3. Fraser &amp; Neave Holdings Berhad</li> <li>4. Amanah Saham Nasional Berhad</li> </ol>
<b>Datuk Wong Tuck Wai</b>	<ol style="list-style-type: none"> <li>1. Perumahan Kinrara Berhad</li> </ol>
<b>Encik Rizal Rickman bin Ramli</b>	<ol style="list-style-type: none"> <li>1. MIDF Property Berhad</li> <li>2. Vilea Rompin Berhad (formerly known as Lanjut Golf Berhad)</li> <li>3. Sime Darby Property Berhad</li> <li>4. Velesto Energy Berhad</li> </ol>
<b>Encik Hafidz Atrash Kosai bin Mohd Zihim</b>	Nil

## PROFILE OF MEMBERS OF THE PROPERTY INVESTMENT COMMITTEE

### **DATO' JOHAN BIN ARIFFIN**

*(Independent Member)*

Please refer to Directors' Profile

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

*(Independent Member)*

Prof. Datuk Dr. Nik Mohd. Zain bin Haji Nik Yusof, aged 73, 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. He 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 is also a member of the Malaysian Administrative & Diplomatic Service Association 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.

## MANAGEMENT TEAM OF THE MANAGER

**CHIEF EXECUTIVE OFFICER /  
EXECUTIVE DIRECTOR**



Encik Hafidz Atrash Kosai Mohd Zihim

**PNB GROUP  
CHIEF FINANCIAL OFFICER**



Dato' Mohd Nizam Zainordin

**PNB GROUP  
COMPANY SECRETARY**



Puan Adibah Khairiah Ismail @ Daud

### FINANCE & OPERATIONS



Nur Adzlina Kamaruddin  
Assistant Vice President



Meor Amirudin Fikri Meor Adam  
Assistant Vice President



Hamdi Othman  
Assistant Vice President

### ASSET MANAGEMENT



Huda Che Mohd Noh  
Assistant Vice President



Mohamed Nadzir Haji Azizi  
Manager



Adilah Ghazali  
Manager

### STRATEGY & INVESTMENT



Normala Lamin  
Assistant Vice President



Badrul Hisham Abdullah  
Manager

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

AHP will acquire and invest in real estates used for commercial purposes including but not limited to office buildings, retail malls/hypermarkets, education complexes, hospitality buildings and other real estates, with a view to provide sustainable income for distribution and capital growth.

### INVESTMENT POLICY & STRATEGY

The principal investment strategy and policy of AHP is to invest in a diversified portfolio of income producing real estate including but not limited to office buildings, retail malls/hypermarkets, education complexes and other real estates that are able to provide strong and continuous return with stable growth potential in terms of rental yield and capital values.

Other Authorised Investment are as follows:-

- Non-real Estate Assets;
- Cash, deposits, and money market instruments; and
- Investments approved by the Trustee and the Securities Commission and any other regulatory authority.

The Manager will use the following strategies to achieve AHP's investment objectives:-

### Operating Strategy

The Manager's operating strategy is to continue enhancing the performance of the existing portfolio by increasing the return and yield of the properties. This could be achieved by implementing a combination of activities such as retaining existing quality tenants, reducing vacancy levels, optimising usage of available spaces, minimising interruption in rental income and minimising operational expenses.

### Acquisition Strategy

The Manager continuously scout for new properties to increase the size of the REIT and cash flow through selective acquisition with clear emphasis on yielding property, location, occupancy and tenant mix, building structure and facilities.

The main criteria for investment includes:

- Diversified commercial properties with good and sustainable investment return, with future capital growth;
- Premium location, good accessibility and proximity to rail transit stations;
- Marketable and reputable corporate identity office, and also dynamic and vibrant retail; and
- Reputable and good quality tenants with long Weighted Average Lease Expiry (WALE).

Going forward, the Manager will continuously review the portfolio and streamline the assets by divesting smaller assets to emphasise on value adding, yield accretive sizeable assets towards better returns to the unit holders.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### REVIEW OF PROPERTY MARKET

Office market remained challenging in the year 2019 due to the constant increase of supply with weak absorption due to slower growth of domestic and global economy and lack of catalyst to boost the demand of space. As at third quarter, National Property Information Centre (“NAPIC”) reported that the total office space for both private and public buildings stood at 241 million sq. ft. which 75% is contributed by private buildings of 181 million sq. ft., which grew by 2.8% from 2018 of 176 million sq. ft. On the future supply, approximately 15 million sq. ft. will be coming into the market in the next 2 to 3 years mainly for Kuala Lumpur and Selangor.

The national average occupancy rate recorded a slight decrease to 75.4% (2018: 76.8%) with the occupancy rate for Kuala Lumpur at 77% and Selangor at 72.2%, respectively.

The rental rate continued to be under pressure with the average rental for Kuala Lumpur City recorded at RM7.09 per sq. ft. per month and KL Fringe at RM5.77 per sq. ft. per month (1H2019 Knight Frank Real Estate Highlights). Demand for the office buildings in KL Fringe and Selangor remained resilient with rental and occupancy rate holding steadily. Pressure will continue for owners of dated buildings in the KL City area, with intense competition from newer buildings which compel many owners to refurbish or repurpose their building for better return. In addition, co-working or shared service segment is booming and expanding into the market and opens up wide opportunity especially for office building landlords to tap into newer, modern and uplift the variety of office market while attracting the millennial group and new entrepreneurs.

For the retail segment, the national total supply stood at 177 million sq. ft., which grew by 2.9% from 2018 of 172 million sq. ft., with Kuala Lumpur contributing 34 million sq. ft., meanwhile Selangor, Johor, Negeri Sembilan and Melaka with 38 million sq. ft., 25 million sq. ft., 6 million sq. ft., and 6 million sq. ft., respectively. The average national occupancy rate recorded was stable at 79.5% (2018: 79.3%).

Besides increasing in supply, the retail market continue to face challenges following rapid changes in shopping trends and consumer behaviors (1H2019 Knight Frank Real Estate Highlights). Online shopping or e-commerce such as Lazada, Shopee, Mudah.my, Ebay.com, Fashion Valet and etc. is expanding and have grown into Malaysia most competitive sector which indirectly impacted the demand for physical retail space. These have also forced the physical retail operators to venture into the online medium to capitalise on the rising demand due to advancement of technology.

During the period under review, there was also notable increasing number of international retailers shutting down their outlets due to bankruptcy or poor earnings. However, demand for Asian brands continue to rise and is expected to fair better, as they become more popular (The Edge Market, October 2019). In addition, the slowing down of economy, lower corporate earnings, soft equity market and global trade war have impacted consumer sentiment and confidence in spending.

The monthly gross rental in Klang Valley for prime shopping centre remained resilient. In KL City area, high-end shopping mall i.e. Suria KLCC continuously increases to an average monthly rental of RM37.00 per sq. ft. while in KL Fringe, attractive shopping malls averages monthly rental of RM17.00 per sq. ft. (1H2019 Knight Frank Real Estate Highlights).

During the period under review, AHP has undertaken two (2) initiatives for Bangunan AHP which are the Asset Enhancement Initiative (“AEI”) to add variety through the addition of extra space to incorporate food & beverage element within the building and submission of application for increase in plot ratio from 1:3 to 1:8. The occupancy rate for Bangunan AHP and Plaza VADS have also improved to 80.9% (52.4% in 2018) and 86.0% (75.3% in 2018), respectively.

### PROSPECTS

Moving forward into 2020, the Malaysian economy is expected to grow by 4.8%, which is slightly stronger than the rate of 4.7% in 2019 as predicted by the Ministry of Finance (MOF) in its Economic Outlook 2019/20 report. The anticipated stronger growth is underpinned by resilient domestic demand, particularly household spending resultant from the stable labour market and low inflation. However, MOF warned that despite the anticipated expansion, external uncertainties may pose downside risks to growth prospects.

AHP will continue being committed to strengthen its core business segment while adjusting to the current market challenges. The key highlights for 2020 is the completion of the AEI and obtaining the increase in plot ratio for Bangunan AHP, located in Taman Tun Dr Ismail. Both initiatives are expected to be completed in 2020.

PHNB as the manager of AHP will continue to strive to improve the portfolio’s performance by sourcing for new accretive assets with the aim of generating better yield to ensure sustainable income stream for its unit holders.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### FINANCIAL REVIEW

#### Summary of Performance

	2019	2018	2017	2016	2015
Total Asset Value (RM'000)	457,540	482,781	482,942	468,810	226,853
Total Islamic Financing (RM'000)	163,288	187,438	189,786	196,506	59,894
Net Asset Value before final income distribution (RM'000)	282,132	282,165	281,176	153,877	159,547
Net Asset Value after final income distribution (RM'000)	275,752	275,609	275,676	150,577	156,047
Net Asset Value per Unit					
- Before final income distribution (sen)	128.24	128.26	127.81	153.88	159.55
- After final income distribution (sen)	125.34	125.28	125.31	150.58	156.05
- Highest Net Asset Value (sen)	129.58	128.61	127.81	159.44	159.55
- Lowest Net Asset Value (sen)	126.41	126.35	123.28	153.53	149.52
Price per Unit (sen)					
- Closing market price	76.50	78.00	84.00	98.00	100.00
- Highest traded price	83.00	84.50	100.00	109.00	121.00
- Lowest traded price	72.00	70.50	83.00	97.00	91.00
Units in Circulation ('000)	220,000	220,000	220,000	100,000	100,000

#### Summary of Results

	2019	2018	2017	2016	2015
Net rental income (RM'000)	32,078	31,497	33,033	17,226	7,872
Income after taxation (realised and unrealised) (RM'000)	12,792	12,319	17,418	831	12,305
Realised net income after taxation (RM'000)	15,222	12,398	11,435	6,294	3,786
Earnings per unit (realised and unrealised) (sen)	5.81	5.60	7.92	0.83	12.31
Earnings per unit (realised) (sen)	6.92	5.64	5.20	6.29	3.79
Distribution to Unit Holders:					
- Interim (RM'000)	6,270	5,830	5,940	3,000	3,500
Date of Distribution	30/8/2019	30/8/2018	30/8/2017	30/8/2016	29/8/2015
- Final (RM'000)	6,380	6,556	5,500	3,300	3,500
Date of Distribution	28/2/2020	28/2/2019	28/2/2018	28/2/2017	29/2/2016
Total Distribution	12,650	12,386	11,400	6,300	7,000
Income Distribution per unit *					
- Interim (sen)	2.85	2.65	2.70	3.00	3.50
- Final (sen)	2.90	2.98	2.50	**1.50	3.50
	5.75	5.63	5.20	4.50	7.00
Management Expense Ratio (%)	1.14	1.10	1.45	1.18	1.46
Portfolio Turnover Ratio (times)	1.48	1.52	1.91	1.87	1.04
Gearing Ratio (%)	35.69	38.82	39.30	41.92	26.40
Distribution Yield (%)	7.52	7.22	6.23	4.62	7.00

**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 exercise on 12 January 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### FINANCIAL REVIEW (CONTD.)

#### Summary of Results (Contd.)

For the year ended 31 December 2019, AHP recorded an increase in realised net rental income of RM658,170 or 2.80% to RM24.176 million from RM23.517 million recorded in 2018. Interest income for 2019 was RM572,915 (2018: RM606,322) and unrealised loss on valuation of real estate of RM330,044 (2018: unrealised loss of RM83,037). During the year, AHP has also recorded realised gain of RM1.835 million from the disposal of three shopoffices. This resulted in total income for 2019 of RM26.295 million (2018: RM24.041 million). During the year under review, AHP has recorded a reduction in total expenses of RM443,401 or 3.76% to RM11.357 million from RM11.800 million recorded in 2018.

Average Annual Return	One Year %	Three Years %	Five Years %	Since 1989 %
AHP	5.45	(1.32)	(1.48)	5.72
Kuala Lumpur Composite Index (KLCI)	(6.02)	(1.09)	(2.10)	4.93
Property Index	(5.19)	(9.69)	(8.42)	(0.20)
REIT Index	4.10	(1.67)	-	-

#### Annual Total Return for the Last Five Financial Years

	2019	2018	2017	2016	2015
Total Return (%)	5.45	0.16	(9.03)	2.00	(5.31)
Capital Return (%)	(1.92)	(6.59)	(14.36)	(2.50)	(11.50)
Income Return (%)	7.52	7.22	6.23	4.62	7.00
Benchmark :					
Property Index	(5.19)	(28.59)	8.79	(5.05)	(7.88)
REIT Index	4.10	(12.53)	4.42	-	-

#### Computation of Return

Total return :	$((1 + \text{Capital Return}/100) \times (1 + \text{Income Return}/100) - 1) \times 100$	Income return :	$\frac{\text{Income Distribution}}{\text{End of Year Market Price}}$
Capital return :	$\frac{(\text{End of Year Market Price} - \text{Beginning of Year Market Price})}{\text{Beginning of Year Market Price}} \times 100$		

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

#### Units in Issue

As at 31 December 2019, the total number of units issued was 220 million units.

#### Gearing

As at 31 December 2019, AHP's total debt was RM163.29 million with gearing ratio of 35.69%.

	2019	2018	2017	2016	2015
Gearing ratio (%)	35.69*	38.82	39.30	41.92	26.40

\* Decrease in gearing is mainly due to repayment of part of the revolving credit facility for the refurbishment and upgrading of Plaza VADS in July 2019 and October 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### CAPITAL MANAGEMENT

	2019	2018
Term Loan	125.00	125.00
Revolving Credit	38.29	62.44
Total borrowings	163.29	187.44
Total Asset Value	457.54	482.78
Gearing (%)	35.69%	38.82%

### ACQUISITION & DISPOSAL

#### Acquisition

During the financial year, the Manager continued to exercise prudent acquisition strategy with a view to continuously improve the stable and consistent income for the Trust. However, despite many proposals reviewed, none could meet the investment criteria. Thus, no acquisition has been secured during the year under review.

#### Disposal

Pursuant to the Sale and Purchase Agreement ("SPA") entered by AmanahRaya Trustees Berhad ("ARTB") as Trustees for AHP in 2018, the following disposals were completed during the year:

No.	Property	Date of SPA	Completion Date	Market Value (RM mil) As at 1 October 2018*	Disposal Price (RM mil)
1.	No. 30, Jalan Wan Kadir 4, Taman Tun Dr Ismail (Purchaser: Arensi (M) Sdn Bhd)	12 December 2018	25 January 2019	4.50	4.80
2.	No. 224, Jalan Negara 2, Taman Melawati (Purchaser: ARH Jurukur Bahan Sdn Bhd)	31 December 2018	24 May 2019	2.10	2.35
3.	Sri Impian, Taman Setiawangsa (Purchaser: Geo Global Management Sdn Bhd)	31 December 2018	3 June 2019	15.00	17.00

\* Name of Valuer: Rahim & Co. International Sdn Bhd

On 9 August 2019, ARTB has entered into SPA for the disposal of two (2) units of shop lots identified as Ground and First Floor, Lot 55, Block G, Asia City, Phase 1B, Kampung Air, Kota Kinabalu, Sabah. The details of the disposal is as follows:

Particulars	
1. Address	Ground and First Floor, Lot 55, Block G, Asia City, Phase 1B, Kampung Air, Kota Kinabalu, Sabah
2. Purchaser	Hua Hing Seafood Restaurant Sdn Bhd
3. Purchaser Relationship with Vendor	Nil
4. Date of SPA	9 August 2019
5. Disposal Price (RM)	1,800,000
6. Market Value (RM)	1,900,000*
7. Date of Valuation	3 June 2019
8. Valuer	Rahim & Co. International Sdn Bhd
9. Completion Date	Expected in 1Q 2020

\* For 2019, the fair value of the property has been adjusted to RM1.8 million pursuant to the relevant SPA resulting in unrealised loss of RM100,000.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

### ACQUISITION & DISPOSAL (CONTD.)

Basis of arriving at the Disposal Consideration:

The Disposal Consideration was arrived based on a willing-buyer and a willing-seller basis at 5.26% lower than the market value of RM1,900,000. Reasons for accepting the lower price are as follows:-

- (i) Reducing balance of unexpired lease tenure, presently 57 years;
- (ii) Unissued subdivided title deed;
- (iii) Winding-up of the Developer; and
- (iv) Termination of the existing tenancy of Amanah Saham Nasional Berhad.

The Manager will continue to exercise prudent investment strategy and continue to evaluate the performance of the current portfolio.

