

SUNWAY REAL ESTATE INVESTMENT TRUST



FORTUNE FAVOURS  
THE RESILIENT

ANNUAL REPORT 2014



**RATIONALE**

Sunway REIT has made bold business decisions that will help us move upwards as our plans to seek fortune for the stakeholders are coming to fruition due to its resilience and steady growth.

**DISCLAIMER:**

This annual report may contain certain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed or implied in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Examples of these factors include (without limitation) general industry and economic conditions; interest rate trends; cost of capital and capital availability including availability of financing in the amounts and the terms necessary to support future business; availability of real estate properties; competition from other companies; changes in operating expenses including employee wages, benefits and training, property expenses, government and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements which are based on the Manager's current view of future events. Past performance is not necessarily indicative of its future performance and that unit prices and investment returns may fluctuate.

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# FEARLESS VISION

A volcano is a rupture, which allows hot lava, volcanic ash, and gases to escape from a magma chamber below the surface, spewing lava and gases from its crater. Volcanoes take years to erupt and their lava spreads out to uncharted territories. Mountaineers have to endure obstacles with confidence, determination and courage. They have a vision which enables them to set their target, and fearlessness helps them achieve exactly what they set their eyes on.





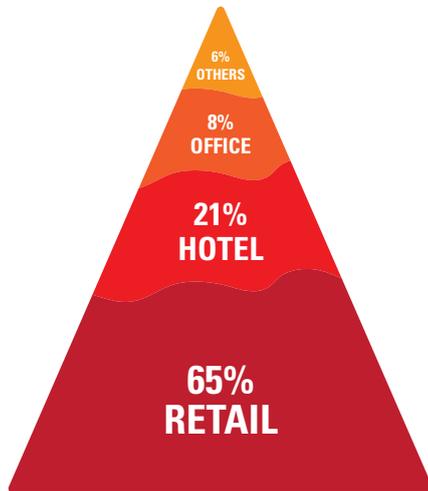
## VITAL ATTRIBUTES

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Sunway REIT had a fearless vision with Sunway Putra Place and is executing their vision with drive and tenacity.

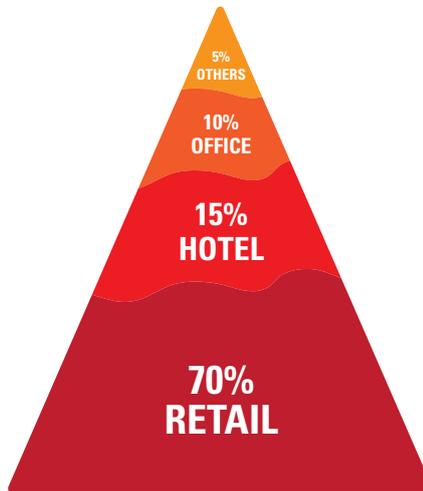
PORTFOLIO BY

**PROPERTY VALUE**



PORTFOLIO BY

**REVENUE**



PORTFOLIO BY

**NPI**



PROPERTY VALUE

**RM 5.52 billion**

GROSS REVENUE

**RM 428 million**

NET PROPERTY INCOME

**RM 321 million**

NO. OF ASSETS

**12**

DPU

**8.36 sen**

MARKET CAPITALISATION

**RM 4.22 billion**

GROSS FLOOR AREA

**11,681,237 sq.ft.**

DISTRIBUTION YIELD

**5.8%**

ANNUAL TOTAL RETURN

**(0.7%)**

**VISION • MISSION • VALUES • GROWTH STRATEGIES**

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**VISION**

- To be the leading REIT in Malaysia in terms of asset value and in providing maximum total return to unitholders
- 

**MISSION**

- To deliver sustainable distributions and growth in total return to unitholders over the long-term via active asset management, yield-accretive acquisitions and optimal capital and risk management
- 

**VALUES**

- Trust by ensuring professionalism and adherence to ethical values at all times
  - Innovation by introducing fresh ideas to improve performance
  - Entrepreneurship by constantly seeking opportunities for growth
  - Resilience by persevering especially during challenging times
- 

**GROWTH STRATEGIES**

Sunway REIT will seek to leverage on the economic market conditions and grow its investment portfolio based on the following strategies:

