

SUNWAY®

REIT

SUNWAY REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under a deed dated 20 May 2010, a supplemental deed dated 10 June 2010 and an amended and restated deed dated 18 September 2018 entered into between Sunway REIT Management Sdn Bhd (“**Manager**”) and RHB Trustees Berhad (“**Trustee**”), both companies incorporated in Malaysia)

MINUTES OF THE MEETING OF UNITHOLDERS (“MEETING”) OF SUNWAY REAL ESTATE INVESTMENT TRUST (“SUNWAY REIT”) HELD AT THE GRAND FORUM, LEVEL 10, SUNWAY RESORT HOTEL & SPA, PERSIARAN LAGOON, BANDAR SUNWAY, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN, MALAYSIA ON MONDAY, 8 APRIL 2019 AT 3:00 PM.

PRESENT:

- BOARD OF DIRECTORS OF SUNWAY REIT MANAGEMENT SDN BHD (“**MANAGER**”) :
- Tan Sri Ahmad Bin Mohd Don (*Chairman*)
 - Dato’ Jeffrey Ng Tiong Lip
 - Mr Elvin A/L Bertly Luke Fernandez
 - Ms Sarena Cheah Yean Tih
 - Mr Ng Sing Hwa
 - Tengku Nurul Azian Binti Tengku Shahrman
 - Madam Yeo Kar Peng
- UNITHOLDERS AND PROXIES : As per the Attendance List
- BY INVITATION :
- RHB Trustees Berhad (*Trustee*)
 - BDO PLT (*External Auditors*)
 - BDO Consulting Sdn Bhd (*Independent Scrutineers*)
 - RHB Investment Bank Berhad (*Principal Adviser*)
 - AmlInvestment Bank Berhad (*Independent Adviser*)
 - Mah-Kamariyah & Philip Koh (*Legal Adviser*)
 - Sunway Management Sdn Bhd (*Poll Administrator*)
 - Ms Irene Sin May Lin (*Chief Financial Officer of the Manager*)
- IN ATTENDANCE : Ms Ong Wei Leng (*Company Secretary of the Manager*)

1. PRELIMINARY

The Chairman, Tan Sri Ahmad Bin Mohd Don (“**Tan Sri Chairman**”) called the Meeting to order at 3:00 pm and welcomed all present at the Meeting.

Tan Sri Chairman introduced the Board of Directors (“**Board**”), the Chief Financial Officer (“**CFO**”), and the Secretary of the Manager to the unitholders and proxies present (collectively referred to as the “**Unitholders**”). He also highlighted certain key ground rules for the conduct of the Meeting.

2. QUORUM

The requisite quorum being present, Tan Sri Chairman declared the Meeting duly convened.

3. CONFIRMATION OF PROXIES

The Secretary reported that up to 7 April 2019 at 3:00 pm, the Manager had received a total of 2,305,861,257 units in proxies from the unitholders and a total of 327,899,872 units appointing Tan Sri Chairman as proxy.

4. NOTICE OF MEETING AND VOTING PROCEDURES

The notice convening the Meeting was tabled and taken as read.

Tan Sri Chairman informed the Unitholders that the ordinary resolution tabled before the Meeting would be voted by poll using electronic means ("**e-Voting**"). Sunway REIT has appointed BDO Consulting Sdn Bhd as Independent Scrutineers to verify the poll results. Tan Sri Chairman informed that the e-Voting system had been thoroughly tested and proven reliable by the Independent Scrutineers. He then invited Ms Joey Wong from the Unit Registrar to brief the Unitholders on the e-Voting procedures.

ORDINARY BUSINESS:

5. PROPOSED ACQUISITION BY RHB TRUSTEES BERHAD, ON BEHALF OF SUNWAY REIT, OF THE SUBJECT LANDS AND BUILDINGS FROM SUNWAY DESTINY SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SUNWAY BERHAD, FOR A CASH CONSIDERATION OF RM550 MILLION ("PROPOSED ACQUISITION")

Unless otherwise defined, all definitions and terms used in this Minutes shall have the same meaning as defined in the Circular to Unitholders and Notice of Meeting dated 22 March 2019.

Tan Sri Chairman briefed the Unitholders that the agenda of the Meeting was to seek the approval of the Unitholders for the Proposed Acquisition. Sunway REIT Holdings Sdn Bhd, being the interested Major Unitholder would abstain from voting in respect of its direct and/or indirect unitholding in Sunway REIT on this resolution.

Tan Sri Chairman then invited Ms Chen Poh Ping, the representative from RHB Investment Bank Berhad, the Principal Adviser, to present an overview of the Proposed Acquisition.

Subsequently, Tan Sri Chairman opened the floor for questions in relation to the Proposed Acquisition. Unless otherwise stated, the following key enquiries raised by the Unitholders were addressed by Dato' Jeffrey Ng Tiong Lip ("**Dato' Jeffrey**") and Ms Irene Sin May Lin ("**Ms Irene Sin**"):

(i) Was there an exit clause in the Lease Agreements?