### PROPERTY MANAGEMENT

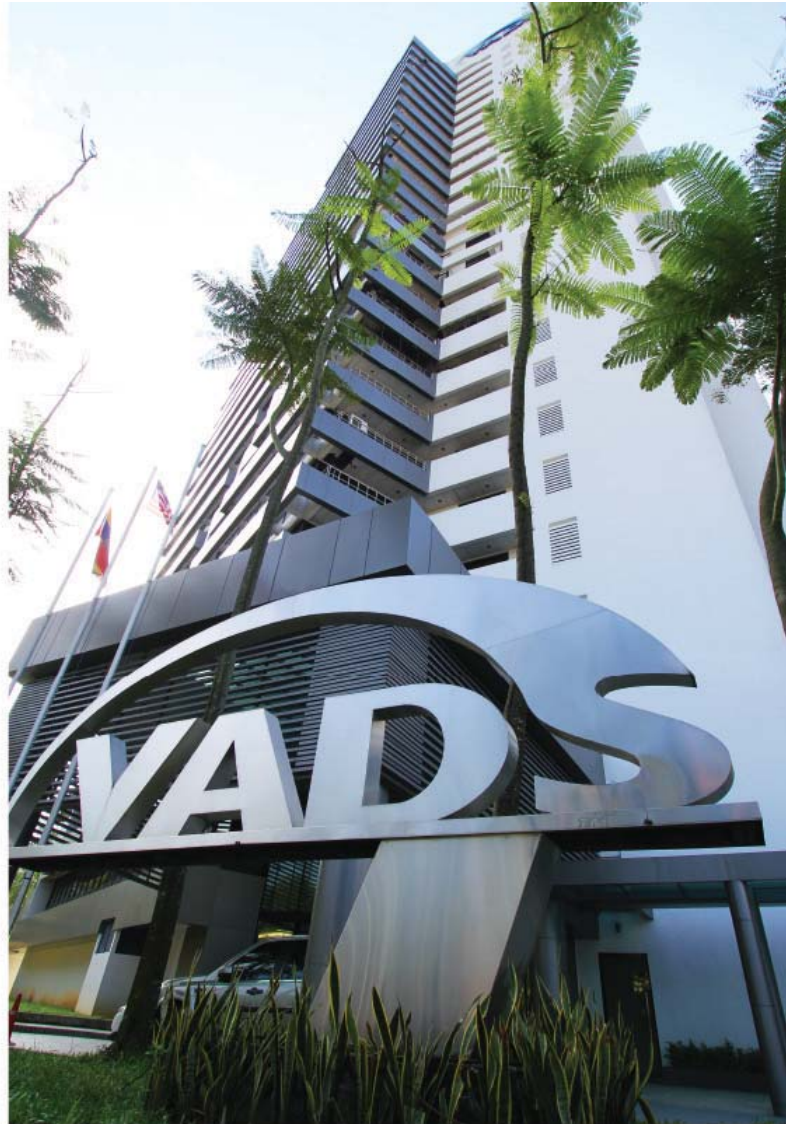
#### Composition of Investment Portfolio

	2019 %	2018 %	2017 %	2016 %	2015 %
<b>Investment Properties</b>					
Plaza VADS, Taman Tun Dr Ismail, Kuala Lumpur	30.75	28.99	28.87	30.79	65.33
Bangunan AHP, Taman Tun Dr Ismail, Kuala Lumpur	9.87	9.24	9.20	10.19	21.29
Sri Impian, Taman Setiawangsa, Kuala Lumpur	-	3.13	3.12	2.92	6.06
Shopoffice, Taman Tun Dr Ismail, Kuala Lumpur	-	0.94	0.89	0.87	1.82
Shopoffice, Jalan Negara, Taman Melawati, Kuala Lumpur	-	0.44	0.44	0.36	0.75
Shopoffice, Kota Kinabalu, Sabah	0.40	0.40	0.39	0.41	0.87
Mydin Hypermarket Seremban 2, Negeri Sembilan	55.97	52.77	52.56	52.39	-
	96.99	95.91	95.47	97.93	96.12
Real estate-related assets	-	-	-	-	0.25
Non-real estate-related assets	-	-	-	-	0.76
Deposits with financial institutions	3.01	4.09	4.53	2.07	2.87
	100.00	100.00	100.00	100.00	100.00

## MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

### PROPERTY MANAGEMENT (CONTD.)

#### Real Estate Portfolio - Plaza VADS



#### Description, Type and Location of Real Estate

24-Storey Office Building with  
4-Storey Podium Block  
Taman Tun Dr Ismail,  
Kuala Lumpur

#### Comparison and Investment

Rahim & Co International Sdn Bhd

86.0%

#### Method of Valuation and Valuer

Occupancy rate

#### Land Tenure

Freehold

1. VADS Berhad

Major Tenants

#### Date of Acquisition

21 March 1989

2. LYC Mother &

Child Centre Sdn Bhd

3 years

Average Tenancy Period

#### Age of Building

24-Storey Office Building : 33 years  
4-Storey Podium Block: 4 years

2020

Rental Review and Expiry

#### Net Lettable Area

248,536 sq.ft.

RM3.95 psf

Average Rental

#### Cost of Acquisition

RM45.91 million

49.04%

Percentage of Fair Value to NAV

#### Fair Value

RM138.34 million

431

No. of Parking Bays

#### Latest Valuation as at 2.12.2019

RM139.00 million

Charged to Financial Institution

Encumbrances

## MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

### PROPERTY MANAGEMENT (CONTD.)

#### Real Estate Portfolio - Bangunan AHP



#### Description, Type and Location of Real Estate

Four-Storey Commercial Building  
Taman Tun Dr. Ismail  
Kuala Lumpur

Comparison and Investment  
Rahim & Co International Sdn Bhd

Method of Valuation and  
Valuer

#### Land Tenure

Freehold

1. Affin Hwang Investment Bank Bhd
2. Optimax Eye Specialist Centre Sdn Bhd
3. Malayan Banking Berhad
4. Aspiration Education Services Sdn Bhd

Occupancy rate

Major Tenants

#### Date of Acquisition

21 March 1989

#### Age of Building

31 years

2 years

Average Tenancy Period

#### Net Lettable Area

95,767 sq.ft

2020

Rental Review and Expiry

#### Cost of Acquisition

RM16.32 million

RM3.64 psf

Average Rental

#### Fair Value

RM44.35 million

15.72%

Percentage of Fair Value to NAV

#### Latest Valuation as at 2.12.2019

RM44.60 million

200

No. of Parking Bays

-

Encumbrances

## MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

### PROPERTY MANAGEMENT (CONTD.)

#### Real Estate Portfolio - Mydin Seremban 2



<b>Description, Type and Location of Real Estate</b>	3-Storey Mall cum Hypermarket Building with two levels of sub-basement, Seremban 2, Negeri Sembilan	Comparison and Investment Rahim & Co International Sdn Bhd	<b>Method of Valuation and Valuer</b>
<b>Land Tenure</b>	Perpetuity	Mydin Mohamed Holdings Berhad (a substantial unit holder of AHP)	<b>Occupancy rate</b>
<b>Date of Acquisition</b>	27 April 2015		<b>Sole Tenant</b>
<b>Age of Building</b>	6 years	100%	<b>Tenancy Period</b>
<b>Net Lettable Area</b>	430,642 sq. ft.	30 years	<b>Rental Review and Expiry</b>
<b>Cost of Acquisition</b>	RM243.04 million	2046	<b>Average Rental</b>
<b>Fair Value</b>	RM225.20 million	RM3.25 psf	<b>Percentage of Fair Value to NAV</b>
<b>Latest Valuation as at 2.12.2019</b>	RM253.00 million	79.82%	<b>No. of Parking Bays</b>
		1,454	<b>Encumbrances</b>
		Charged to Financial Institution	

## MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

### PROPERTY MANAGEMENT (CONTD.)

#### Real Estate Portfolio - Shopoffice Asia City, Kota Kinabalu

<b>Description, Type and Location of Real Estate</b>	Ground & First Floor of stratified shop lots, Blok G Asia City, Kota Kinabalu, Sabah	1,800	<b>Net Book Value (RM'000)</b>
		0	<b>Occupancy Rate (%)</b>
<b>Land Tenure</b>	Leasehold (99 years expiring on 31.12.2076)	0.64%	<b>Percentage of Fair Value to NAV</b>
<b>Date of Acquisition</b>	12 December 1995	Not applicable	<b>Average Tenancy Period</b>
<b>Age of Building</b>	24	Not applicable	<b>Average Rental</b>
		Not applicable	<b>Rental Review and Expiry</b>
<b>Net Lettable Area</b>	3,100 sq. ft	Nil	<b>Tenant</b>
<b>Cost of Acquisition</b>	RM1.65 million		
<b>Fair Value</b>	RM1.80 million		
<b>Latest Valuation as at 9.8.2019 *</b>	RM1.80 million		

\* Date of SPA for the disposal of the property. The property is in the process of being disposed and is expected to be completed in 1Q 2020.

### Tenancy Management

The occupancy rate of the overall portfolio of AHP as at 31 December 2019 was 92.4% compared to 86.3% as at 31 December 2018.

Property	2019	2018
Plaza VADS,TTDI	86.0%	75.3%
Bangunan AHP, TTDI	80.9%	52.4%
Asia City, Kota Kinabalu (shopoffice)	-	100.0%
Mydin Seremban 2	100.0%	100.0%
Sri Impian, Taman Setiawangsa	-	100.0%
Lot 224, Taman Melawati (shopoffice)	-	100.0%
No. 30, Jalan Wan Kadir 4, TTDI (shopoffice)	-	63.6%
<b>Overall Portfolio</b>	<b>92.8%</b>	<b>86.3%</b>

The increase in the occupancy rate at Plaza VADS was due to the expansion of Banyan Padu Sdn Bhd which rented Level 10M and Level 21. For Bangunan AHP, Aspiration Education Services Sdn Bhd has signed tenancy for the whole of Level 3 which has contributed to the increase in the occupancy rate to 80.93%. For Asia City, Amanah Saham Nasional Berhad had surrendered the premises on 31 October 2019 and the disposal of the property is targeted to be completed by 1Q 2020.

### Tenancy Renewals

All the tenancy agreements that expired during the year had been renewed.

Weighted Average Lease Expiry ("WALE")

The following table details out information on the portfolio WALE as at 31 December 2019:

Properties	WALE (Years)
Plaza VADS, TTDI	0.25
Bangunan AHP, TTDI	0.12
Mydin Seremban 2	14.20
	14.57



## MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

### PROPERTY MANAGEMENT (CONTD.)

#### Tenancy Expiry Profiles

As at 31 December 2019, the total leased area due for renewal over the next three (3) years is 274,948 sq ft representing 35% of the total NLA of 778,045 sq ft. The portfolio tenancy expiry profile is as follows:

	Total (sq ft)	%
2020	174,766	63.6%
2021	67,962	24.7%
2022	32,220	11.7%
<b>TOTAL</b>	<b>274,948</b>	<b>100.0%</b>

The 30-year lease of Mydin Seremban 2 will be expiring in 2046.

#### Property Expenses

The Property Manager is responsible to preserve the values of all properties and perform preventive and scheduled maintenance works. In 2019, total property expenses totalled approximately RM6.50 million mainly comprising statutory payments (quit rents and assessment), insurances, general repairs and maintenance works.

#### Asset Enhancement Initiatives ("AEI")

During the financial year, the Manager has initiated two (2) asset enhancement initiatives (AEI) for Bangunan AHP as follows:-

- (i) Submitting application to Dewan Bandaraya Kuala Lumpur to increase the property plot ratio from 1:3 to 1:8 for future development; and
- (ii) Rejuvenation initiative by incorporating F&B and retail components at the front façade of the building to enhance its image and creating additional income while attracting new tenants and customers to the building. The project is expected to be completed in 2020.

### RISK MANAGEMENT

The Manager, by virtue of the Service Level Agreement with its parent company, PNB, for the outsourcing of supervisory and back office functions to PNB, embraces a strategic and consistent approach in managing risks across key business processes, through the Enterprise Risk Management Framework (ERM Framework). The ERM Framework provides an approach for the process of identifying, assessing, monitoring and managing material risks, to optimise returns on risk-taking activities within specified risk appetite levels.

Some of the key risks that might potentially affect the performance of AHP involve the following:

Risk Category	Risk Description
Strategic	<ul style="list-style-type: none"> <li>▪ Loss arising from adverse strategic directions, such as takeover and acquisition of REITs, improper implementation of strategic initiatives, or irresponsiveness to economic or industry changes.</li> </ul>
Market	<ul style="list-style-type: none"> <li>▪ Deterioration in the value of the portfolios' underlying assets due to unfavourable changes of market or economic factors.</li> </ul>
Concentration	<ul style="list-style-type: none"> <li>▪ Loss arising from significant exposure of the property portfolio in specific asset class/portfolio mix or on single/anchor tenant occupying a sizeable Net Lettable Area of a property.</li> </ul>
Reputational	<ul style="list-style-type: none"> <li>▪ Damage of company's reputation that could lead to negative publicity, costly litigation, a decline in the customer base or the exit of key employees and directly or indirectly to a loss of revenue.</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>▪ Non-compliance with regulatory requirements, legislations and standards, as well as internal policies and procedures.</li> <li>▪ Breach of legal contracts.</li> </ul>
Operational Risk	<ul style="list-style-type: none"> <li>▪ Loss resulting from inadequate or failed internal processes, people, systems or external events, which may include:-               <ul style="list-style-type: none"> <li>• Low building occupancy;</li> <li>• Inability to maintain rental yield and rental growth;</li> <li>• Tenancy risk due to dissatisfied tenants, tenant's creditworthiness and inefficient and/or ineffective building maintenance;</li> <li>• Outsourcing risk due to non-performing property manager and facility manager; and</li> <li>• Damage of the building.</li> </ul> </li> </ul>

## MANAGEMENT DISCUSSION & ANALYSIS (CONTD.)

### RISK MANAGEMENT (CONTD.)

Some of the key risks that might potentially affect the performance of AHP involve the following (contd.):

Risk Category	Risk Description
Liquidity	<ul style="list-style-type: none"> <li>■ Inability to meet any financial commitments and obligations when they fall due, or difficulties in unwinding a particular position at or near prevailing market price due to inadequate market depth.</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>■ Loss arising from inadequate internal processes and robust technology controls of the company;-               <ul style="list-style-type: none"> <li>● To ensure availability of the core systems and avoid any prolonged outage, which support critical business functions;</li> <li>● To protect the company's assets from threats due to malicious attacks;</li> <li>● To restore and deliver continuity of critical business functions, via an effective Business Continuity Management (BCM) in the event of crisis or disaster;</li> </ul> </li> </ul>
Human Resource	<ul style="list-style-type: none"> <li>■ Loss arising from the inability of the company:-               <ul style="list-style-type: none"> <li>● To attract skilful candidate with the right competency and good talent;</li> <li>● To create a conducive and productive working environment to optimise productivity level in all aspects;</li> <li>● To create a safe working environment, to protect staff from physical and psychological harm.</li> </ul> </li> </ul>

All identified risks are recorded in respective risk registers, together with the identification of existing and any future controls to mitigate such risks. All controls and action plans are continuously monitored to ensure their effectiveness in the current business environment.

## STATEMENT ON CORPORATE GOVERNANCE

### INTRODUCTION

BEING A WHOLLY OWNED SUBSIDIARY OF PERMODALAN NASIONAL BERHAD (PNB), PHNB SHARES THE SAME VALUES AND BELIEFS AS PNB. PNB AND PHNB BELIEVE THAT A CULTURE OF TRANSPARENCY, ACCOUNTABILITY, AND INTEGRITY IS PARAMOUNT IN ENSURING OUR COMMITMENT TOWARDS BECOMING A DISTINCTIVE WORLD CLASS INVESTMENT HOUSE. THE PRESENT CHALLENGING VOLATILE MARKET CONDITIONS HAVE MADE IT MORE VITAL FOR US TO ENSURE CONFORMANCE TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE, WHICH DEPEND ON OUR INTERNAL POLICIES AND PROCESSES. WITH THAT IN MIND, WE ARE PLEASED TO REPORT THE APPLICATION OF THE PRINCIPLES AND BEST PRACTICES OF CORPORATE GOVERNANCE BY PNB AND PHNB, AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (THE CODE).

### THE BOARD'S PRINCIPAL RESPONSIBILITIES

The sustainability and growth of PHNB will depend always on the proper execution of the Board's fundamental roles, which include to:-

- set and monitor the Group's strategic business objectives;
- review policies and procedures to ensure that the Group's corporate conduct is in line with the principles of integrity and accountability;
- review the adequacy of the Group's system of internal control, management information systems, and compliance with applicable laws;
- monitor the performance of the management and review; and
- assess the implementation of the risk management system;

### BOARD OF DIRECTORS

A healthy Board culture which promotes and upholds good governance practices will ensure that the stakeholders' interests are protected. It is important for the Board of Directors (Board) to have a clear understanding of their roles and responsibilities. The selection of individuals with the required mix of skills and experience is paramount in order for the Board to be able to provide a clear and effective leadership whilst inculcating healthy governance practices. The Board members are selected through the recommendation of the PNB's Nomination and Remuneration Committee (NRC), from diversified backgrounds to spearhead decision making and steer PHNB to achieve its objectives and strategic goals. Currently, the Board consists of seven members, comprising four Independent Non-Executive Directors, two Non-Independent Non-Executive Directors, and one Non-Independent Executive Director. There are no family relationship among the Directors and/or major unitholders. None of the Directors has any conflict of interest with AHP and none of the members has been convicted for any offences other than traffic offences within the past ten (10) years.

### BOARD OF DIRECTORS MEETINGS (Frequency of Meetings)

The Board convenes at least four meetings annually, with additional special meetings being conducted should circumstances warrant such meetings be held, to approve corporate proposals, strategic business plans, and direction or any other matters that require the Board's decision. The Audit Committee meetings are held in conjunction with the scheduled meetings of the Board.

### CONDUCT OF MEETINGS (Board Agenda)

At each meeting, the Chairman of the Board and the respective Board Committees brief and outline the agendas for the meetings. The Chairman reviews the Board and committee agendas, as required. The Directors attending the meetings are at liberty to propose items for the agenda, and each Director is free to recommend for discussion any issues related to the business of PHNB or any other related matter.

### APPOINTMENT AND RESIGNATION OF DIRECTORS

There was one Director appointed during the current financial year:

Directors	Status	Date
Encik Abdul Jalil bin Abdul Rasheed	Non-Independent Non-Executive	11 October 2019

The Directors who resigned/retired during the financial year are set out below:

Directors	Status	Date
Dato' Idris bin Kechot	Non-Independent Non-Executive	7 May 2019
Puan Rosinah binti Mohd Salleh	Independent Non-Executive	15 August 2019
Dato' Abdul Rahman bin Ahmad	Non-Independent Non-Executive	3 October 2019

### DIRECTORS' ATTENDANCE

Record of the Directors' attendance at the Board Meetings during the financial year are as follows:

Directors	Status	Attendance
Dato' Johan bin Ariffin (Chairman)	Independent Non-Executive	5/5
Encik Abdul Jalil bin Abdul Rasheed (i)	Non-Independent Non-Executive	1/1
Dato' Abdul Rahman bin Ahmad (ii)	Non-Independent Non-Executive	4/4
Dato' Idris bin Kechot (iii)	Non-Independent Non-Executive	2/2
Dato' Nafisah binti Radin	Independent Non-Executive	5/5
Datuk Wong Tuck Wai	Independent Non-Executive	3/5
Datuk Mohd Anwar bin Yahya	Independent Non-Executive	4/5

## STATEMENT ON CORPORATE GOVERNANCE (CONTD.)

### DIRECTORS' ATTENDANCE (CONTD.)

Record of the Directors' attendance at the Board Meetings during the financial year are as follows:

Directors	Status	Attendance
Puan Rosinah binti Mohd Salleh <sup>(iv)</sup>	Independent Non-Executive	4/4
Encik Rizal Rickman bin Ramli	Non-Independent Non-Executive	4/5
Encik Hafidz Atrash Kosai bin Mohd Zihim	Non-Independent Executive	5/5

\*Note:

- (i) Appointment of Encik Abdul Jalil bin Abdul Rasheed as Director on 11 October 2019.
- (ii) Resignation of Dato' Abdul Rahman as Director on 3 October 2019.
- (iii) Retirement of Dato' Idris bin Kechot as Director on 7 May 2019.
- (iv) Resignation of Puan Rosinah binti Mohd Salleh as Director on 15 August 2019.

### DISTRIBUTION OF MEETING MATERIALS

Presently, the Board meetings are on a paperless basis with the use of the BoardPac System. The system has enabled the Company Secretary to furnish the Board and Committee members with immediate access to the material of the meetings prior to each Board meeting.