1. Acquisition growth strategy by acquiring strategic real estate assets that are yield-accretive and have the potential to contribute to long-term growth in distributions per unit and/or net asset value per unit
  2. Organic growth strategy by leveraging on the integrated nature of Sunway Resort City and asset turnaround expertise of the Manager to manage the assets. The Manager's proactive measures include optimising tenancy mix, leasing initiatives and asset enhancement initiatives to increase net lettable area and rental rates as well as to improve cost efficiency
  3. Capital and risk management strategy through optimising capital structure and cost of capital, diversifying sources of debt funding and managing interest rate risk through hedging strategies as well as actively managing debt maturity profile to minimise refinancing risk
-



**Sunway REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010. Sunway REIT is one of the largest REIT in Malaysia in terms of asset size at RM5.52 billion as at 30 June 2014**

With a market capitalisation of RM4.22 billion (c. USD1.31 billion) as at 30 June 2014, Sunway REIT is one of the largest retail-focused REIT listed on the Bursa Malaysia Securities Berhad.

Sunway REIT is sponsored by Sunway Berhad. Sunway Berhad is currently a leading Malaysian property-construction group with a market capitalisation of RM5.24 billion as at 30 June 2014 (c. USD1.63 billion) and ranked amongst the top 100 largest public companies listed on Bursa Malaysia Securities Berhad. Sunway REIT is managed by Sunway REIT Management Sdn Bhd, a subsidiary of Sunway Berhad.

Sunway REIT was established with an initial portfolio of 8 assets and has now grown to 12 assets comprising 4 retail

assets, 4 hotels, 3 offices and a medical centre spanning across 4 high growth locations in Selangor, Kuala Lumpur, Penang and Perak. The success of Sunway Berhad's expertise and track record in masterplanning, developing and management of integrated townships, as exemplified by Bandar Sunway and Sunway City Ipoh accentuates the uniqueness of Sunway REIT being the only township REIT in Malaysia.

Sunway REIT's key investment objective is to provide unitholders with exposure to a diverse portfolio of authorised investments that will provide stable cash distributions with the potential for sustainable growth in net asset value per unit.

## CORPORATE INFORMATION

### **MANAGER**

Sunway REIT Management Sdn Bhd  
(Company No. 806330-X)

### **MANAGER'S PRINCIPAL PLACE OF BUSINESS**

Level 15, Menara Sunway  
Jalan Lagoon Timur  
Bandar Sunway  
47500 Subang Jaya  
Selangor Darul Ehsan  
Tel No : (603) 5639 8889  
Fax No : (603) 5639 8001

### **MANAGER'S REGISTERED OFFICE**

Level 16, Menara Sunway  
Jalan Lagoon Timur  
Bandar Sunway  
47500 Subang Jaya  
Selangor Darul Ehsan  
Tel No : (603) 5639 8889  
Fax No : (603) 5639 9507

### **BOARD OF DIRECTORS OF THE MANAGER**

*Chairman, Non-Independent  
Non-Executive Director*  
Tan Sri Dato' Seri Dr Jeffrey Cheah  
Fook Ling, AO

*Chief Executive Officer, Non-Independent Executive Director*  
Dato' Jeffrey Ng Tiong Lip

*Non-Independent Non-Executive Directors*  
Dato' Ngeow Voon Yean  
Sarena Cheah Yean Tih  
Ng Sing Hwa

*Senior Independent Non-Executive Director*  
Tan Sri Ahmad Bin Mohd Don

*Independent Non-Executive Directors*  
Willy Shee Ping Yah @ Shee Ping Yan  
Elvin A/L Bertly Luke Fernandez

### **AUDIT COMMITTEE**

Tan Sri Ahmad Bin Mohd Don  
(Chairman)  
Willy Shee Ping Yah @ Shee Ping Yan  
Elvin A/L Bertly Luke Fernandez

### **NOMINATION COMMITTEE**

Elvin A/L Bertly Luke Fernandez  
(Chairman)  
Tan Sri Ahmad Bin Mohd Don  
Willy Shee Ping Yah @ Shee Ping Yan  
Tan Sri Dato' Seri Dr Jeffrey Cheah  
Fook Ling, AO