Mr Adrian Koh Yew York of Mah-Kamariyah & Philip Koh, the Legal Adviser, explained to the Unitholders that they all were fixed term leases. Hence, there was no termination clause in the Lease Agreements.

(ii) What were the chances of getting financing to fund the Purchase Consideration?

The Purchase Consideration would be funded via a combination of the following:

- (a) existing debt programmes, i.e. a 35-year RM10.0 billion unrated bond programme (“**Unrated Bond Programme**”) and a 7-year RM3.0 billion commercial paper programme; and
- (b) future financing facilities, i.e. a perpetual note programme of RM10 billion in nominal value (“**Perpetual Note Programme**”). The first issuance of the perpetual notes (“**Perpetual Securities**”) under the Perpetual Note Programme was expected to be issued by the second quarter of 2019.

Based on the financial position of Sunway REIT, the Manager was confident of securing the requisite funding to finance the Proposed Acquisition. Assuming that the Perpetual Securities to be issued to finance the Proposed Acquisition were treated as debt, the gearing level of Sunway REIT would still be below the self-imposed governance limit of 45% or regulatory limit of 50% of total asset value.

The Manager would take a prudent and proactive stance in managing the capital requirement of Sunway REIT as well as an active capital management strategy in managing the risks associated with the cost of financing.

(iii) What was the estimated cost of financing and the return of asset?

Based on the following assumptions, Sunway REIT was expected to enjoy an average rental yield of 8.8% per annum at an average cost of financing of 5.21% per annum:

- (a) rental reversion of 2.3% per annum; and
- (b) the Purchase Consideration was to be funded fully by 35% existing debt programmes and 65% Perpetual Note Programme.

The Manager assured the Unitholders that it would at all times act in the best interest of Sunway REIT and Unitholders. It would ensure that Sunway REIT only invest in good yield properties that could generate higher accretion to earnings and distribution per unit.

(iv) Who was the issuer for the Perpetual Note Programme?

SUNREIT Perpetual Bond Berhad, a special purpose company whose shares were held by the Trustee on behalf of Sunway REIT.

(v) What was the nature of the Perpetual Securities under the Perpetual Note Programme, i.e. debt or equity?

Pursuant to the Malaysian Financial Reporting Standards, the Perpetual Securities under the Perpetual Note Programme would be classified as an equity, not as debt.

No dilution to the unitholders as there would be no new units to be issued in connection to the Perpetual Note Programme.

Mr Sean Lai Yew Hoong (“**Mr Sean Lai**”) of Kenanga Investment Bank Berhad, the joint principal adviser of the Perpetual Note Programme explained that the Perpetual Securities to be issued have a perpetual term with no fixed maturity date, i.e. there was no contractual obligation to redeem as the redemption was at the sole discretion of the Issuer. Therefore, they were treated as equity, not as debt. In addition, for the Perpetual Securities to be treated as equity, stepped-up

interest was not permitted according to the Guidelines on Listed REIT issued by the Securities Commission Malaysia (“SC”).

(vi) Does the Perpetual Note Programme require Unitholders’ approval?

The Perpetual Note Programme was not subject to the approval of the Unitholders in accordance with the SC guidelines. SC has imposed more stringent requirements on the perpetual securities issued by REIT as compared to the perpetual securities issued by the banks and corporates. However, due diligence process must be undertaken before the lodgement of the required information and relevant documents relating to the Perpetual Note Programme pursuant to the relevant SC’s guidelines.

(vii) Were there any plans to issue the Perpetual Securities under the Perpetual Note Programme?

Besides the proposed issuance of the Perpetual Securities to partially finance the Proposed Acquisition, Sunway REIT has no definite plan to issue any new Perpetual Securities.

To fund future acquisition, the Manager would explore both debt and equity options after taking into consideration the yield accretion, availability of debt headroom, equity market sentiments and potential dilution to Unitholders.

(viii) What was the financing cost of the Perpetual Note Programme?

The financing cost of the Perpetual Note Programme would depend on the amount of issuance and coupon rate of the relevant series of the Perpetual Securities. The Issuer has to pay coupons on the Perpetual Securities on a fixed schedule forever upon issuance.

(ix) Who were the subscribers to the Perpetual Note Programme?

Mr Sean Lai informed the Unitholders that the subscribers could be insurance companies, pension funds, asset managers, corporates or commercial banks.

(x) How to derive at average yield of 8.8% for the Proposed Acquisition?

Taken into account the annual rental amount of RM34.2 million, the Purchase Consideration and a rental step-up of 2.3% annually, the average rental yield was estimated at 8.8% per annum for the initial term leases of 30 years.

(xi) Why the Lessees have the first right of refusal to purchase the Subject Land and Buildings?