### ACCESS TO ADVICE

The Board and its Committees have direct access to the officers and employees of PHNB and may engage independent third parties as deemed necessary, in discharging their duties and fulfilling their obligations.

### APPOINTMENT (Selection of Directors)

The Board members are selected through the recommendation of the PNB's Nomination and Remuneration Committee, which is responsible for the nomination of candidates for directorship. Potential candidates are screened from diversified industries in order to ensure only those with the right mix of capabilities, expertise and experience are chosen. The composition of the Board is also reviewed regularly to ensure the effective contribution to the Board's deliberation.

### BOARD COMMITTEES

The Board has established the following committees to assist the Board in dealing with specific functions or areas in a more efficient manner:

- i. Property Investment Committee; and
- ii. Audit Committee

There are no other committee established by PHNB, however by virtue of the Service Level Agreement between PHNB and PNB dated 30 July 2010 for the outsourcing of supervisory and back office functions to PNB, there are matters being presented to the following committees which were established by PNB:

Risk Management Committee	Nomination & Remuneration Committee	
Compliance Committee	Appeal Committee	Tender Committee

The committees have separate and defined written terms of reference, detailing the scope of their authority and responsibilities. Items discussed and actions taken at their meetings are reported to the Board following each meeting. Each committee will review its own terms of reference and works with the Board to make necessary adjustments, as required. The Board may, from time to time, establish and maintain additional Committees as required.

The key functions of each Committee established by PHNB as well as the membership and attendance at meetings during the current financial year are set out below.

### PROPERTY INVESTMENT COMMITTEE

This Committee assists the Board with the evaluation of real property-related investments, especially on any proposed acquisition and disposal of properties

Members	Status	Attendance
Dato' Johan bin Ariffin (Chairman)	Independent Non-Executive	No meeting held in 2019
Dato' Ir. Jamaluddin bin Osman <sup>(i)</sup>	Non-Board Member	
Professor Datuk Dr. Nik Mohd Zain bin Haji Nik Yusof	Non-Board Member	

\*Note:

- (i) Resignation of Dato' Ir. Jamaluddin bin Osman as member on 8 November 2019.

None of the members of Property Investment Committee has any conflict of interest with AHP and none of the members has been convicted for any offences other than traffic offences within the past ten (10) years.

## STATEMENT ON CORPORATE GOVERNANCE (CONTD.)

### AUDIT COMMITTEE

The main function of the Committee is to review the quality and effectiveness of the entire accounting and internal control system. The Committee will review the adequacy and integrity of the audit exercise undertaken by both external auditors and internal auditors for every financial year. The accounting policies to be adopted by Management and accepted by external auditors will be reviewed periodically to ensure conformance to the Accounting Standard.

Members	Status	Attendance
Datuk Mohd Anwar bin Yahya (Chairman)	Independent Non-Executive	5/5
Encik Abdul Jalil bin Abdul Rasheed (i)	Non-Independent Non-Executive	1/1
Dato' Abdul Rahman bin Ahmad (ii)	Non-Independent Non-Executive	4/4
Dato' Nafisah binti Radin	Independent Non-Executive	5/5
Puan Rosinah binti Mohd Salleh (iii)	Independent Non-Executive	4/4

\*Note:

- (i) Appointment of Encik Abdul Jalil bin Abdul Rasheed as Director on 11 October 2019.
- (ii) Resignation of Dato Abdul Rahman bin Ahmad as Director on 3 October 2019.
- (iii) Resignation of Puan Rosinah binti Mohd Salleh as Director on 15 August 2019.

The key functions of the other Committees established by PNB pursuant to the SLA dated 30 July 2010 are set out below:

### NOMINATION AND REMUNERATION COMMITTEE

The primary functions of the Nomination & Remuneration Committee are to identify and recommend suitable candidates for appointment to the Board of PNB and Operating Subsidiary Companies, including PHNB. This Committee also identifies and recommends suitable candidates for appointment as Presidents/Managing Directors/Chief Executives of PNB and its Operating Subsidiaries Companies including PHNB. In selecting candidates, the Committee follows an established policy and process whereby it considers, amongst others, the integrity, skills, knowledge, and experience of the candidate.

### RISK MANAGEMENT COMMITTEE

This Committee reviews and recommends to the Board the risk management philosophies, policies and mitigation strategies as proposed by Management to manage the principal risks of the PNB Group including PHNB and to oversee and approve the development and maintenance of the integrated risk management framework.

### COMPLIANCE COMMITTEE

This Committee was set up to ensure that there are proper supervision and effective compliance monitoring in place for the PNB Group to comply with the relevant laws, regulations, guidelines, licensing conditions and rules. The committee also assists the Board in discharging its responsibilities towards a bribe-free PNB by maintaining a good corporate governance and high level of integrity. The Committee convenes quarterly to evaluate and review the findings of the compliance report and to make recommendations in respect thereof. The structure of the overall compliance functions of the PNB Group will be reviewed as and when it is deemed necessary.

### APPEAL COMMITTEE

The Appeal Committee's function is to hear appeals of staff members who are found guilty of misconduct and to determine whether sentences meted out by the Disciplinary Committee commensurate with the respective misdeeds. The Committee also considers appeals from staff members pertaining to the determination of their salaries and promotions.

### TENDER COMMITTEE

The Tender Committee assists the Board to consider tenders and quotations for all assets, supplies and services valued above RM2 million.

## STATEMENT ON CORPORATE GOVERNANCE (CONTD.)

### DIRECTORS' TRAINING

Amongst the training programmes, conferences and forums attended by the Directors for 2019 were as follows:

- PNB Leadership Forum 2019
- PNB Leadership Forum 2019: Topic "Governance to Performance"
- "FIDE Forum – Reading The Signs : The Next Financial Crisis And Potential Impact On Asia"
- Economy Update In EU / UK By Ms Sarah Hewin, Chief Economist of Standard Chartered Bank (SCB)
- Strategic Assets Allocation (SAA) Workshop
- PNB Leadership Forum 2019  
Topic: "Positive Autocracy: A Leadership Model for Industry 4.0"
- Bursa Malaysia Sustainability Advocacy Programme : Workshop On The Recommendations Of The Task Force On Climate-Related Financial Disclosures (TFCD)
- Etiqa Takaful Executive Development (TED) Program 2019 (Series 2): Forum on Integrity as the Pillar of Shariah Compliance Culture in Islamic Financial Institutions - Moving Forward
- Capital Market Director Programme
- IT Blueprint : Post - Visioning Workshop
- Fireside Chat with Anthony Tan Group CEO and Co-Founder of Grab
- Leadership in Digital World: Managing Integration of Digital Strategies, Technology Execution and Measurement for Leaders
- PNB Corporate Summit 2019-Rebooting Corporate Malaysia  
Fireside Chat with Azran Osman – Rani
- PNB House View-Wrap-up session with Mercer
- MRMA-APREA Malaysia REIT Forum 2019
- Strata Title, Strata Management & Gacos
- Architect Art, Rules, ACC, Tribunal & CCC
- ArchiQ : 2019 International Conference on Architecture, Business & Practice
- Concept of Development, National Land Code & Town Country Planning Act
- Sime Darby Property Bridging Series – Shaping the Future through Integrated Policy Formulation
- PNB Corporate Summit 2019
- Cyber Security Awareness
- PNB Compliance Engagement Session
- AMLATFPUAA 2001 : Managing Challenges in Risk Based Approach & Politically Exposed Person
- PNB-ICLIF Leadership Development Program : Enterprise Leadership Strategies – The Brains, Bones & Nerves of PNB
- PNB-ICLIF Leadership Development Program : Building High Performance Teams
- Management Retreat 2019
- Behavioural and Competency-Based Interviewing Skills & Techniques
- MISD Business Planning Workshop 2020
- PNB Group Innovation Challenge 2019
- PIC 2019 – Fireside Chat with Ridwan Abdullah Co-Founder of HelloGold

## DIRECTORS' RESPONSIBILITY STATEMENT

### IN PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

In accordance with Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("Directors") of Pelaburan Hartanah Nasional Berhad (PHNB), is responsible to ensure that the financial statements for the financial year ended 31 December 2019 have been prepared and drawn out in accordance with the applicable Financial Reporting Standards in Malaysia, applicable provisions of the First Restated Deed dated 13 August 2015 and the First Supplemental Deed to the First Restated Deed dated 28 November 2019 and the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia, so as to give a true and fair view of the financial position of PHNB as at 31 December 2019, and of its financial performance and cash flows for the year then ended.

In preparing the financial statements for the financial year ended 31 December 2019, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

BEING A WHOLY OWNED SUBSIDIARY OF PERMODALAN NASIONAL BERHAD (PNB), PHNB BENEFITED FROM THE RESOURCES OF PNB BY VIRTUE OF THE SERVICE LEVEL AGREEMENT BETWEEN PHNB AND PNB FOR THE OUTSOURCING OF SUPERVISORY AND BACK OFFICE FUNCTIONS WHICH INCLUDES RISK MANAGEMENT, COMPLIANCE & INTEGRITY AND INTERNAL ASSURANCE.

Recognising the significance of achieving good regulatory governance, management and operations, PHNB, through its parent company, PNB, affirms its full commitment to ensure a solid risk management and internal control system is put in place. The establishment of this system ultimately aids in creating, enhancing and protecting value; whilst adhering to our company's policies and achieving our goals and objectives within the constituted risk appetite.

The whole system integrates effective processes with performance-focused risk management and internal control; including reviews on adequacy and effectiveness of the system at every level of the Management and across each Business Unit.

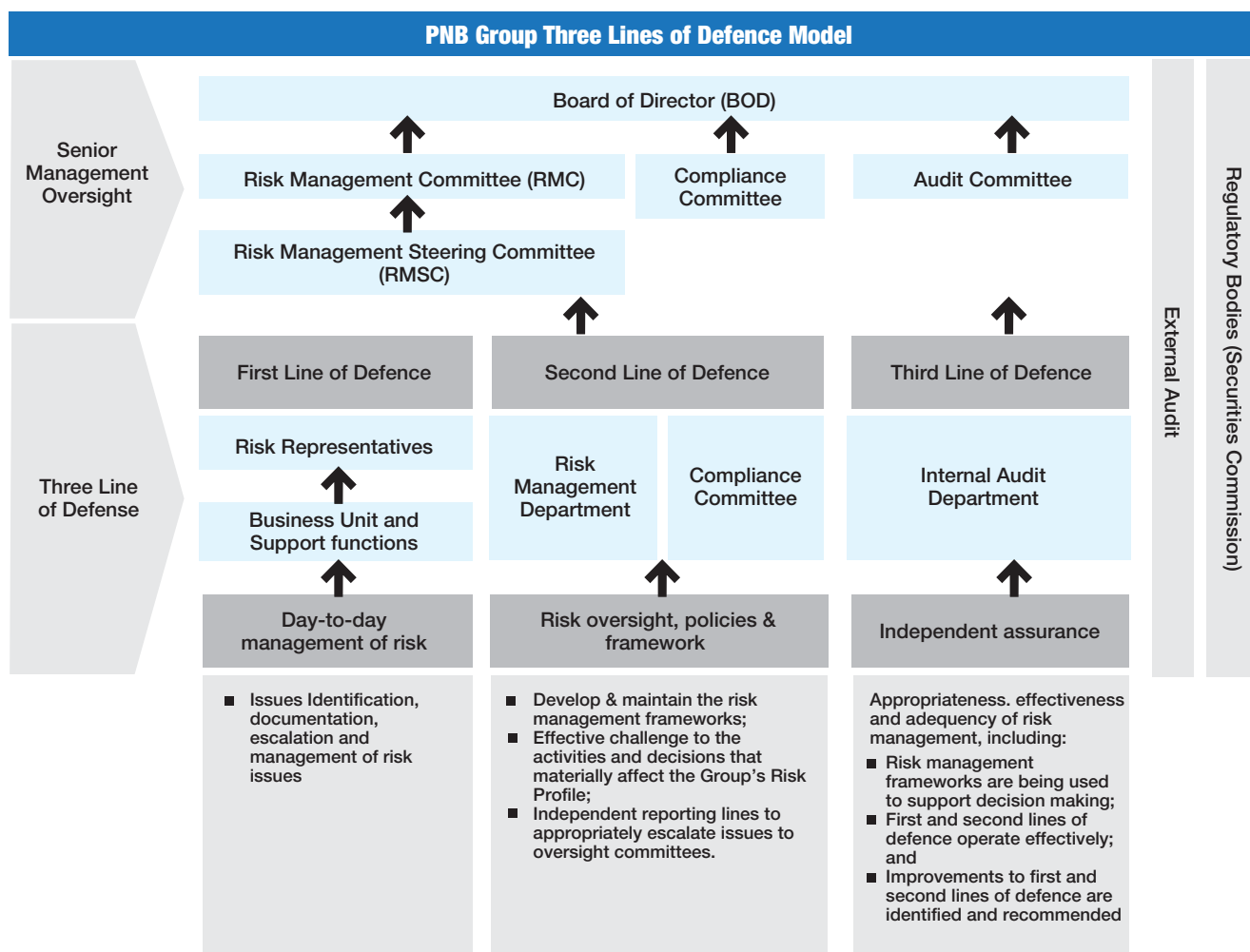
### RISK MANAGEMENT

The Board of PHNB acknowledges that risk management is an integral part of PHNB's business model and an effective monitoring and review of significant risks on a continuous basis is essential in ensuring the integrity of PHNB's internal control framework. The Board has delegated the responsibility of overseeing risk management activities of PHNB to the Risk Management Committee of the Board of Directors of Permodalan Nasional Berhad (RMC).

The RMC is responsible for assisting the Board of PHNB by overseeing and approving the ongoing development and maintenance of PNB Group's Enterprise Risk Management Framework (ERM) and activities. The RMC is delegated with the responsibility to assess, identify, measure and monitor the overall risk exposure and ensuring a sufficient level of risk mitigation is in place.

### RISK MANAGEMENT FUNCTION

The risk governance structure of PHNB follows PNB Group Three Line of Defence Model which was adopted as per leading practice to demonstrate the different roles in internal governance and the interplay between them. PHNB as the risk owner (First Line of Defence) is responsible on the day-to-day management of risk which involves issues identification, documentation, escalation and management of risk issues.



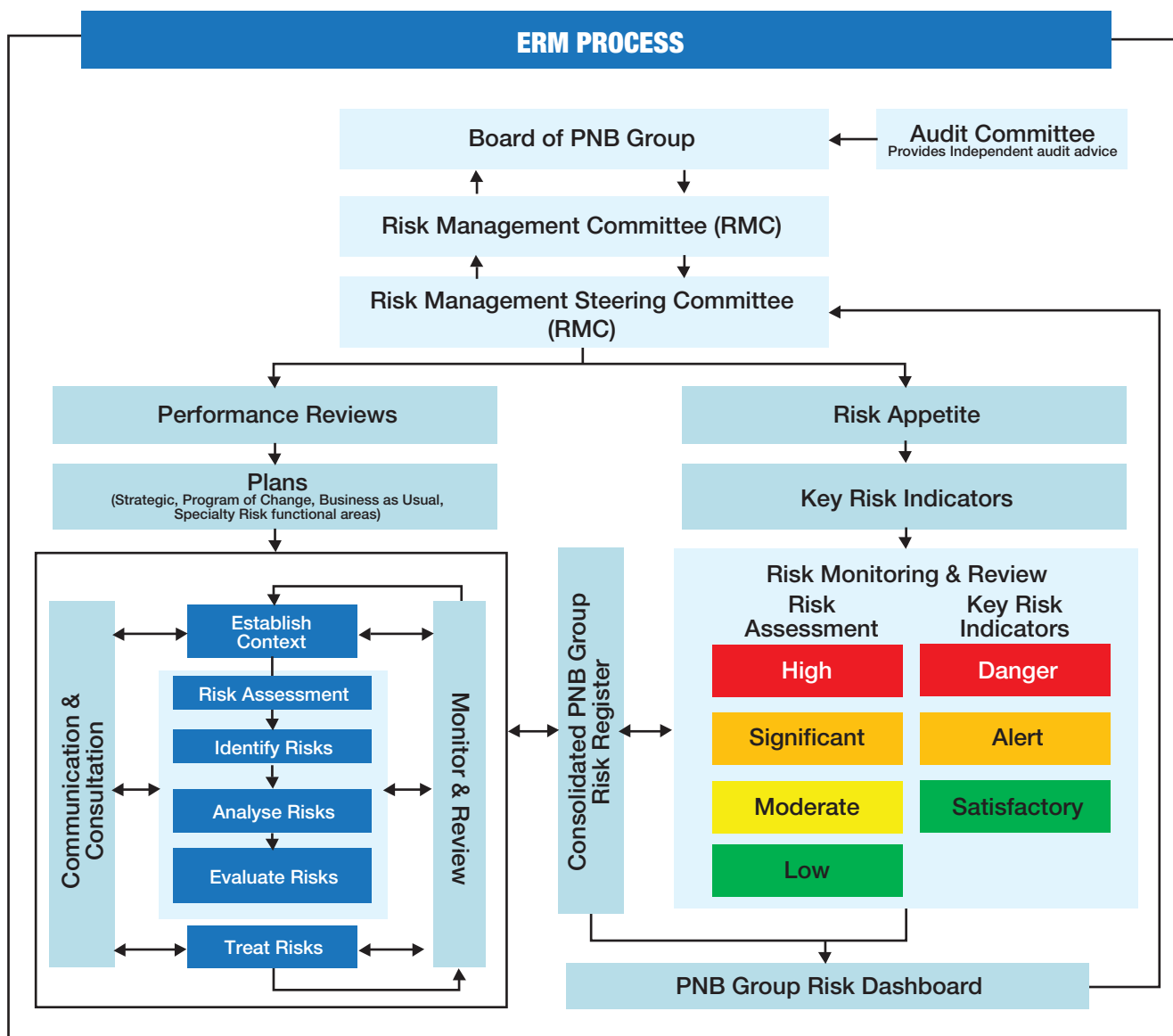
## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONTD.)

To provide an independent assessment, the Risk Management Department of PNB (RMD) is responsible to assist the RMC in setting the tone from the top to foster a sound risk management environment for PHNB and a risk management function that is influential and respected. Among its primary roles is to formulate, implement, monitor and continuously review PHNB's risk management frameworks, policies, procedures, risk limits and risk management related internal controls. The framework provides a strong control environment through the implementation of appropriate systems and risk assessment processes to manage risks in line with key and relevant guidelines such as:

- International Organisation of Standardisation (ISO) 31000: 2009 Risk Management;
- Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia;
- International Organisation of Standardisation (ISO) 22301: 2012 for BCM System – requirements;
- Guiding Principles on Business Continuity issued by the Securities Commission Malaysia on May 14, 2019; and
- Bursa Malaysia Main Market Listing Requirements.