### **REMUNERATION COMMITTEE**

Tan Sri Ahmad Bin Mohd Don  
(Chairman)  
Willy Shee Ping Yah @ Shee Ping Yan  
Elvin A/L Bertly Luke Fernandez  
Tan Sri Dato' Seri Dr Jeffrey Cheah  
Fook Ling, AO

### **INVESTMENT APPRAISAL WORKING GROUP**

Dato' Jeffrey Ng Tiong Lip  
(Chairman)  
Dato' Ngeow Voon Yean  
Sarena Cheah Yean Tih  
Shankar Arasaratnam  
Wai Sow Fun

### **RISK MANAGEMENT WORKING GROUP**

Dato' Jeffrey Ng Tiong Lip  
(Chairman)  
Dato' Ngeow Voon Yean  
Sarena Cheah Yean Tih  
Wai Sow Fun

### **COMPANY SECRETARIES OF THE MANAGER**

Tan Kim Aun (MAICSA 7002988)  
Chin Soo Ching (MAICSA 7042265)

### **TRUSTEE**

RHB Trustees Berhad  
(Company No. 573019-U)  
6th Floor, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur  
Tel No : (603) 9207 7777  
Fax No : (603) 2175 3288/3222/3223  
Website: www.rhbgroup.com  
Email: rhbtrustees@rhbgroup.com

### **PROPERTY MANAGER**

Azmi Real Estate Management Sdn Bhd (Company No. 1012362-U)  
A9-1-1, Jalan Ampang Utama 2/2  
One Ampang Business Avenue  
68000 Ampang  
Selangor Darul Ehsan  
(Appointment expired on 30 June 2014)

AREM (Malaysia) Sdn Bhd  
(Company No. 1074784-A)  
Unit No. D-20-3, Jalan Atmosphere 6  
The Atmosphere Business Centre  
Pusat Bandar Putra Permai  
43300 Seri Kembangan  
Selangor Darul Ehsan  
(Appointed with effect from 1 July 2014)

### **PRINCIPAL BANKERS**

HSBC Bank Malaysia Berhad  
Public Bank Berhad

### **AUDITORS**

Messrs Ernst & Young (AF:0039)  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel No : (603) 7495 8000  
Fax No : (603) 2095 5332

### **REGISTRAR**

Sunway Management Sdn Bhd  
(Company No. 50661-X)  
Level 16, Menara Sunway  
Jalan Lagoon Timur  
Bandar Sunway  
47500 Subang Jaya  
Selangor Darul Ehsan  
Tel No : (603) 5639 8889  
Fax No : (603) 5639 9507

### **STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : SUNREIT  
Stock Code : 5176

### **WEBSITE ADDRESS**

www.sunwayreit.com

### **INVESTOR RELATIONS**

Tel No: (603) 5639 8864  
E-mail: irsunreit@sunway.com.my

**Dear Valued Stakeholders,**

On behalf of the Board of Directors of the Manager, I am pleased to present our Annual Report and audited financial results for the financial year ended 30 June 2014 ("FY2014"). I am pleased to announce another set of commendable results despite a more challenging operating environment during the year.

**M-REITs Yield Expanded to a More Attractive Level**

M-REITs have temporarily lost its lustre after the former US Federal Reserve Chairman, Mr. Ben Bernanke, hinted in May 2013 that the central bank may taper its bond-buying or quantitative easing ("QE") programme soon. The Federal Reserve (the "Fed") in its most recent meeting trimmed its monthly bond purchases by another USD10 billion, to USD25 billion (from USD85 billion), keeping it on pace to end the programme in October 2014. Ms. Janet Yellen, the Chair of the Federal Reserve, maintained that "it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase programme ends". Economists are expecting the Fed to gradually start raising interest rates around mid-2015.

The 10-year US Treasury ("UST") yield rose 110 bps since May 2013 to above 3 percent as of end 2013 before softening again to 2.5 percent as of June 2014 on safe-haven buying. The 10-year Malaysian Government Securities ("MGS") increased by approximately 100 bps to above 4 percent, mirroring the UST movement in response to changing macro environment. Given the improvement in the US economy coupled with the on-going QE tapering, investors have generally re-allocated their portfolio from defensive plays to high beta stocks for potential higher returns, and from emerging markets to developed markets. This led to a massive sell down on M-REITs, which is deemed as yield sensitive investments, largely by foreign funds. Local funds have also trimmed their positions in view of expected rising interest rate environment.