It was one of the negotiated commercial terms and conditions. The Manager believes that the right of the Lessees to purchase the Subject Lands and Buildings was reasonable as at the earliest, the Lessees were only able to exercise their right to purchase at the end of 30 years from 1 December 2018. By then, Sunway REIT was expected to have enjoyed an average rental yield of 8.8% per annum.

Further, the disposal consideration would be based on the prevailing market value of the Subject Lands and Buildings at the point of the transaction and not determined at the onset.

(xii) Any potential renovation or capital expenditure to be incurred for the Subject Lands and Buildings?

The leases would be based on triple-net lease arrangement, maintenance and repair would be covered by Lessees.

(xiii) Was the Unrated Bond Programme still existing?

Yes, the Unrated Bond Programme would still be available for use.

(xiv) Were the terms and conditions of the Perpetual Note Programme available to public?

The terms and conditions of each series of the Perpetual Securities would only be made known to the relevant subscribers.

(xv) Were there any criteria allowing the conversion of the existing debt to perpetual securities?

Guidelines on Listed REIT issued by the SC did not prohibit Malaysian REIT to use perpetual securities as one of the funding options. However, Sunway REIT has no plan to issue any new Perpetual Securities to pare down its debts as this would not achieve the optimum level for capital management of Sunway REIT.

Subsequent to the clarifications provided to the queries raised by the Unitholders, the Meeting proceeded with the voting process.

Ordinary Resolution on the Proposed Acquisition was proposed by Mr Ng Kok Kiong and seconded by Mr Leo Ann Puat. Tan Sri Chairman announced that the poll result in respect of Ordinary Resolution was as follows:

| Resolution | For | | Against | |
|---------------------|---------------|---------|--------------|--------|
| | No. of Units | % | No. of Units | % |
| Ordinary Resolution | 1,102,687,872 | 99.9951 | 53,500 | 0.0049 |

Tan Sri Chairman declared that Ordinary Resolution was carried as follows:

“THAT contingent upon the fulfilment of all other conditions precedent under the conditional Sale and Purchase Agreement dated 24 December 2018 (**“SPA”**) between Sunway Destiny Sdn Bhd (**“Vendor”**) and RHB Trustees Berhad (**“Trustee”** or **“Purchaser”**), on behalf of Sunway REIT, and subject to all approvals being obtained from the relevant authorities and parties (if required), approval be and is hereby given for the Trustee to acquire the Subject Lands and Buildings from the Vendor for a purchase consideration of RM550 million upon such terms and conditions as set out in the SPA, which entails the acquisition of 3 parcels of leasehold land held under H.S.(D) 118326 Lot No. PT 1905 (**“Land 1”**), H.S.(D) 118325 Lot No. PT 1904 (**“Land 2”**) and H.S.(D) 118332 Lot No. PT 28 (**“Land 3”**), all in the Town of Sunway, District of Petaling, State of Selangor (collectively, the **“Lands”**) together with buildings (including all fixtures and fittings, services infrastructure and systems located or used in the buildings) which comprise of the following:

- (a) a 5-storey academic block together with a lower ground level;
- (b) a 6-storey academic block together with a lower ground level;
- (c) a 13-storey academic block together with a 2-storey basement car park; and

(d) 4 blocks of 5-storey walk up hostel apartment,

(collectively, the “**Buildings**”), and sports facilities which comprise a football field, basketball court, netball court and tennis court (“**Sports Facilities**”) (“**Proposed Acquisition**”). The Lands, Buildings and Sports Facilities are collectively referred to as “**Subject Lands and Buildings**”.

The Proposed Acquisition excludes the acquisition of buildings erected on a portion of Land 2 and a portion of Land 3 which comprise of a 2-storey office administrative block, a 2-storey academic block along with a sub-basement level for education facilities, a 3-storey academic block, and a 3-storey academic block along with 1 1/2 sub-basement level for housing an international school.

THAT the execution by the Trustee of the SPA and the performance of its obligations under the SPA be and is hereby approved and ratified.

AND THAT the Trustees and directors of Sunway REIT Management Sdn Bhd, being the manager of Sunway REIT (“**Manager**”), be and are hereby authorised to give full effect to the Proposed Acquisition with full powers to negotiate, approve, agree and/or assent to any conditions, variations, revaluations, modifications and/or amendments in any manner as may be required / permitted by the relevant authorities or deemed necessary by the Trustee and directors of the Manager, and to deal with all matters incidental, ancillary to and/or relating thereto, and to take such steps and to do such acts (including to execute such documents, agreements, undertakings and confirmations as may be required), deeds, things and matters as they may deem necessary or expedient to implement, finalise, to give full effect to and complete the Proposed Acquisition.”

6. CLOSE OF MEETING

There being no other business to be transacted, the Meeting concluded at 4:25 pm with a vote of thanks to the Chairman and all those who were presented at the Meeting.