### Scope of Work

The key elements of risk management can be summarised as follows:



- **Risk Assessment Process:** The overall process of risk identification, risk analysis and risk evaluation;
- **Risk Monitoring and Review:** The Risk Register and Key Risk Indicators (KRIs) are used as a tool to monitor and manage changes of its exposure over time.



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONTD.)

The independence of the risk management function and close alignment to the business ensures consistent and effective risk oversight via:

- Implementation of a holistic risk management process which provides a framework for building organisational resilience in ensuring critical business functions continue to operate during disruptions;
- Maintaining an incident management plan with high degree of readiness to safeguard against financial and physical disruptions; and
- Inculcating a proactive risk culture.

The main key risks that might potentially affect the performance of PHNB are detailed under “Risk Management” of the Management Discussion and Analysis section. All identified risks recorded in respective risk registers, together with the identification of existing and any future controls to mitigate such risks. All controls and action plans are continuously monitored to ensure their effectiveness in the current business environment and to safeguard PHNB against risks that could potentially affect its objectives and business strategies.

### Activities in 2019

In providing continuous support towards PHNB’s objectives and business strategies, RMD in collaboration with PHNB has undertaken to:

- Continuously support and promote corporate governance initiatives by ensuring significant risks are identified and assessed and appropriate measures are in place
- Continuously take strategic and consistent approach in managing risk across PHNB via PNB ERM Framework and associated activities, which includes monitor and review of organizational risk register and key risk indicators
- Continuously review and enhance the system of recovery from potential threats by updating PHNB’s BCM Program, which includes the annual review of Business Impact Analysis and Departmental Business Continuity Plan. This allows PHNB to review and determine the appropriate business continuity strategies, which enables it to resume its key business function within the predetermined time
- Continuously build a culture of risk awareness through clear and effective communications and formal training such as:
  - Delivering communications from leadership using a common risk management vocabulary,
  - Clarifying risk management responsibilities and accountabilities, and
  - Conducting general education on risk management, customised training programme based on employees’ respective roles, as well as one-on-one engagement sessions.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONTD.)

### INTERNAL AUDIT FUNCTION

By virtue of the Service Level Agreement between PHNB and PNB for the supervisory and back office functions to PNB, the internal audit function is outsourced to the Internal Assurance Department (“IAD”) of PNB. IAD’s primary responsibilities are to provide independent, objective assurance and consulting services designed to add-value and improve the operations of PNB Group, including PHNB, by ensuring that risk management, internal controls and established procedures are adhered to. This is achieved by carrying out financial, operational and information systems audits on core departments of PNB Group. These audit activities will provide the Board of Directors of PNB and PHNB the reasonable assurance with regard to the adequacy and effectiveness of risk management, internal controls and corporate governance.

#### Scope of work

IAD develops a risk-based audit plan for the year encompassing assurance and consulting services, which is then reviewed and approved by the Audit Committee of the PNB Board of Directors. The annual audit plan, which also covers PHNB, is strategically aligned with PNB’s business strategies and objectives.

Bursa Malaysia Main Market Listing Requirements requires the management company of a REIT to establish its own audit committee by 31 December 2018. On 27 November 2018, the Audit Committee of the Board of PHNB was established. In view of this, IAD is also reporting to the Audit Committee of PHNB.

During the year, IAD communicates the result of the planned audits, follow-up audits to the Audit Committee of PNB and is also reporting to the Audit Committee of PHNB beginning 2019.

The scope of the audit work can be summarised as follows:

- Assets are safeguarded;
- Risks are identified and managed;
- The reliability and integrity of financial and operating information, and the means used to identify, measure, clarify and report such information are clearly determined;
- The systems established comply with policies, plans, procedures and regulations that have significant impact on operations and reports;
- The efficiency of resources employed in the relevant areas; and
- The results of operations or programmes are consistent with established objectives or goals and whether these operations or programmes are carried out as planned.

#### Activities in 2019

To ensure compliance with relevant policies, procedures, laws and regulations, IAD had carried out audit activities on PHNB during the financial year. Among the areas covered by IAD are PHNB’s financial performance, budget review, cash and bank accounts, accounts payable, accounts receivable and also IT management. In relation to operations, IAD reviewed PHNB’s Asset Management activities particularly on the Property Managers’ performance, rental collection, occupancy rate, tenancy and agreements, building safety and also licensing permits.

IAD also conducts regular follow-up audits on the status of the management’s agreed action plans to rectify matters highlighted in the audit report. These follow-up audits are to ensure that corrective actions are taken to resolve the identified issues.

### CORPORATE COMPLIANCE STATEMENT

PHNB as a licensed entity governed by the rules and guidelines set by Securities Commission Malaysia is committed in upholding and safeguarding the interest of its stakeholders. It is paramount that PHNB demonstrates the highest standards of governance and compliance with the requirements of the law and regulatory authorities, in line with PNB’s vision to be a Distinctive World Class Investment House. Hence, compliance with high ethical standards as well as legal and regulatory obligations is fundamental to the preservation of our reputation for integrity.

A systematic and clearly defined approach with robust testing and monitoring mechanism therefore needs to be established and implemented to ensure compliance with all relevant laws, regulations and guidelines, internal policies and procedures and ethical standards.

### COMPLIANCE GOVERNANCE STRUCTURE

The Board is responsible for PHNB’s compliance with all laws, regulations and guidelines. The Board has established a Compliance Committee to oversee the implementation and operation of the Compliance Programme by the Compliance Department, and also supervises the Compliance Officer. The Compliance Officer assumes the key responsibility for PHNB’s compliance functions which include to establish, implement, operate and monitor the Compliance Programme for the PNB Group. Reporting of the progress of Compliance Programme is directly made to the Compliance Committee.

#### Composition and Scope of the Compliance Committee

The present composition of the Compliance Committee is as follows:

Members	Status
Tan Sri Datuk Zainun binti Ali (Chairman)	Independent Non-Executive
Dato’ Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive
Encik Abdul Jalil bin Abdul Rasheed (appointed 11 October 2019)	Non-Independent Executive

#### Scope of the Compliance Committee

The Compliance Committee has the authority of, and acts on behalf of the Board, overseeing, among others, the following:

- Proper supervision and effective compliance monitoring of the relevant laws, regulations, guidelines, licensing conditions and rules; and
- The provision of advice, guidance and direction in relation to the implementation of the Compliance Work Plan of the Compliance Department.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONTD.)

### OVERVIEW OF COMPLIANCE PROGRAMME

A Compliance Programme has been established and implemented based on the fundamental elements described in the Guidelines on Compliance Function for Fund Management Companies issued by the Securities Commission Malaysia. Our Compliance Programme reinforces our commitment to operate in full compliance and achieve the highest standards of corporate conduct. It is designed to foster compliance with applicable laws and regulation, the Capital Market and Services Act 2007, and other requirements relevant to our business, while driving efficiencies and synergies through harmonizing processes and approaches in the programme. As our Compliance Programme is dynamic, we regularly review and enhance it to meet the evolving compliance standards and practices. Essentially, our Compliance Programme encompasses policies, procedures and standards of conduct to prevent and detect violations to the rules, regulatory requirements and applicable laws.

As part of our continuous efforts in ensuring that the regulatory compliance risk is effectively managed to support the business growth in line with the aspiration and risk appetite of the PNB Group, we are committed in establishing and implementing comprehensive compliance structure and programme which are aligned with the industry best practices and international standards. With the supervision and guidance of the Board, Compliance Department is aimed to become a forefront in the key compliance areas towards fulfilling the following aspirations:

- (i) To achieve zero non-compliance target by ensuring compliance to all the relevant laws and regulatory requirements of the Securities Commission Malaysia and other relevant agencies.
- (ii) To increase the capability and visibility of Compliance Department in the advisory vis-à-vis operational activities to effectively functions as a second line of defence.
- (iii) To instill a strong compliance culture and make compliance a way of life especially in accomplishing the vision and mission of the PNB Group.

### ONGOING COMPLIANCE PROGRAMME

During the period, we have completed all our activities as per the approved workplan. In accomplishing the above aspirations, our compliance programme in 2019 had focused on the following activities:

#### 1. Strengthening the Roles and Responsibilities of Compliance through Establishment of a Comprehensive Compliance Charter and Framework

In 2019, we have revised our Compliance Policy to be in line with the local and international standards. The outcome of the revision is a comprehensive and effective policy and guideline for Compliance Department in performing its functions, roles and responsibilities to transcend the best practice in local and international standards. The newly revised guidelines underpins the establishment of the Compliance Charter and Framework, with the aim of strengthening its compliance programme, and provides efficient solution for conducting compliance processes, identifying and assessing risks, implementing and monitoring controls and mitigating/eliminating the gaps across PNB's business and operations.

The Compliance Charter and Framework encompasses the following:

- A revised vision and mandate for Compliance Department that is aligned with PNB's overall business strategy and inclusive of the scope of coverage for compliance and clarified compliance roles and responsibilities.
- Sound and robust governance and reporting framework to enable effective compliance oversight and monitoring through appropriate processes, including escalation processes and supporting infrastructure in place to effectively enable delivery of compliance mandate.
- Fit-for-purpose organisation design and structure with clearly defined roles and responsibilities, capacity and capabilities to deliver compliance mandate.
- Clearly defined compliance roles and responsibilities, capabilities, KPIs and consequence management framework.
- Commitment and involvement from key stakeholders to support, champion and reinforce compliance objectives.

As part of the integral process to develop the Compliance Charter and Framework, PNB has aligned the gaps and recommendations, to meet the expectation of the regulators. With the shift towards a more comprehensive compliance mandate, the compliance function and programme have embraced risk management approach. To strengthen the compliance programme, a formal risk-based approach has been developed in designing the compliance programme, which encapsulates the methodology for systemic identification, prioritisation and mitigation of compliance risk.

#### 2. Enhancing Operations Through Information Technology System

Over the time, compliance functions have adopted innovation-fuelled strategies in performing its functions and deliver the outcomes required in an era of digital transformation. The existing PNB Compliance System will be enhanced to be a library-knowledge based system that comprises amongst others, the Compliance Manual which serves as a medium for staff members to obtain all the applicable laws, regulations, guidelines and internal policies as their reference in performing daily operations. All the latest revisions in the applicable guidelines and laws are available in the said system to enable them to be updated with the latest regulatory changes in the industry.

In managing end-to-end Money Laundering and Terrorism Financing risk, an AMLA System has been developed to facilitate the PNB Group on the following scope:-

- Fulfilling the regulatory requirement of relationship based assessment which includes risk profiling of stakeholders and application of risk management and mitigation control measures.
- Assisting the PNB Group in managing the on-boarding (Know Your Customer) process diligently to capture and consolidate data for complete analysis.
- Alert triggering for monitoring purposes and for Suspicious Transaction Report evaluation and submission to Bank Negara Malaysia.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONTD.)

### ONGOING COMPLIANCE PROGRAMME (CONTD.)

#### 3. Intensifying Compliance Literacy And Awareness Programme

We believe that education and training are the key components in inculcating compliance culture within the staff members. This is a critical aspect in ensuring that all new and existing employees of PNB Group are reminded of their behaviours, roles and responsibilities in upholding righteous code of conduct and integrity values. With the newly Compliance Charter and Framework, we are pursuing a more structured approach in enhancing the effectiveness in educating and facilitating compliance awareness by developing a robust PNB Group wide compliance communications and awareness programme. Periodic briefings on key compliance areas will continue to be conducted to highlight updates on regulatory changes to impacted business units and where possible, highlighting impact to the roles of the staff members. Further to the briefings, the summary of regulatory updates are highlighted via emails blasts to all staff members. In 2019, we had conducted 17 compliance awareness programmes via email blasts to all users which include sharing of information on core principles of compliance and explanatory notes on key regulatory requirements to be complied with in performing daily jobs.

Additionally, 13 relevant regulatory updates and their impacts to the relevant business units have been disseminated across the board to ensure that our employees, business units and Board are aware of and comply with the latest regulatory requirements.

#### 4. Sustaining Accreditation On Quality Management System

In 2019, PHNB has marked another year of successful accreditation of ISO 9001: 2015. The accreditation will also be a boost to the customers' confidence as public is ensured that the quality internal systems and process controls are in place and monitored.

Internal Quality Audit (IQA) has been working hand-in-hand with SIRIM (Standards and Industrial Research Institute of Malaysia), the certification body, that gives a written assurance that a product, process or service conforms to specified requirements. The success could not be achieved without the strong support, hard work and commitment showed by the appointed IQA, as approved by the Board. Presently, PNB has a total of 85 certified IQA who are staff of PNB Group.

#### 5. Anti-corruption and anti-bribery statement

The PNB Group is committed to conducting all its business dealings in an honest and ethical manner whilst maintaining the highest standard of integrity and corporate governance. In accordance with the requirements of our regulatory authority, i.e. the SC, we implement and enforce robust policies and procedures to safeguard against any illegal behaviour.

The PNB Group acts in an open and transparent manner in all of its dealings with customers, employees, suppliers and all third-party contacts. We have a zero-tolerance approach on corrupt practices and unethical behaviour and will take firm action to eradicate any activities that lead to bribery and corruption.

The PNB Group is committed to creating an environment that enables and encourages its employees and the public to raise any concerns on our conduct. If there is any incidents of integrity infringement, especially relating to corruption, employees and the public can and are encouraged to raise their concerns in accordance with our Whistleblowing Policy to the Head of Integrity or the Group Chairman. Genuine complaints will be treated confidentially and investigated in a transparent and fair manner.

To further strengthen this, in 2019, the Board has approved the Integrity Charter and Framework that is applicable to all jurisdictions where the PNB Group has its presence, excluding investee companies. PNB also continues the "No-Gift Policy" to deter both employees and external parties from being involved in bribery as well as to avoid any conflict of interest, whether actual or potential.

### CONCLUSION

The Board is of the view that the system of risk management, internal control and compliance for the year under review and up to date of approval of this statement for inclusion in the annual report is in place, sound and provides a level of confidence on which the Board relies for assurance.

The Board has received reasonable assurance from the Chief Executive Officer and PNB Group Chief Financial Officer that the risk management and internal controls system, in all material aspects, are operating adequately and effectively.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 17 January 2020.

## AUDIT COMMITTEE REPORT

An Audit Committee of Directors (“AC”) was established by the Board of Directors of PHNB. Its primary task is to assist the Board of Directors of PHNB in overseeing the financial reporting, internal control systems, internal and external audit functions, conflict of interest situations and related party transactions pertaining to AHP and the Manager (where applicable).

The AC shall comprise at least three (3) Board members who shall be non-executive, a majority of whom are independent directors of the Board of Directors of PHNB. At least one (1) member of the AC must be a member of the Malaysian Institute of Accountants.

The Chairman of the AC shall be an independent director.

### COMPOSITION OF AC

The AC members of the Manager since the date of the last report and at the date of this report are:-

Datuk Mohd Anwar bin Yahya, Chairman  
*Independent Non-Executive Director*

Dato’ Nafisah binti Radin  
*Independent Non-Executive Director*

Encik Abdul Jalil bin Abdul Rasheed  
*Non-Independent Non-Executive Director*  
*(Appointed on 11 October 2019)*

Dato’ Abdul Rahman bin Ahmad  
*Non-Independent Non-Executive Director*  
*(Resigned on 3 October 2019)*

Puan Rosinah binti Mohd Salleh  
*Independent Non-Executive Director*  
*(Resigned on 15 August 2019)*

The Manager is of the view that the AC members have the relevant expertise to discharge the functions of an AC. The primary role and responsibilities of the AC is to monitor and evaluate the effectiveness of the Trust and the Manager’s internal controls and to ensure that the financial statements comply with the applicable financial reporting standards.

The AC has a set of terms of reference defining its scope of authority, in relation to its management of the Trust.

### TERMS OF REFERENCE

The primary roles and responsibilities of the Audit Committee are:

- i. To review the following and report the same to the Board of Directors of PHNB:
  - a. the assistance given by the employees of PHNB to the external and internal auditors;
  - b. the adequacy of scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - c. the internal audit plan, scope and results of the internal audit plan, processes, observations, major findings of internal investigation and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - d. the quarterly results and year-end financial statements, before the approval by the Board of Directors of PHNB, focusing particularly on:
    - changes or implementation of major accounting policy changes;
    - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
    - compliance with accounting standards and other legal requirements;
  - e. any related party transaction and conflict of interests situation that may arise within the Manager and/or AHP including any transaction, procedure or course of conduct that raises questions of management integrity;
  - f. with external auditors:
    - to review the audit plans;
    - to review the evaluation of the quality and effectiveness of the entire accounting system and the adequacy and integrity of the internal control system;
    - to review the external audit report;
  - g. whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment;
  - h. to review any letter of resignation from the external auditors;
- ii. To recommend the nomination of a person or persons as external auditors; and
- iii. To report to the Exchange on any matter reported by it to the Board of Directors of PHNB, which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Exchange.

## AUDIT COMMITTEE REPORT (CONTD.)

### MEETINGS

The AC shall meet at least four times a year. Additional meetings may be called at any time at the Chairman's discretion. The quorum necessary for the transaction of the business of the AC shall be two (2) members. For the FY2019, the AC had met a total of five (5) times. The attendance of the AC members to the AC meetings held for the FY2019 are as follows:-

Directors	Designation	Number of AC Meetings Attended
Datuk Mohd Anwar bin Yahya	Independent Non-Executive Director	5/5
Dato' Nafisah binti Radin	Independent Non-Executive Director	5/5
Encik Abdul Jalil bin Abdul Rasheed (Appointed on 11 October 2019)	Non-Independent Non-Executive Director	1/1
Dato' Abdul Rahman bin Ahmad (Resigned on 3 October 2019)	Non-Independent Non-Executive Director	4/4
Puan Rosinah binti Mohd Salleh (Resigned on 15 August 2019)	Independent Non-Executive Director	4/4

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The activities of the AC for the FY2019 are as listed below:

- i. Reviewed the adequacy and effectiveness of the system of internal control through internal audit activities and compliance monitoring to ensure that the approved policies and procedures are adhered and risk areas are adequately mitigated.
- ii. Reviewed the adequacy of the scope and objectives of the internal auditor, and deliberate on the audit plan which are approved by the Audit Committee.
- iii. Reviewed with the internal auditor, the presented internal audit report, and ensured that the agreed action plans are implemented by the Management in a timely and effective manner.
- iv. Reviewed with the external auditor the financial statements, audit issues and matters arising from the statutory audit.
- v. Adopted new accounting standards i.e. Malaysian Financial Reporting Standard (MFRS) 9 (Financial Instruments) and MFRS 15 (Revenue from contracts with customers). The Audit Committee was satisfied that new accounting standards (MFRS 9 and MFRS 15) had been complied with by the Management.
- vi. Reviewed the quarterly financial results for public announcement, before presenting the same to the Board of Directors for approval.

### SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT

- i. The Internal Audit function is outsourced to the Internal Assurance Department (IAD) of PNB via Service Level Agreement dated 30 July 2010.
- ii. The IAD is independent of the activities and operations of PHNB and reports directly to the Audit Committee of PHNB.
- iii. IAD conducts the audit based on the Audit Plan approved by the Audit Committee, to provide an independent assessment on the adequacy, effectiveness and efficiency of the established internal controls systems and risk management of PHNB.
- iv. In FY2019 IAD had executed the following internal audit activities:
  - a. Conducted a financial and management audit on PHNB in accordance to the approved audit plan.
  - b. Conduct audit and site visits to the properties under PHNB to access the adequacy of the internal controls and performance of the managed properties.
  - c. Prepared the audit report based on the audit review, integrating detailed audit observations, validated findings, recommendations and agreed action plans to resolved issues, enhance existing policies & procedures and operational efficiency, and to gain reasonable assurance that identified risks are effectively being mitigated.
  - d. The audit report was discussed with the Management for agreed action plans and timely resolution before being presented to the Audit Committee for deliberation.
  - e. Conducted follow-up with the Management to determine the progress of the agreed actions plans in resolving outstanding audit issues until full closure and presented the status of the resolution to the Audit Committee.
  - f. Attended the Annual General Meeting of PHNB as verifier and to certify that the minimum quorum is met.

## 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. Presently, the portfolio of AHP is made up of the following properties:

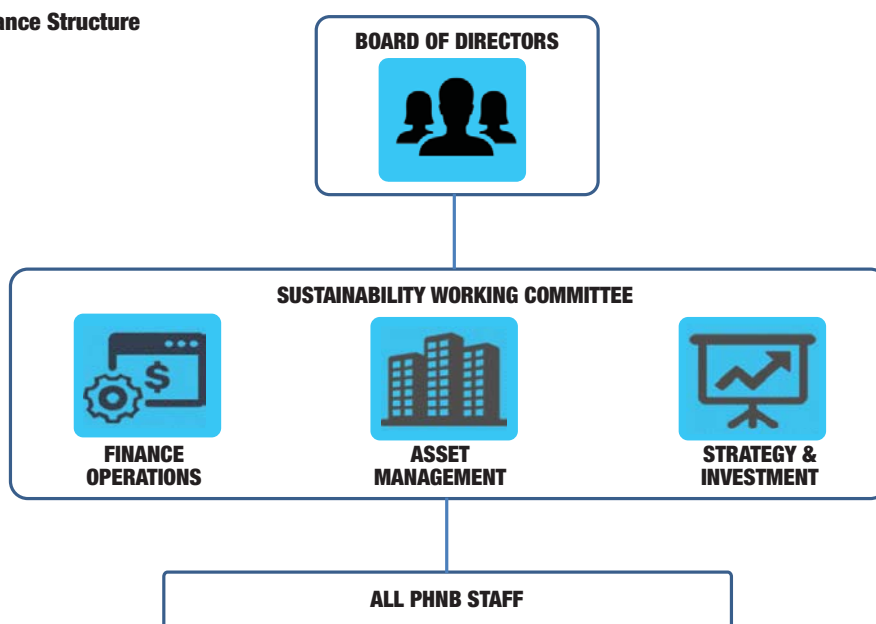
- Plaza VADS, a 24-storey office building with a 4-storey annex block in Kuala Lumpur;
- Bangunan AHP, a 4-storey commercial building in Kuala Lumpur;
- Mydin Mall/Hypermarket, a 3-storey mall/hypermarket in Seremban 2, Negeri Sembilan.; and
- Shop office located in Kota Kinabalu, Sabah.

### REPORTING SCOPE

The report covers the period from 1 January 2019 to 31 December 2019, which is the financial period of AHP.

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 unit within PHNB and is chaired by the CEO of PHNB. The Committee meets on a half yearly basis to oversee, monitor and report on all sustainability issues and report updates to the Board.






### Risk Management

Effective risk management 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. By virtue of the Service Level Agreement dated 30 July 2010, the risk management function of PHNB is outsourced at the Group level to PNB. The established ERM Framework provides an approach for the process of identifying, assessing, monitoring and managing material risks, to optimise returns on risk-taking activities within specified risk appetite levels. In providing continuous support towards PHNB’s objectives and business strategies, RMD in collaboration with PHNB has undertaken to:

- Continuously support and promote corporate governance initiatives by ensuring significant risks are identified and assessed & appropriate measures are in place
- Continuously take strategic and consistent approach in managing risk across PHNB via PNB ERM Framework and associated activities, which includes monitor and review of organizational risk register and key risk indicators
- Continuously review and enhance the system of recovery from potential threats by updating PHNB’s BCM Program, which includes the annual review of Business Impact Analysis and Departmental Business Continuity Plan. This allows PHNB to review and determine the appropriate business continuity strategies, which enables it to resume its key business function within the predetermined time
- Continuously build a culture of risk awareness through clear and effective communications and formal training such as:
  - Delivering communications from leadership using a common risk management vocabulary,
  - Clarifying risk management responsibilities and accountabilities, and
  - Conducting general education on risk management, customised training programme based on employees’ respective roles, as well as one-on-one engagement sessions

## SUSTAINABILITY STATEMENT (CONTD.)

### Stakeholders Engagement

KEY STAKEHOLDERS	STAKEHOLDERS' INTERESTS	ENGAGEMENT
<b>Unit holders</b> 	<ul style="list-style-type: none"> <li>Competitive returns</li> <li>Strong corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Direct interaction via Annual General Meeting</li> <li>Timely announcements of results and performance</li> <li>Unit holders' satisfaction survey</li> <li>Website</li> </ul>
<b>Tenants</b> 	<ul style="list-style-type: none"> <li>Efficiently managed buildings and services</li> <li>Competitive rental rates</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings and discussions</li> <li>Tenants' satisfaction survey</li> <li>Adequate upkeep and maintenance</li> </ul>
<b>Regulators</b> 	<ul style="list-style-type: none"> <li>Compliance</li> <li>Inputs from industry players</li> </ul>	<ul style="list-style-type: none"> <li>Consultations</li> <li>Briefings, seminars, workshops</li> <li>Timely reporting</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>Job security and satisfaction</li> <li>Fair and competitive employment policies and benefits</li> <li>Career development</li> </ul>	<ul style="list-style-type: none"> <li>Department meetings and town hall sessions</li> <li>Appraisal meetings</li> <li>Employee development programme and training</li> <li>Regular review of remuneration package and benefits</li> </ul>
<b>Community</b> 	<ul style="list-style-type: none"> <li>Safe and healthy environment</li> <li>Support to local economy</li> </ul>	<ul style="list-style-type: none"> <li>Investment awareness/education programme for the public</li> <li>Charity programme for the community/CSR</li> </ul>
<b>Suppliers</b> 	<ul style="list-style-type: none"> <li>Prompt payment</li> <li>Steady stream of services and products procured</li> </ul>	<ul style="list-style-type: none"> <li>Established procurement procedures</li> <li>Vendors evaluation</li> </ul>

### 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.

### 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, PHNB ("the Manager") believes that it is also important to maintain good rapport with the tenants and being sensitive to tenants' needs whilst maintaining high standards of service are crucial aspect to tenants' retention. The screening process is to ensure tenants are of good reputation, legitimate business operations and of sound financial standing.



## SUSTAINABILITY STATEMENT (CONTD.)

- Quality tenants (Contd.)**

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

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

Tenants	Building
VADS Berhad	Plaza VADS
Al-Ikhsan Sports Sdn. Bhd.	Plaza VADS
Marine & General Berhad	Plaza VADS
Lorna Whiston Sdn. Bhd.	Plaza VADS
Mega Fitness Sdn. Bhd.	Plaza VADS
Common Man Coffee Roasters Sdn Bhd	Plaza VADS
LYC Mother & Child Centre Sdn Bhd	Podium Block, Plaza VADS
Malayan Banking Berhad	Bangunan AHP
Affin Hwang Investment Bank Berhad	Bangunan AHP
Optimax Eye Specialist Sdn. Bhd.	Bangunan AHP
Aspiration Education Services Sdn Bhd	Bangunan AHP
Mydin Mohamed Holdings Berhad	Mydin Seremban 2

- Quality assets**

Quality assets are assets which yield sustainable competitive returns. 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, tenancy mix, tenancy arrangement (long vs short term tenancies) and competitive rental rates.

In securing tenants, the Manager strive to secure master lease arrangement with triple net yield arrangement where rental receivable from the tenant is net of all property expenses including rates and assessments as well as insurance. Mydin Seremban 2 which was acquired in 2017 is under a 30-year master lease with triple net yield arrangement with Mydin Mohamed Holdings Berhad. The initial rental was based on a 7% triple net yield of the Purchase Consideration and the rental is increased by 10% every 4 years for the first 2 terms and for subsequent terms, every 3 years.

A well maintained real estate is one of the main feature 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 giving positive impact towards tenant retention and ultimately ensuring continuous income stream to AHP.

## SUSTAINABILITY STATEMENT (CONTD.)

- Quality assets (Contd.)**

Generally, the following are strategies in ensuring the quality of the assets of AHP:

	STRATEGIES	ACTIONS
FOR EXISTING ASSETS	<p><b>Preventive and scheduled maintenance:</b> Preventive maintenance is an important part of facilities management. Effective preventive maintenance will improve the performance and safety of the equipment and minimise the risk of unexpected breakdown.</p>	<ul style="list-style-type: none"> <li>▪ Strict adherence to scheduled maintenance programmes</li> <li>▪ Comprehensive service contracts for major mechanical and electrical services</li> <li>▪ Active monitoring of the performance of the Property Manager in ensuring quality property management service</li> </ul>
	<p><b>Asset enhancement initiative</b> To upscale the existing building to be competitive with new up-coming office buildings in the market. This is to ensure sustainability of rental income and retention of tenants.</p>	<ul style="list-style-type: none"> <li>▪ The new annex block of Plaza VADS has certified GBI Building effective October 1, 2019 until September 30, 2022</li> <li>▪ Continuous engagement with tenants in identifying areas requiring enhancements</li> </ul>
	<p><b>Redevelopment strategy</b> To redevelop the existing property which are underutilise or has maximised its potential. The redevelopment will create a new profile for the property to ensure sustainability of the asset quality.</p>	<ul style="list-style-type: none"> <li>▪ Presently exploring the prospects of redeveloping Bangunan AHP</li> </ul>
FOR NEW ACQUISITIONS	<p><b>Criteria for new acquisition is as follows:-</b></p> <ul style="list-style-type: none"> <li>▪ the property meets the minimum returns of 6% on a triple net basis (net of statutory and maintenance cost);</li> <li>▪ quality tenants (reputable and strong financial standing);</li> <li>▪ prominent location, good accessibility and connectivity;</li> <li>▪ Longer WALE (Weighted Average Lease Expiry) period</li> </ul>	<ul style="list-style-type: none"> <li>▪ The last acquisition of Mydin Seremban 2 generated initial triple net yield of 7%</li> <li>▪ The rental is subject to a step-up rate of 10% for the first two terms of 4 years each and thereafter, every 3 years</li> <li>▪ Mydin Seremban 2 is leased to Mydin Mohamed Holdings for a period of 30 years</li> <li>▪ Present WALE of property portfolio of AHP is 14.57 years</li> </ul>
	<p>Diversification in type of property, geographical locations and tenants to ensure risks are distributed.</p>	<ul style="list-style-type: none"> <li>▪ The acquisition of Mydin Seremban 2 has further expanded the geographical distribution as well as type of properties under the portfolio of AHP</li> </ul>
	<p>Technical and legal due diligence by external consultants will be conducted to assess the building conditions, regulatory compliance, financial viability, safety and future prospect.</p>	<ul style="list-style-type: none"> <li>▪ For the acquisition of Mydin Seremban 2, a comprehensive due diligence was conducted</li> </ul>
	<p>Acquisition price will be guided by market value appraised by professional registered valuer and recommendation from the Property Investment Committee.</p>	<ul style="list-style-type: none"> <li>▪ The acquisition price for Mydin Seremban 2 was based on the value appraised by professional valuer and the acquisition proposal has been reviewed by the Property Investment Committee.</li> </ul>

## SUSTAINABILITY STATEMENT (CONTD.)

### • **Reliable suppliers**

Reliable suppliers are a 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 the party which deals directly with the tenants and managing the day to day operations of the real estate, the 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 adhered to the 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; and
  - 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.
- The new annex block of Plaza VADS has certified GBI Building effective October 1, 2019 until September 30, 2022.
- 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 regular basis to discuss health and safety issues. Amongst the activities conducted includes visits and safety inspection of 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 which are always given attention in all our tender documents. In August and October 2019, a series of firefighting courses were held at the Akademi Bomba Kuala Kubu Baru involving members of PNB's emergency response team.
- PNB is committed towards promoting healthy lifestyle and a balanced work environment. Hari Sihat PNB is an annual event filled with various activities and programmes such as health talks, health screening and exhibition. During Hari Sihat PNB 2019, WELLMinds@Work was launched as one of the efforts by PNB to ensure continuous programme focussing on the wellbeing, safety and health of its staff.



The launch of WELLMinds@Work by the former President & Group Chief Executive of PNB, Dato' Abdul Rahman Ahmad



Members of PNB Emergency Response Team attending Fire Fighting Course at the Akademi Bomba Kuala Kubu Baru



PNB staff participating in World Stats Run 2019

## SUSTAINABILITY STATEMENT (CONTD.)

### 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.

- **Investment awareness/education programme**

Through its annual Minggu Saham Amanah Malaysia (MSAM), initiative 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 to date attracted more than 3.7 million visitors. Various programmes are organised at the MSAM with the sole objective to improve investment awareness of the public and to promote investment and showcased the strength of PNB investment companies.

MSAM 2019 was held in Sungai Petani, Kedah between 19 and 25 April 2019 and was attended by more than 163,000 visitors.



- **PNB Graduate Executive Training**

PHNB, as a caring organisation, is a participant of the programme. Briefing on REIT were given to the graduates to provide them with better understanding on REITs and the various aspects of managing a REIT. In addition, PHNB also provides placements to the participants of the PNB Graduate Executive Training for them to gain exposure in PHNB. During 2019, a total of 4 graduates were placed in PHNB.

- **Ramadhan Programme**

In conjunction with the holy month of Ramadhan, staff of PHNB participated in the distribution of bubur lambuk in conjunction with a programme organised by PNB in collaboration with Masjid Jamek Sultan Abdul Samad Kuala Lumpur on 21 and 31 May 2019.



## SUSTAINABILITY STATEMENT (CONTD.)

### Social (Contd.)

- Programme for the Homeless**

On 27 December 2019, staff of PHNB together with the Volunteers Team of PNB has once again collaborated with Pertubuhan Tindakan Wanita Islam (PERTIWI), an NGO, in distributing food items to more than 400 recipients at the Pusat Aktiviti Gelandangan at Jalan Medan Tuanku and Jalan Hang Lekiu, Kuala Lumpur. At the event, PERTIWI with the support of volunteer doctors also provided medical aids to those in need.



- Corporate Social Responsibility**

In conjunction with the MSAM 2019, the first ever PHNB Bersama Komuniti programme was held at Sekolah Menengah Sains Sultan Mohamad Jiwa, Sungai Petani, Kedah on 19 and 20 April 2019.

Main objective of the programme:

- o Carrying out social responsibility via charity, improvement and adding value to the existing infrastructure
- o Boosting morale and well-being of the community as well as establishing the image of the organisation as a caring and socially responsible organisation
- o Making CSR activities as part of scope of work to complement existing job's core function
- o Creating strong bonding with local community

Activities held:

- "Seminar Kuasai Kewangan ASNB" where students were given exposures/awareness on savings/investment
- "Pengisian Ilmu" by Ustaz Riduan Zainal Abidin on Tahsin Wudhuk dan Tahsin Solat
- Two study rooms were given fresh coat of paints and furnished with study tables & chairs donated by PHNB
- PHNB also donated ceiling fans and LED lightings for the study rooms



- Annual General Meeting of AHP**

The 7th Annual General Meeting (AGM) of AHP was held on 28 March 2019 at the Theatrette, Level 2 of Menara PNB. The AGM was chaired by the Chairman of the Board of Directors of PHNB, Dato' Johan Ariffin and was attended by approximately 150 guests including unit holders, proxies and other guests. At the AGM, unit holders are able to interact directly with the management of PHNB and it is also a valuable platform for PHNB to gather feedback from the unit holders.



## ANALYSIS OF UNITHOLDINGS

### Unit Holders' Capital as at 31 December 2019

Authorised = 1,000,000,000 units

Issued and fully paid = 220,000,000 units

### Distribution of Unit Holders as at 31 December 2019

Unit Class	No. of Unit Holders	Percentage of Unit Holders (%)	No. of Unitholdings	Percentage of Unitholdings (%)
Less than 100	36	0.60	859	0.00
100 - 1,000	2,449	40.55	1,979,467	0.90
10,001 - 100,000	2,756	45.64	10,971,551	4.99
100,001 to less than 5% of issued units	709	11.74	20,908,080	9.50
5% and above of issued units	89	1.47	186,140,043	84.61
<b>Total</b>	<b>6,039</b>	<b>100.00</b>	<b>220,000,000</b>	<b>100.00</b>

### Classification of Unit Holders as at 31 December 2019

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	2,125	3,339	53	8,400,110	34,146,418	2,512,810	3.82	15.52	1.14
Body Corporate									
a. Banks/Finance Companies	5	-	-	90,281,700	-	-	41.04	-	-
b. Investment Trusts/Foundations	1	2	-	1,000	222,000	-	-	0.10	-
c. Other Types of Companies	13	23	-	896,180	2,789,900	-	0.41	1.27	-
Government Agencies/Institutions	2	-	-	11,153,700	-	-	5.07	-	-
Nominees	311	136	29	60,313,687	2,393,375	6,889,120	27.42	1.09	3.13
<b>Total</b>	<b>2,457</b>	<b>3,500</b>	<b>82</b>	<b>171,046,377</b>	<b>39,551,693</b>	<b>9,401,930</b>	<b>77.75</b>	<b>17.98</b>	<b>4.27</b>
<b>Grand Total</b>	<b>6,039</b>			<b>220,000,000</b>			<b>100.00</b>		

## ANALYSIS OF UNITHOLDINGS (CONTD.)

30 Largest Unit Holders as at 31 December 2019

No	Unit Holders	Units Held	Percentage of Units in Issue (%)
1.	Amanahraya Trustees Berhad Amanah Saham Bumiputera <sup>(1)</sup>	90,218,700	41.01
2.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mydin Mohamed Holdings Bhd <sup>(1)</sup>	50,906,800	23.14
3.	Permodalan Nasional Berhad <sup>(1)(2)</sup>	11,139,700	5.06
4.	Kenanga Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Client Account)	2,316,000	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.	Maybank Nominees (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad For Lembaga Tabung Angkatan Tentera	1,700,000	0.77
8.	J A Russell & Co Sdn Berhad	1,502,700	0.68
9.	CGS-CIMB Nominees (Asing) Sdn Bhd Exempt An For CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	1,420,840	0.65
10.	Tan Teck Peng	1,150,000	0.52
11.	RHB Nominees (Tempatan) Sdn Bhd Exempt An For RHB Securities Singapore Pte. Ltd. (A/C Clients)	1,086,500	0.49
12.	Public Invest Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Clients)	884,820	0.40
13.	Liew Kon Mun	841,400	0.38
14.	Liew Yoon Yee	831,700	0.38
15.	Wong Kwang-I Benjamin	765,600	0.35
16.	Singam A/L Kumarasamy	731,100	0.33
17.	Ng Heng Heem	673,600	0.31
18.	Ram Holdings Berhad	631,180	0.29
19.	Affin Hwang Nominees (Asing) Sdn Bhd Exempt An For DBS Vickers Securities (Singapore) Pte Ltd (Clients)	538,260	0.24
20.	J.A. Russell & Co., Sdn Berhad	524,600	0.24
21.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Hamzah Bin Bakar (PB)	500,000	0.23
22.	Gan Tuan Boon	500,000	0.23
23.	Ng Inn Jwee	440,000	0.20
24.	Chong Kon Ling	414,200	0.19
25.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tey Rose	410,000	0.19
26.	Pang Yang Chung	404,000	0.18
27.	Abdul Rahim Bin Bidin	364,300	0.17
28.	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd For Lim Ah Ba @ Lim Chong Teik	349,900	0.16
29.	Lee Pick Chin @ Lee Pick Hoon	330,000	0.15
30.	Sia Duan Choo	325,800	0.15
	<b>TOTAL</b>	<b>176,145,700</b>	<b>80.07</b>

\*Note:

(1) Substantial unit holder

(2) Related company to the Manager



# FINANCIAL STATEMENTS

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## **MANAGER'S REPORT ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2019**

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 2019.

### **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 in favour of AmanahRaya Trustees Berhad.

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.

On 13 August 2015, the Manager and the Trustee entered into the First Restated Deed which consolidated all amendments made to the Deed of Trust up to the date and which was subsequently amended by the First Supplemental Deed to the First Restated Deed dated 28 November 2019.

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 2019 is 1% (2018: 1%) per annum of the daily net asset value of the Trust. The Manager is also entitled to an acquisition fee of 1.0% of the acquisition price and disposal fee of 0.5% of the disposal price upon the completion of such transactions as stipulated in the Deed of Trust.

No initial service charge, fee or commission has been earned by the Manager in managing the Trust other than the management fee of RM2,816,447 (2018: RM2,804,588) and disposal fee at 0.5% of purchase considerations of RM120,750 (2018: Nil) following the disposal of real estates 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.

### **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.

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.

## MANAGER'S REPORT ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTD.)

### INVESTMENTS OF THE TRUST

Total investments of the Trust, including deposits with financial institutions as at 31 December 2019 was RM451,989,660 (2018: RM479,418,615).

### PERFORMANCE OF THE TRUST

	2019	2018
Total net asset value (RM)	282,131,640	282,165,102
Units in circulation (units)	220,000,000	220,000,000
Net asset value per unit attributable to unit holders (sen)	128.24	128.26
Market price per unit (sen)	76.50	78.00
Highest traded price (sen)	83.00	84.50
Lowest traded price (sen)	72.00	70.50

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	14,938,331
Taxation	<u>(2,145,793)</u>
Net income after taxation	<u>12,792,538</u>

During the financial year, the Trust's net income before taxation increase by RM2,697,818 or 22.04% from RM12,240,513 to RM14,938,331. The increase in net income before taxation is mainly due to realised gain on disposal of real estates and lower total expenditure during the year.

In terms of net rental income, the Trust has recorded a slight increase by RM580,942 or 1.84% to RM32,077,526 from RM31,496,584 in previous year. The Trust's total expenditure decreased by RM443,401 or 3.76% from RM11,800,210 in the last financial year to RM11,356,809, mainly due to the lower finance cost, following the repayment of Islamic Revolving Credit Facility of RM24,150,000.

## MANAGER'S REPORT ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTD.)

### REVIEW OF THE PROPERTY MARKET

Office market remained challenging in the year 2019 due to the constant increase of supply with weak absorption due to slower growth of domestic and global economy and lack of catalyst to boost the demand of space. As at third quarter, National Property Information Centre ("NAPIC") reported that the total office space for both private and public buildings stood at 241 million sq. ft. which 75% is contributed by private buildings of 181 million sq. ft., which grew by 2.8% from 2018 of 176 million sq. ft. On the future supply, approximately 15 million sq. ft. will be coming into the market in the next 2 to 3 years mainly for Kuala Lumpur and Selangor.

The national average occupancy rate recorded a slight decrease to 75.4% (2018: 76.8%) with the occupancy rate for Kuala Lumpur at 77% and Selangor at 72.2%, respectively.

The rental rate continued to be under pressure with the average rental for Kuala Lumpur City recorded at RM7.09 per sq. ft. per month and KL Fringe at RM5.77 per sq. ft. per month (1H2019 Knight Frank Real Estate Highlights). Demand for the office buildings in KL Fringe and Selangor remained resilient with rental and occupancy rate holding steadily. Pressure will continue for owners of dated buildings in the KL City area, with intense competition from newer buildings which compel many owners to refurbish or repurpose their building for better return. In addition, co-working or shared service segment is booming and expanding into the market and opens up wide opportunity especially for office building landlords to tap into newer, modern and uplift the variety of office market while attracting the millennial group and new entrepreneurs.

For the retail segment, the national total supply stood at 177 million sq. ft., which grew by 2.9% from 2018 of 172 million sq. ft., with Kuala Lumpur contributing 34 million sq. ft., meanwhile Selangor, Johor, Negeri Sembilan and Melaka with 38 million sq. ft., 25 million sq. ft., 6 million sq. ft., and 6 million sq. ft., respectively. The average national occupancy rate recorded was stable at 79.5% (2018: 79.3%).

Besides increasing in supply, the retail market continue to face challenges following rapid changes in shopping trends and consumer behaviors (1H2019 Knight Frank Real Estate Highlights). Online shopping or e-commerce such as Lazada, Shopee, Mudah.my, Ebay.com, Fashion Valet and etc. is expanding and have grown into Malaysia most competitive sector which indirectly impacted the demand for physical retail space. These have also forced the physical retail operators to venture into the online medium to capitalise on the rising demand due to advancement of technology.

During the period under review, there was also notable increasing number of international retailers shutting down their outlets due to bankruptcy or poor earnings. However, demand for Asian brands continue to rise and is expected to fair better, as they become more popular (The Edge Market, October 2019). In addition, the slowing down of economy, lower corporate earnings, soft equity market and global trade war have impacted consumer sentiment and confidence in spending.

The monthly gross rental in Klang Valley for prime shopping centre remained resilient. In KL City area, high-end shopping mall i.e. Suria KLCC continuously increases to an average monthly rental of RM37.00 per sq. ft. while in KL Fringe, attractive shopping malls averages monthly rental of RM17.00 per sq. ft. (1H2019 Knight Frank Real Estate Highlights).

During the period under review, AHP has undertaken two (2) initiatives for Bangunan AHP which are the Asset Enhancement Initiative ("AEI") to add variety through the addition of extra space to incorporate food & beverage element within the building and submission of application for increase in plot ratio from 1:3 to 1:8. The occupancy rate for Bangunan AHP and Plaza VADS have also improved to 80.9% (52.4% in 2018) and 86.0% (75.3% in 2018), respectively.

### PROSPECTS

Moving forward into 2020, the Malaysian economy is expected to grow by 4.8%, which is slightly stronger than the rate of 4.7% in 2019 as predicted by the Ministry of Finance (MOF) in its Economic Outlook 2019/20 report. The anticipated stronger growth is underpinned by resilient domestic demand, particularly household spending resultant from the stable labour market and low inflation. However, MOF warned that despite the anticipated expansion, external uncertainties may pose downside risks to growth prospects.

AHP will continue being committed to strengthen its core business segment while adjusting to the current market challenges. The key highlights for 2020 is the completion of the AEI and obtaining the increase in plot ratio for Bangunan AHP, located in Taman Tun Dr Ismail. Both initiatives are expected to be completed in 2020.

PHNB as the manager of AHP will continue to strive to improve the portfolio's performance by sourcing for new accretive assets with the aim of generating better yield to ensure sustainable income stream for its unit holders.

### RESERVES AND PROVISIONS

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

## MANAGER'S REPORT ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTD.)

### DISTRIBUTION OF INCOME

The distributions paid by the Trust since 31 December 2018:

In respect of the financial year ended 31 December 2018:

	Per Unit		Total	
	Gross Sen	Net of tax Sen	Gross RM	Net of tax RM
Final income distribution of 2.98 sen per unit paid on 28 February 2019	2.98	2.98	6,556,000	6,556,000

In respect of financial year ended 31 December 2019:

	Per Unit		Total	
	Gross Sen	Net of tax Sen	Gross RM	Net of tax RM
Interim income distribution of 2.85 sen per unit paid on 30 August 2019	2.85	2.85	6,270,000	6,270,000

For the financial year ended 31 December 2019, final income distribution of 2.90 sen a unit (tax exempt at the Trust level) on 220,000,000 units, amounting to RM6,380,000 to be paid on 28 February 2020, was declared by the Manager and approved by the Trustee on 17 January 2020. 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 2020. 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.

The effect of the final income distributions in terms of the net asset value per unit attributable to unit holders as at 31 December 2019:

	Before distribution sen	Before distribution sen
Net asset value per unit attributable to unit holders	128.24	125.34

Unit Class	Number of Unit holders	Percentage of Unit holders (%)	Number of Unitholdings	Percentage of Unitholdings (%)
5,000 and below	4,707	77.95	8,480,937	3.85
5,001 to 10,000	534	8.84	4,470,940	2.03
10,001 to 50,000	619	10.25	14,201,380	6.46
50,001 to 500,000	159	2.63	20,739,243	9.43
500,001 and above	20	0.33	172,107,500	78.23
	6,039	100.00	220,000,000	100.00

## **MANAGER'S REPORT ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTD.)**

### **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:

Dato' Johan bin Ariffin  
Dato' Nafisah binti Radin  
Datuk Wong Tuck Wai  
Datuk Mohd Anwar bin Yahya  
Encik Rizal Rickman bin Ramli  
Encik Hafidz Atrash Kosai bin Mohd Zihim  
Encik Abdul Jalil bin Abdul Rasheed (appointed on 11 October 2019)  
Dato' Idris bin Kechot (retired on 7 May 2019)  
Puan Rosinah binti Mohd Salleh (resigned on 15 August 2019)  
Dato' Abdul Rahman bin Ahmad (resigned on 3 October 2019)

### **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.

### **DIRECTORS' INDEMNITY**

The Company has agreed to indemnify its directors as part of the terms of their appointment against claims by third parties. No payment has been made to indemnify the directors for the financial year ended 31 December 2019.

## MANAGER'S REPORT ON AMANAH HARTA TANAH PNB FOR THE YEAR ENDED 31 DECEMBER 2019 (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 not otherwise dealt with in this report or the financial statements of the Trust 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.

### INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Trust has agreed to indemnify its auditors, Hanafiah Raslan & Mohamad PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Hanafiah Raslan & Mohamad PLT during or since the financial year.

### AUDITORS AND AUDITORS' REMUNERATION

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

The 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 2020.

DATO' JOHAN BIN ARIFFIN

ABDUL JALIL BIN ABDUL RASHEED

Kuala Lumpur, Malaysia

## STATEMENT BY MANAGER

We, DATO' JOHAN BIN ARIFFIN and ABDUL JALIL BIN ABDUL RASHEED, 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 59 to 82 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 2019 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 2020.

DATO' JOHAN BIN ARIFFIN

ABDUL JALIL BIN ABDUL RASHEED

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 59 to 82 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 2020

DATO' MOHD NIZAM BIN ZAINORDIN

Before me,

## TRUSTEE'S REPORT

### For the Financial Year Ended 31 December 2019

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 2019. 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

ZAINUDIN BIN SUHAIMI  
Deputy Chief Executive Officer

Kuala Lumpur, Malaysia  
17 January 2020



# 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 2019, 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 59 to 82.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

## Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *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 investment in real estates and the valuation assumptions are included in Note 13 and 30 respectively. Real estates (inclusive of accrued rental income) represent 96.99% 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 Manager of 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 the firm of independent valuers, which included amongst others the following procedures:

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

## 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 of the Trust 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.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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.

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

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

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 PLT  
202006000002 (LLP0022759-LCA) & AF 0002  
Chartered Accountants

Muhammad Syarizal Bin Abdul Rahim  
No. 03157/01/2021 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
17 January 2020

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

INCOME	Note	2019 RM	2018 RM
Gross revenue			
- Realised		30,673,799	31,241,624
- Unrealised (unbilled rental income receivable)		7,901,918	7,979,146
	5	38,575,717	39,220,770
Less: Real estate operating expenditure	6	(6,495,899)	(7,721,857)
Depreciation		(2,292)	(2,329)
Net rental income		32,077,526	31,496,584
Interest income from deposits with financial institutions		572,915	606,322
Realised gain on disposal of real estates		1,835,196	-
Unrealised loss on revaluation of real estates:			
- Fair value per valuation report	13	(330,044)	(83,037)
- Unbilled rental income receivable	13	(7,901,918)	(7,979,146)
Other income		41,465	-
		26,295,140	24,040,723
<b>EXPENSES</b>			
Management fee	7	(2,816,447)	(2,804,588)
Trustee's fee	8	(130,000)	(130,000)
Auditors' remuneration		(21,800)	(21,800)
Tax agent's fee		(5,150)	(5,150)
Valuation fee		(29,190)	(20,000)
Printing, postage and general expenses		(208,442)	(103,601)
Finance costs	9	(8,145,780)	(8,715,071)
		(11,356,809)	(11,800,210)
<b>NET INCOME BEFORE TAXATION</b>		14,938,331	12,240,513
<b>TAXATION</b>	10	(2,145,793)	78,546
<b>NET INCOME AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		12,792,538	12,319,059
<b>NET INCOME AFTER TAXATION IS MADE UP OF THE FOLLOWING:</b>			
Realised		15,221,585	12,397,944
Unrealised		(2,429,047)	(78,885)
		12,792,538	12,319,059
<b>EARNINGS PER UNIT (sen)</b>	11	5.81	5.60
<b>EARNINGS PER UNIT (BEFORE MANAGEMENT FEE) (sen)</b>			
- Gross of tax		8.07	6.84
- Net of tax		7.09	6.87
<b>NET INCOME DISTRIBUTION</b>	12		
Interim income distribution of 2.85 sen per unit paid on 30 August 2019 (2018: 2.65 sen per unit paid on 30 August 2018)		6,270,000	5,830,000
Final income distribution of 2.90 sen per unit payable on 28 February 2020 (2018: 2.98 sen per unit paid on 28 February 2019)		6,380,000 *	6,556,000
<b>FINAL INCOME DISTRIBUTION PER UNIT (sen)</b>	12		
- Gross of tax		2.90 *	2.98
- Net of tax		2.90 *	2.98
<b>INTERIM INCOME DISTRIBUTION PER UNIT (sen)</b>	12		
- Gross of tax		2.85	2.65
- Net of tax		2.85	2.65

\* Proposed final income distribution for the year ended 31 December 2019.

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

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 RM	2018 RM
<b>INVESTMENTS</b>			
Real estates	13	409,688,758	438,990,676
Real estates - accrued rental income		28,711,242	20,809,324
Deposits with financial institutions	14	13,589,660	19,618,615
<b>TOTAL INVESTMENTS</b>		<b>451,989,660</b>	<b>479,418,615</b>
<b>OTHER ASSETS</b>			
Equipment, furniture and fittings	15	6,440	8,732
Tax recoverable	16	-	675,392
Trade receivables	17	4,716,766	1,792,255
Other receivables	18	530,668	673,872
Cash and bank balances		296,700	212,489
<b>TOTAL OTHER ASSETS</b>		<b>5,550,574</b>	<b>3,362,740</b>
<b>TOTAL ASSETS</b>		<b>457,540,234</b>	<b>482,781,355</b>
<b>LIABILITIES</b>			
Financing	19	163,288,037	187,438,037
Rental deposits	20	5,057,082	5,560,447
Other payables	21	2,591,333	4,937,875
Amount due to Manager	22	241,133	242,675
Deferred tax liability	23	4,231,009	2,437,219
<b>TOTAL LIABILITIES</b>		<b>175,408,594</b>	<b>200,616,253</b>
<b>FINANCED BY:</b>			
<b>UNIT HOLDERS' FUNDS</b>			
Unit holders' capital	24	219,120,869	219,120,869
Retained earnings		63,010,771	63,044,233
<b>TOTAL NET ASSET VALUE ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>282,131,640</b>	<b>282,165,102</b>
<b>TOTAL UNIT HOLDERS' FUNDS AND LIABILITIES</b>		<b>457,540,234</b>	<b>482,781,355</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	24	<b>220,000,000</b>	<b>220,000,000</b>
<b>NET ASSET VALUE ("NAV")</b>		<b>282,131,640</b>	<b>282,165,102</b>
<b>NAV (EX-DISTRIBUTION) PER UNIT</b>		<b>1.2824</b>	<b>1.2826</b>

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 2019

<----- Retained Earnings ----->				
Note	Unit holders' Capital RM	Distributable Realised Income RM	Non- Distributable Unrealised Income RM	Total NAV Attributable to Unit Holders RM
<b>At 1 January 2018</b>	219,120,869	15,576,830	46,478,349	281,176,048
Total comprehensive income for the year	-	12,397,944	(78,885)	12,319,059
Income distribution:				
Final distribution				
- 31 December 2017	-	(5,500,005)	-	(5,500,005)
Interim distribution				
- 31 December 2018	-	(5,830,000)	-	(5,830,000)
<b>At 31 December 2018</b>	219,120,869	16,644,769	46,399,464	282,165,102
<b>At 1 January 2019</b>	219,120,869	16,644,769	46,399,464	282,165,102
Total comprehensive income for the year	-	15,221,585	(2,429,047)	12,792,538
Transfer to realised income on disposal of real estates	-	6,104,259	(6,104,259)	-
Income distribution:				
Final distribution				
- 31 December 2018	-	(6,556,000)	-	(6,556,000)
Interim distribution				
- 31 December 2019	-	(6,270,000)	-	(6,270,000)
<b>At 31 December 2019</b>	219,120,869	25,144,613	37,866,158	282,131,640

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 2019

	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before taxation	14,938,331	12,240,513
Adjustments for:		
Depreciation	2,292	2,329
Unrealised loss on revaluation of real estate:		
Fair value per valuation report and unbilled rental income receivable	8,231,962	8,062,183
Realised gain on disposal of real estates	(1,835,196)	-
Interest income from deposits with financial institutions	(572,915)	(606,322)
Other income	(41,465)	-
Unrealised unbilled rental income receivable	(7,901,918)	(7,979,146)
Writeback impairment	(17,250)	-
Finance costs	8,145,780	8,715,071
Operating profit before working capital changes	20,949,621	20,434,628
Increase in receivables	(2,112,102)	(1,658,926)
(Decrease)/increase in other payables	(2,078,558)	949,086
(Decrease)/increase in rental deposits	(503,365)	200,504
Decrease in amount due to the Manager	(1,542)	(10,550)
Net cash generated from operating activities	16,254,054	19,914,742
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in completed real estates	(530,044)	(283,037)
Cost incurred for disposal of real estates	(1,020,017)	-
Proceed from disposal of real estates	24,150,000	-
Interest received	591,029	590,769
Withdrawal of deposits with financial institutions	-	210,000
Net cash generated from investing activities	23,190,968	517,732
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Financial service reserve account released	-	10,812
Financing costs paid	(8,413,766)	(8,652,264)
Financing principal paid	(24,150,000)	(2,347,554)
Payment of income distributions	(12,826,000)	(11,330,005)
Net cash used in financing activities	(45,389,766)	(22,319,011)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,944,744)	(1,886,537)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	18,258,304	20,144,841
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	12,313,560	18,258,304
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	296,700	212,489
Deposits with financial institutions (Note 14)	13,589,660	19,618,615
	13,886,360	19,831,104
Deposits restricted (Note 14)	(185,300)	(185,300)
Financial service reserve account (Note 14)	(1,387,500)	(1,387,500)
Cash and cash equivalents	12,313,560	18,258,304

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

# NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

## 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.

On 13 August 2015, the Manager and the Trustee entered into the First Restated Deed which consolidated all amendments made to the Deed of Trust up to the date and which was subsequently amended by the First Supplemental Deed to the First Restated Deed dated 28 November 2019.

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 2020.

## 2. TERM OF THE TRUST

The Trust will continue its operations until such time as determined by the Trustee and the Manager.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 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 Trust presents its statement of financial position in order of liquidity. An analysis regarding the recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes to financial statements.

Certain comparative figures were reclassified to conform with current year's presentation.

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

### 3.2 Changes in accounting policies

The significant accounting policies and methods of computation applied by the Trust are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2018 except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs"), amendments to MFRSs, annual improvements to MFRSs and IC Interpretations which are effective for annual periods beginning on or after 1 January 2019:

<b>MFRS and Amendments to MFRS</b>	<b>Effective for financial period beginning on or after</b>
MFRS 9 Prepayment Features with Negative Compensation Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associate and Joint Ventures (Amended to MFRS 128)	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) MFRS 3 Business Combinations	1 January 2019
(ii) MFRS 11 Joint Arrangements	1 January 2019
(iii) MFRS 112 Income Taxes	1 January 2019
(iv) MFRS 123 Borrowing Costs	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the applicable pronouncements has no significant impact to the financial statements of the Trust upon their initial application.



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.3 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.

	<b>Effective for financial period beginning on or after</b>
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments MFRS 3 - Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 - Definition of Material	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139 - Interest Rate Benchmark Reform	1 January 2020
MFRS 17 - Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRA 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Trust plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statement of the Trust upon their initial application.

#### 3.4 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### (i) Financial assets

Financial assets are classified, at initial recognition, as either:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income ("FVTOCI") with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss ("FVTPL").

With the exception of trade receivables that do not contain a significant financing components, the Trust initially measures a financial asset at its fair value plus, in the case of financial assets not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regular or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date the Trust commits to purchase or sell the assets.

All the financial assets of the Trust as at year end are carried at amortised cost.

##### Financial assets at amortised cost (debt instruments)

The Trust measures financial assets at amortised cost if both of the following conditions are met:

- The financial assets is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt instruments that do not meet the criteria above are classified as either FVTPL or FVTOCI.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.4 Financial instruments - initial recognition and subsequent measurement (Contd.)

##### (ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

All financial liabilities of the Trust are subsequently measured at amortised cost using the effective interest method. Liabilities are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

##### Derecognition

A financial liability is derecognised when the obligation is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### 3.5 Financial assets - impairment

Impairment on financial assets is computed based on expected credit losses (“ECL”) model. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses. The impairment requirements apply to all debt instruments not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash clauses that the Trust expects to receive, discounted at an approximation of the original effective interest rate.

For debt instruments measured at amortised cost with no significant financing component, the Trust applies a simplified approach in calculating ECLs. Therefore, the Trust does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

The Trust uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

For deposits with financial institutions, ECL is measured based on historical observed loss rates on placements made with the counter parties.

#### 3.6 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. Hence, contractual increase in rental rates over the fixed tenure of the lease agreement and unrealised rental income relating to the unbilled rental income receivable are also included in the rental income for the year.

##### (ii) Maintenance charges

Revenue from maintenance charges is recognised over time as the tenant continuously receives benefits when the Trust, via the Manager, performs its obligations of maintaining the rented properties during the tenancy period.

##### (iii) Other income

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

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.7 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. 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	10 - 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.

#### 3.8 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.

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.

#### 3.9 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.

#### 3.10 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.

#### 3.11 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.

#### 3.12 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.

#### 3.13 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 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 3.14 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 estates at the prevailing Real Property Gains Tax rate based on the presumption of realisation through eventual sale of the real estates.

#### 3.15 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.

### 4. 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.

#### 4.1 Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Trust based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future rental rates, however, may change due to market changes or circumstances arising that are beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

##### (i) Valuation of real estates

There are significant judgements involved in the valuation of real estates as the 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 to the financial statements.

##### (ii) Maintenance charges

Maintenance charges that are recognised as a separate performance obligation from rental income is derived based on market rate. The estimate was made based on references from professional valuers on comparable properties. The details are disclosed in Note 5 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 5. GROSS REVENUE

		2019 RM	2018 RM
Realised:			
Realised rental income	(a)	25,670,029	27,038,065
Other real estate income	(b)	477,165	517,029
Maintenance charges	(c)	4,526,605	3,686,530
		<u>30,673,799</u>	<u>31,241,624</u>
Unrealised:			
Unbilled rental income receivables		7,901,918	7,979,146
		<u>38,575,717</u>	<u>39,220,770</u>

(a) Included in the rental income is rental received from a company related to the Manager amounting to RM130,000 (2018: RM156,000). The details are disclosed in Note 25.

(b) Other real estate income in current year includes compensation received from tenant for early termination and penalty for not reinstating the lease space to its original condition.

(c) Revenue from maintenance charges is recognised when the performance obligations are satisfied. The amount recognised is based on estimated comparable market rate.

### 6. REAL ESTATE OPERATING EXPENDITURE

		2019 RM	2018 RM
Included in the amounts are the following:			
Maintenance, repairs and improvements expenses		2,046,201	2,493,198
Assessment		893,224	918,852
Quit rent		51,869	55,297
Utilities		1,972,747	2,731,931
Others		1,353,654	1,352,875
Property Manager's fee*		178,204	169,704
		<u>6,495,899</u>	<u>7,721,857</u>

\* The Property Manager, I.M Global Building Services Sdn Bhd ("IMG") (2018: 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 2019 is 1% (2018: 1%) per annum of the daily NAV of the Trust.

The Manager is also entitled to an acquisition fee of 1.0% of the acquisition price and disposal fee of 0.5% of the disposal price upon the completion of such transactions as stipulated in the Deed of Trust. For the financial year under review, there were three completed disposals of the shopoffices in Jalan Wan Kadir, Taman Melawati and Taman Setiawangsa resulting in a total disposal fee of RM120,750, which has been included as part of the cost of disposal.

### 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 2019 is RM130,000 (2018: RM130,000).

### 9. FINANCE COSTS

		2019 RM	2018 RM
Islamic Revolving Credit Facility (i-RC)		2,417,801	2,840,003
Islamic Term Loan (i-TL)		5,727,979	5,875,068
		<u>8,145,780</u>	<u>8,715,071</u>

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 10. TAXATION

	2019 RM	2018 RM
Income tax:		
Under/(over) provision of tax in previous years	46,790	(74,394)
Deferred tax (Note 23):		
Relating to origination and reversal of temporary differences	2,099,003	(4,152)
	<u>2,145,793</u>	<u>(78,546)</u>

Pursuant to Section 61A of the Income Tax Act, 1967 ("the Act"), the total income (as delivered in the Act) 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:

	2019 RM	2018 RM
Net income before taxation	14,938,331	12,240,513
Taxation at Malaysia statutory tax rate of 24% (2018: 24%)	3,585,199	2,937,723
Effect of income not subject to tax	(3,742,047)	(2,990,148)
Expenses not deductible for tax purposes	157,227	52,804
Utilisation of current year capital allowances	(379)	(379)
Effect of deferred tax recognised at RPGT rate	2,099,003	(4,152)
Under/(over) provision of income tax expense in previous years	46,790	(74,394)
Tax expenses/(credit) for the year	<u>2,145,793</u>	<u>(78,546)</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 RM12,792,538 (2018: RM12,319,059) by the number of units in circulation as at the statement of financial position date of 220,000,000 (2018: 220,000,000).

### 12. INCOME DISTRIBUTION

	2019		2018	
	Gross RM	Net RM	Gross RM	Net RM
Interim income distribution of 2.85 sen per unit paid on 30 August 2019 (2018: 2.65 sen per unit paid on 30 August 2018)	6,270,000	6,270,000	5,830,000	5,830,000
Final income distribution of 2.90 sen per unit payable on 28 February 2020 (2018: 2.98 sen per unit paid on 28 February 2019)	6,380,000	6,380,000	6,556,000	6,556,000
Total distribution for the year	<u>12,650,000</u>	<u>12,650,000</u>	<u>12,386,000</u>	<u>12,386,000</u>

- \* For the financial year ended 31 December 2019, final income distribution of 2.90 sen per unit (tax exempt at Trust level) on 220,000,000 units amounting to RM6,380,000 to be paid on 28 February 2020, was approved by the Manager and the Trustee on 17 January 2020. 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 2020.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 12. INCOME DISTRIBUTION (CONTD.)

#### Sources of Distribution

Distribution to unit holders is from the following sources:

	2019 RM	2018 RM
Net rental income (excluding unrealised unbilled rental income receivable)	23,433,894	23,579,888
Interest income from deposits with financial institutions	572,915	606,322
	<u>24,006,809</u>	<u>24,186,210</u>
Less: Expenses	(11,356,809)	(11,800,210)
Total distribution	<u>12,650,000</u>	<u>12,386,000</u>
Gross/net interim income distribution per unit (sen)	<u>2.85</u>	<u>2.65</u>
Gross/net proposed income distribution per unit (sen)	<u>2.90</u>	<u>2.98</u>
Gross/net interim income distribution	6,270,000	5,830,000
Gross/net proposed final income distribution	6,380,000	6,556,000
	<u>12,650,000</u>	<u>12,386,000</u>

### 13. REAL ESTATES

#### Completed real estates at fair value RM

#### At 31 December 2019

At 1 January 2019	438,990,676
Addition	530,044
Disposal	(21,600,000)
Fair value adjustments per valuation report	(330,044)
Accrued rental income	(7,901,918)
At 31 December 2019	<u>409,688,758</u>

#### At 31 December 2018

At 1 January 2018	446,769,822
Addition	283,037
Fair value adjustments per valuation report	(83,037)
Accrued rental income	(7,979,146)
At 31 December 2018	<u>438,990,676</u>

#### Valuation of real estates

Real estates 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 comparison and investment method that makes reference to estimated market rental values and equivalent yields.

#### Properties pledged as security

Certain real estates of the Trust amounting to RM200,000,000 are pledged against financing facilities.

The real estates are expected to be recovered after more than 12 months.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 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	117,385,106	138,341,577
Bangunan AHP, Taman Tun Dr. Ismail, Kuala Lumpur**	Freehold	21/03/1989	34,007,033	44,346,167
Strata shop office, Asia City, Kota Kinabalu ^	Leasehold	12/12/1995	1,652,917	1,800,000
Mydin Seremban 2 Seremban Negeri Sembilan**	Perpetuity	27/04/2015	243,044,855	225,201,014
			396,089,911	409,688,758

\* Fair values as at 31 December 2019 is determined based on valuation dated 2 December 2019 by an independent firm of professional valuers by using the comparison and investment method of valuation in accordance with the Malaysian Valuation Standards.

^ Fair value as at 31 December 2019 as per the Sale and Purchase Agreement for the sale of the property dated 9 August 2019.

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	Sr. Mohamad Alhafiz bin Farouk BSc (Hons) Property Management, UTM M.R.I.S.M Registered Valuer - V984
	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

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

	Per valuation report RM	Accrued rental income RM	Real Estate Fair value RM
<b>At 31 December 2019</b>			
Mydin Seremban 2	253,000,000	(27,798,986)	225,201,014
Plaza VADS	139,000,000	(658,423)	138,341,577
Bangunan AHP	44,600,000	(253,833)	44,346,167
<b>At 31 December 2018</b>			
Mydin Seremban 2	253,000,000	(19,375,051)	233,624,949
Plaza VADS	139,000,000	(1,352,513)	137,647,487
Bangunan AHP	44,300,000	(81,760)	44,218,240



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 14. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2019 RM	2018 RM
Fixed deposits	185,300	185,300
Islamic instruments	13,404,360	19,433,315
Total deposits with financial institutions	<u>13,589,660</u>	<u>19,618,615</u>

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:

	2019		2018	
	WAEIPR (% p.a.)	Average Maturity (Days)	WAEIPR (% p.a.)	Average Maturity (Days)
Licensed banks	<u>3.42</u>	<u>37</u>	<u>3.93</u>	<u>20</u>

Included within deposits with financial institutions are balances with maturity of less than 90 days amounting to RM13,589,660 (2018: RM19,618,615).

The Islamic instruments include amounts held in Financial Service Reserve Account for the Islamic Term Loan as disclosed in Note 19(b) amounting to RM1,387,500 (2018: RM1,387,500).

Fixed deposits include an amount of RM185,300 (2018: RM185,300) pledged as Bank Guarantee with a financial institution for Tenaga Nasional Berhad in relation to electricity deposit for Plaza Vads and Bangunan AHP.

### 15. EQUIPMENT, FURNITURE AND FITTINGS

	Equipment RM	Furniture and Fittings RM	Computer Equipment RM	Total RM
<b>Cost</b>				
At 1 January 2018/ 31 December 2018/ 31 December 2019	<u>70,163</u>	<u>54,745</u>	<u>24,301</u>	<u>149,209</u>
<b>Accumulated Depreciation</b>				
At 1 January 2018	59,133	54,724	24,291	138,148
Charge for the year	2,329	-	-	2,329
At 31 December 2018	61,462	54,724	24,291	140,477
Charge for the year	2,292	-	-	2,292
At 31 December 2019	<u>63,754</u>	<u>54,724</u>	<u>24,291</u>	<u>142,769</u>
<b>Net Book Value</b>				
At 31 December 2019	<u>6,409</u>	<u>21</u>	<u>10</u>	<u>6,440</u>
At 31 December 2018	<u>8,701</u>	<u>21</u>	<u>10</u>	<u>8,732</u>
Depreciation charge for 2019	<u>2,292</u>	<u>-</u>	<u>-</u>	<u>2,292</u>
Depreciation charge for 2018	<u>2,329</u>	<u>-</u>	<u>-</u>	<u>2,329</u>

Included in equipment, furniture and fittings of the Trust are cost of fully depreciated assets which are still in use amounting to RM125,782 (2018: RM125,782).

The equipment, furniture and fittings are expected to be recovered after more than 12 months.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 16. TAX RECOVERABLE

The amount in 2018 represents over payment of tax to the Malaysian Inland Revenue Board (Malaysian IRB) and was repaid in 2019.

### 17. TRADE RECEIVABLES

	2019 RM	2018 RM
Trade receivables	4,716,766	1,792,255

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.

#### Ageing analysis of trade receivables

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

	2019 RM	2018 RM
Neither past due nor impaired	1,749,046	1,613,693
31 to 60 days past due not impaired	1,567,706	116,710
61 to 90 days past due not impaired	1,400,014	-
91 to 120 days past due not impaired	-	30,390
More than 121 days past due not impaired	-	31,462
	<u>4,716,766</u>	<u>1,792,255</u>
Impaired	-	-
	<u>4,716,766</u>	<u>1,792,255</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 RM2,967,720 (2018: RM178,562) that are past due at the reporting date. These balances are expected to be collected in the next 12 months.

As at 31 December 2019, 91% of trade receivables is concentrated on rental outstanding from Mydin (2018: 78%). The risk is mitigated by ensuring that any amount outstanding is covered by the rental deposit.

### 18. OTHER RECEIVABLES

	2019 RM	2018 RM
Interest	14,355	32,469
Deposits	415,783	415,783
Prepayments	65,122	190,212
GST receivable	35,408	35,408
	<u>530,668</u>	<u>673,872</u>

### 19. FINANCING

	2019 RM	2018 RM
Islamic Revolving Credit (i-RC)	38,288,037	62,438,037
Islamic Term Loan (i-TL)	125,000,000	125,000,000
	<u>163,288,037</u>	<u>187,438,037</u>

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 19. FINANCING (CONTD.)

#### (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 4.37% to 4.53% (2018: 4.29% to 4.53%) per annum.

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% to 4.74% (2018: 4.47 to 4.74%) per annum, and will mature on 13 September 2021.

### 20. RENTAL DEPOSITS

	2019 RM	2018 RM
Payable within 12 months	2,774,848	1,947,102
Payable after 12 months	2,282,234	3,613,345
	<u>5,057,082</u>	<u>5,560,447</u>

Included in the rental deposit is an amount of RM42,000 (2018: RM65,400) received from companies related to the Manager as disclosed in Note 25.

### 21. OTHER PAYABLES

	2019 RM	2018 RM
Financing costs payable	961,156	1,229,142
Sundry payables	1,072,279	1,264,652
Provision for property expenditure	521,898	727,081
Deposit held for property to be disposed	36,000	1,717,000
	<u>2,591,333</u>	<u>4,937,875</u>

### 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

	2019 RM	2018 RM
At 1 January	2,437,219	2,441,371
Recognised in profit or loss	2,099,003	(4,152)
Reversal on disposal of real estates	(305,213)	-
At 31 December	<u>4,231,009</u>	<u>2,437,219</u>

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

The deferred tax liability is expected to be settled after more than 12 months.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 24. UNITS HOLDERS' CAPITAL

	Number of Units		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid:				
At beginning and end of the year	220,000,000	220,000,000	219,120,869	219,120,869

As at 31 December 2019, the Manager did not hold any unit in the Trust. However, PNB held 11,139,700 (2018: 11,139,700) units, representing approximately 5.06% (2018: 5.06%) of the total units in issue. Based on market price as at 31 December 2019 of 76.50 sen (2018: 78.00 sen) per unit, the value of units held by PNB was RM8,521,871 (2018: RM8,688,966).

### 25. RELATED PARTY DISCLOSURES

	2019 RM	2018 RM
Amanah Saham Nasional Berhad ("ASNB"), a wholly-owned subsidiary of PNB		
- Rental income received during the year	130,000	156,000
- Rental deposits balance as at year end	42,000	65,400

### 26. PORTFOLIO TURNOVER RATIO

	2019	2018
Portfolio Turnover Ratio ("PTR")	1.48 times	1.52 times

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

	2019	2018
Management Expense Ratio ("MER")	1.14%	1.10%

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.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 29. FINANCIAL INSTRUMENTS

#### (a) Classification of financial instruments

The Trust's financial assets and financial liabilities are measured on an ongoing basis at amortised cost. The significant accounting policies in Note 3.4 and 3.6 describe how the classes of financial instruments are measured, and how income and expenses are recognised. All financial assets and liabilities of the Trust in the statement of financial position as at 31 December 2019 are carried at amortised cost.

### 30. FAIR VALUE HIERARCHY

#### (a) Fair value information

Fair value of 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.

#### (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:

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
At 1 January	438,990,676	446,769,822
Addition	530,044	283,037
Disposal	(21,600,000)	-
Fair value per valuation report	(330,044)	(83,037)
Accrued rental income	(7,901,918)	(7,979,146)
At 31 December	<u>409,688,758</u>	<u>438,990,676</u>

The fair value of real estates 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.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 30. FAIR VALUE HIERARCHY (CONTD.)

#### (c) Level 3 fair value (Contd.)

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

Valuation technique	Significant unobservable input	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2019	2018	
<b>Investment method (refer below)</b>	<b>Office:</b>			<b>The estimated fair value would increase/(decrease) if :</b>
	Market rental rate (RM/psf/month)			
	- Term	3.10 - 6.20	4.30 - 6.50	- expected market rental growth was higher/(lower)
	- Reversion	2.50 - 6.50	2.50 - 6.50	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	1.50	1.50	- expected inflation rate was lower/(higher)
	- Reversion	1.50	1.50	- expected inflation rate was lower/(higher)
	Void rate (%)	10 - 15	10 - 15	- void rate was lower/(higher)
	Term yield (%)	6.00	6.00	- term yield rate was lower/(higher)
	Reversionary yield (%)	6.25	6.25	- reversionary yield rate was lower/(higher)
	Discount rate (%)	6.00	6.00	- discount yield rate was lower/(higher)
	<b>Retail:</b>			
	Market rental rate (RM/psf/month)			
	- Term	3.25 - 7.67	3.25 - 7.67	- expected market rental growth was higher/(lower)
	- Reversion	1.62	1.62	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	0.14	0.14	- expected inflation rate was lower/(higher)
	- Reversion	0.20	0.20	- expected inflation rate was lower/(higher)
	Void rate (%)	10	10	- void rate was lower/(higher)
	Term yield (%)	8.28	8.15	- term yield rate was lower/(higher)
	Reversionary yield (%)	8.25	8.25	- reversionary yield rate was lower/(higher)
	Discount rate (%)	8.28	8.15	- discount yield rate was lower/(higher)

Investment method entails the capitalisation of the net rent from a real estate. Net rent is the residue of gross annual rent less annual expenses (outgoing) required to sustain the rent with allowance for void and management fees.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 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 Deed of Trust, and the Securities Commission's Guidelines on Listed 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 Deed of Trust and Securities Commission's Guidelines on Listed Real Estate Investment Trusts limits the Trust's exposure to a single entity/industry sector to a certain percentage of its NAV.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

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

#### (f) Interest rate risk sensitivity (Contd.)

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
<b>2019</b>		
Deposits with financial institutions	+25 / -25	33,974 / (33,974)
Financing	-25 / +25	408,220 / (408,220)
<b>2018</b>		
Deposits with financial institutions	+25 / -25	49,047 / (49,047)
Financing	-25 / +25	468,595 / (468,595)

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

#### (g) Market risk

##### (i) Interest rate risk exposure

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

	0 - 3 months RM	1 - 3 years RM	Non-interest bearing RM	Total RM	Effective Interest rate * %
<b>2019</b>					
<b>Assets:</b>					
Real estates **	-	-	409,688,758	409,688,758	-
Real estates					
- accrued rental income **	-	-	28,711,242	28,711,242	-
Equipment, furniture and fittings	-	-	6,440	6,440	-
Deposits with financial institutions	13,589,660	-	-	13,589,660	3.42
Trade receivables	-	-	4,716,766	4,716,766	-
Other receivables	-	-	530,668	530,668	-
Cash and bank balances	-	-	296,700	296,700	-
Total assets	13,589,660	-	443,950,574	457,540,234	
<b>Liabilities:</b>					
Financing	38,288,037	125,000,000	-	163,288,037	4.40
Rental deposit	-	-	5,057,082	5,057,082	-
Other payables	-	-	2,591,333	2,591,333	-
Amount due to Manager	-	-	241,133	241,133	-
Deferred tax liability **	-	-	4,231,009	4,231,009	-
Total liabilities	38,288,037	125,000,000	12,120,557	175,408,594	
<b>Total interest sensitivity gap</b>	<b>(24,698,377)</b>	<b>(125,000,000)</b>	<b>431,830,017</b>	<b>282,131,640</b>	



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (g) Market risk

##### (i) Interest rate risk exposure (Contd.)

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

2018	0 - 3 months RM	1 - 3 years RM	Non-interest bearing RM	Total RM	Effective Interest rate * %
<b>Assets:</b>					
Real estates **	-	-	438,990,676	438,990,676	-
Real estates					
- accrued rental income **	-	-	20,809,324	20,809,324	-
Equipment, furniture and fittings	-	-	8,732	8,732	-
Deposits with financial institutions	19,618,615	-	-	19,618,615	3.93
Tax recoverable	-	-	675,392	675,392	-
Trade receivables	-	-	1,792,255	1,792,255	-
Other receivables	-	-	673,872	673,872	-
Cash and bank balances	-	-	212,489	212,489	-
<b>Total assets</b>	<b>19,618,615</b>	<b>-</b>	<b>463,162,740</b>	<b>482,781,355</b>	<b>-</b>
<b>Liabilities:</b>					
Financing	62,438,037	125,000,000	-	187,438,037	4.64
Rental deposit	-	-	5,560,447	5,560,447	-
Other payables	-	-	4,937,875	4,937,875	-
Amount due to Manager	-	-	242,675	242,675	-
Deferred tax liability **	-	-	2,437,219	2,437,219	-
<b>Total liabilities</b>	<b>62,438,037</b>	<b>125,000,000</b>	<b>13,178,216</b>	<b>200,616,253</b>	<b>-</b>
<b>Total interest sensitivity gap</b>	<b>(42,819,422)</b>	<b>(125,000,000)</b>	<b>449,984,524</b>	<b>282,165,102</b>	<b>-</b>

\* Computed based on interest-bearing assets and liabilities only

\*\* These balances are expected to be recovered after more than twelve months

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (h) 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.

The Trust's financial assets subject to the expected credit loss model within MFRS 9 are short-term trade receivables and deposits with financial institutions. As at 31 December 2019, the total of short-term trade receivables was RM4,716,766 (2018: RM1,792,255) on which no loss allowance is required. This is supported by the historical loss rate being insignificant.

Deposits with financial institutions are placed with local financial institutions with no history of loss on placements made. Hence, no loss allowance is required.

#### 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 17.

#### (i) 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
<b>2019</b>				
<b>Financial liabilities:</b>				
Financing	39,930,594	1,375,000	147,650,000	188,955,594
Other payable	2,069,435	-	-	2,069,435
Total undiscounted financial liabilities	42,000,029	1,375,000	147,650,000	191,025,029
<b>2018</b>				
<b>Financial liabilities:</b>				
Financing	65,116,629	1,375,000	147,650,000	214,141,629
Other payable	4,210,794	-	-	4,210,794
Total undiscounted financial liabilities	69,327,423	1,375,000	147,650,000	218,352,423

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.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

### 32. COMMITMENTS

	2019 RM	2018 RM
Capital commitments:		
Approved and contracted for real estate	3,760,000	2,092,532

### 33. CURRENCY

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

### 34. SIGNIFICANT EVENTS

- (a) On 9 August 2019, a purchaser had entered into a Sale and Purchase Agreement with the Trust for a property located at Asia City Kota Kinabalu, Sabah.
- (b) The disposal of the 3-storey shopoffice located at No. 30, Jalan Wan Kadir 4, Taman Tun Dr. Ismail, Kuala Lumpur ("the TTDI Property") was completed on 25 January 2019. The disposal was made pursuant to the Sale and Purchase Agreement dated 12 December 2018 signed between the Trustee and Arensi (M) Sdn Bhd, for a cash consideration of RM4.8 million.
- (c) 4-storey shopoffice located at No. 224, Jalan Negara 2, Taman Melawati, 53100 Kuala Lumpur ("the Taman Melawati Property") was completed on 24 May 2019. The disposal was made pursuant to the Sale and Purchase Agreement dated 31 December 2018 signed between the Trustee and ARH Jurukur Bahan Sdn Bhd, for a cash consideration of RM2.35 million.
- (d) 4-storey shopoffice with car parking facilities & a lift located at Bangunan Sri Impian, Nos. 24–31, Jalan Setiawangsa 8, Taman Setiawangsa, 54200 Kuala Lumpur ("the Sri Impian Property") was completed on 3 June 2019. The disposal was made pursuant to the Sale and Purchase Agreement dated 31 December 2018 signed between the Trustee and Geo Global Management Sdn Bhd, for a cash consideration of RM17.0 million.
- (e) On 9 December 2019, the First Supplemental Deed ("FSD") to the First Restated Deed ("FRD") was registered with the Securities Commission Malaysia.

The FSD is to amend certain provisions in the FRD for the alignment of the Deed with Appendix 4A of the Main Market Listing Requirements and with Section 295(4) of the Capital Markets Services Act 2007, the details of which as disclosed in the relevant Circular to the Unit Holders dated 21 October 2019.

## 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.

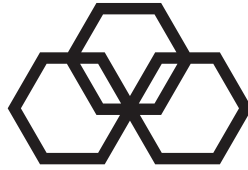
1. I am holding unit certificate of Amanah Harta Tanah PNB. What is the status of my units and what should I do?
  - “Old” unit certificates issued in 1989 (pink in colour) is no longer valid as they have been replaced with “new” certificates (blue in colour) in 1990.
  - If you are holding the “new” 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:
 

BOARDROOM SHARE REGISTRARS SDN BHD  
(formerly known as SYMPHONY SHARE REGISTRARS SDN BHD)  
11th Floor Menara Symphony,  
No. 5, Jalan Semangat (Jalan Professor Khoo Khay Kim)  
Seksyen 13, 46200 Petaling Jaya,  
Selangor Darul Ehsan.  
Tel : 03-7841 8000  
Fax : 03-7841 8151 / 8152
  
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?”).

## UNIT HOLDERS' RESOURCE PAGE (CONTD.)

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)
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](http://www.bursamalaysia.com)



## AMANAH HARTA TANAH PNB NOTICE OF 8<sup>TH</sup> ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting of Amanah Harta Tanah PNB (“AHP”) will be held at Level 5, PNB Perdana Hotel & Suites on the Park, 10, Jalan Binjai, 50450 Kuala Lumpur on Tuesday, 31 March 2020 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 2019 together with the Auditors’ Report issued by Messrs. Hanafiah Raslan & Mohamad PLT.

**For  
Discussion Only**

### BY ORDER OF THE BOARD

Pelaburan Hartanah Nasional Berhad (198801008611) (175967-W)  
(as the Manager of Amanah Harta Tanah PNB)

Adibah Khairiah binti Ismail @ Daud (MIA 13755)  
Company Secretary  
Kuala Lumpur  
28 February 2020

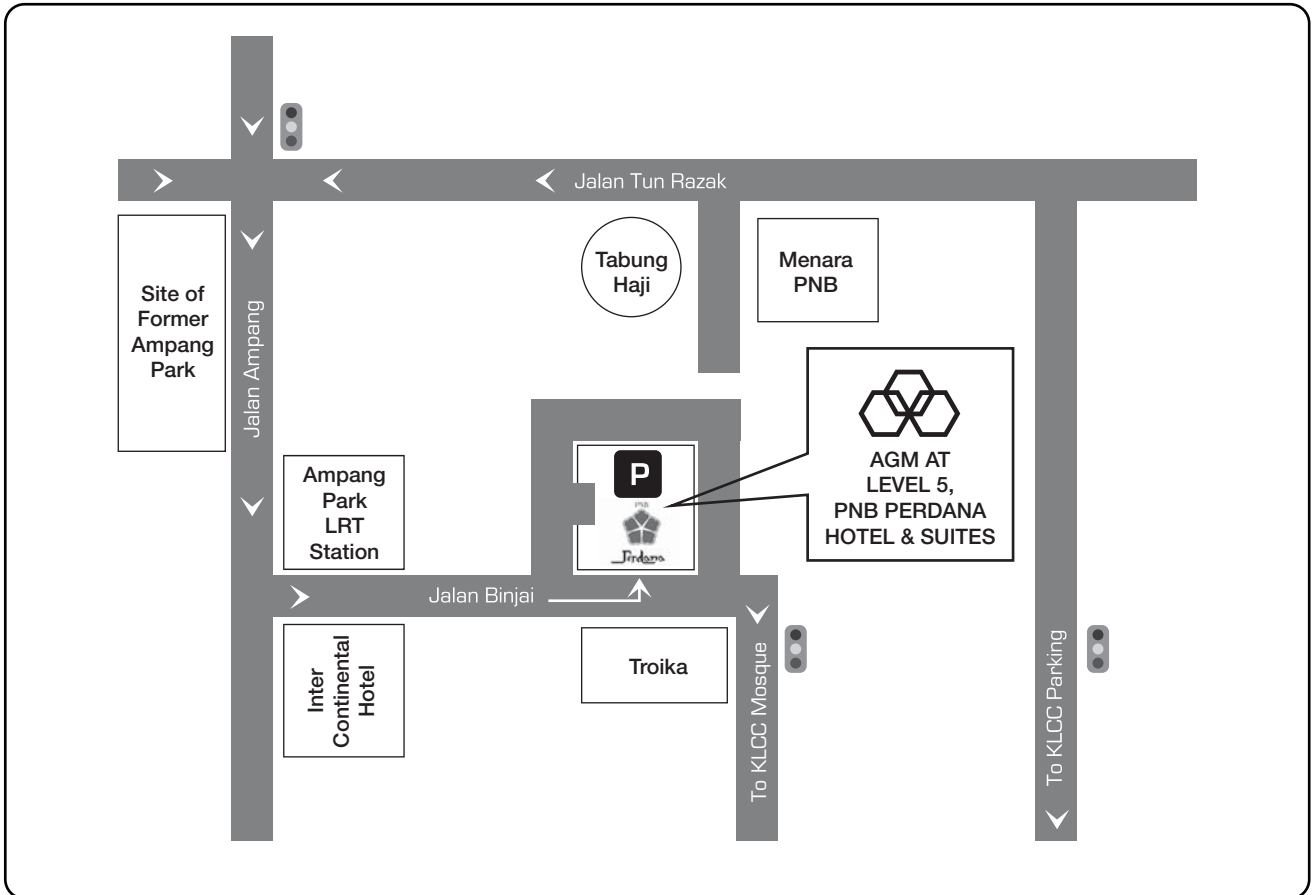
### Notes:

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 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, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) at 11th Floor, Menara Symphony, No. 5, Jalan Semangat (Jalan Professor Khoo Kay Kim), Seksyen 13, 46200 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 24 March 2020 shall be entitled to attend and speak at the Meeting or appoint proxy(ies) to attend on his behalf.

**ADMINISTRATIVE NOTES FOR UNIT HOLDERS ATTENDING THE 8TH 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. Complimentary parking for the first 2 hours is available at PNB Perdana Hotel & Suites on the Park, a building adjacent to Menara PNB. Access to the parking is via Jalan Binjai.

**PETA KE TEMPAT LETAK KERETA DI PNB PERDANA HOTEL & SUITES ON THE PARK  
MAP TO CAR PARK AT PNB PERDANA HOTEL & SUITES ON THE PARK**



AMANAH HARTA TANAH PNB  
FORM OF PROXY



8th ANNUAL GENERAL MEETING

I/We \_\_\_\_\_ NRIC/Company No. \_\_\_\_\_

Telephone No. \_\_\_\_\_ of \_\_\_\_\_

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

1 <sup>st</sup> 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):

2 <sup>nd</sup> 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 the 8th Annual General Meeting of AHP to be held at Level 5, PNB Perdana Hotel & Suites on the Park, 10, Jalan Binjai, 50450 Kuala Lumpur on 31 March 2020 at 3.00 p.m. and any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2020

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 holdings to be represented by each proxy.
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AFFIX  
STAMP

**BOARDROOM SHARE REGISTRARS SDN BHD**  
(formerly known as Symphony Share Registrars Sdn Bhd)  
(Registrar for Amanah Harta Tanah PNB)

11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Semangat (Jalan Professor Khoo Kay Kim)  
Seksyen 13,  
46200 Petaling Jaya,  
Selangor

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