In line with bond yield expansion, the average distribution yields for M-REITs have widened to a more attractive level at 6.8 percent as of June 2014 (from below 6 percent in May 2013) or a yield spread of approximately 282 bps.

Sunway REIT was not spared from the taper-related sell-off with unit price dropped sharply from a record high of RM1.70 in May 2013 to a low of RM1.22 in December 2013. Distribution yield has consequently expanded to a more attractive level at 6.8 percent (from below 5 percent previously), which attracted long-term investors. With continued support and confidence from investors, Sunway REIT's unit price recovered and closed at RM1.44 with distribution yield of 5.8 percent for FY2014.

**M-REITs - More Corporate Activities**

In line with the decline in M-REITs' unit prices coupled with the delisting of Al-Hadharah Boustead REIT, M-REITs' market capitalisation fell to RM34.1 billion as at 30 June 2014, from RM38.4 billion as at 30 June 2013. Al-Hadharah Boustead REIT was delisted from Bursa Malaysia during the year after being taken private by its parent company. On the positive side, Malaysian Resources Corporation Berhad ("MRCB") has acquired a 31 percent stake in Quill Capita Trust with



plans to inject assets into the REIT every year. With M-REITs unveiling more plans to grow their assets, I strongly believe M-REITs with attractive assets and strong fundamentals will continue to appeal to investors looking for a relatively low risk investment opportunity with sustainable income and capital growth coupled with stable distribution yield.

**Assets Resiliency and Management's Commitment Drove Success**

The closure of Sunway Putra Mall together with refurbishment of the adjoining hotel and office tower, which is estimated to cost approximately half a billion ringgit in capital expenditure, has resulted in lost and reduced income contribution in the short term. In spite of this coupled with higher operating cost environment, Sunway REIT managed to deliver a higher distribution per unit of 8.36 sen, which exceeded analysts' expectations. The achievement was largely driven by the resiliency of Sunway REIT's assets (which mitigated the temporary negative impact from the massive asset enhancement initiatives ("AEI")) and commitment shown by both the REIT management and asset management teams.

For the year, Sunway REIT reported a negative total return of 0.7 percent (based on closing price of RM1.44) due to a drop in the unit price as a result of the factors mentioned above. However, we are still recording a healthy average total return at 18.8 percent per annum since IPO in July 2010, which surpassed our target of 10 to 15 percent per annum.

Our portfolio value expanded by 6.5 percent to RM5.52 billion as at 30 June 2014, comprising fair value gain of RM179.1 million and capital expenditures incurred for the year of RM156.9 million. Net asset value per unit increased by 4.9 percent to RM1.2390.

## MESSAGE FROM THE CHAIRMAN (CONT'D)

### Continuous Vibrancy and Growth of Sunway Resort City

The vibrancy of the township is driven by on-going developments by Sunway Berhad within Sunway Resort City ("SRC") with key developments such as The Pinnacle, Sunway (completed in December 2013), followed by Sunway University's New Academic Block and Sunway Pyramid Phase 3 (retail cum hotel development) to be completed in 2015. All these developments are expected to result in added footfall to Sunway REIT's assets in SRC on a sustainable basis and form pipeline assets to Sunway REIT.

The Pinnacle, Sunway, the only Multimedia Super Corridor ("MSC") status Grade A green office tower in Bandar Sunway and Subang vicinity, is slated to be a new landmark within the area with its gleaming glass façade and pyramid shaped rooftop. The 27-storey office tower with a net lettable area ("NLA") of 580,000 sq.ft. was accredited with Green Building Index ("GBI") and Singapore's Building and Construction Authority ("BCA") Green Mark Gold certifications. The Pinnacle, Sunway welcomed its first tenant in March 2014. As of July 2014, about 55 percent of the NLA has been occupied which include several prominent multinational tenants.

Sunway Berhad has also planned for the construction of Phase 3 of Sunway Medical Centre in Bandar Sunway comprising a 10-storey building and is slated for completion in 2017. The expansion plan is largely supported by the increasing demand from international patients, especially from Indonesia. Leveraging on the international accreditation awarded by the Australian Council on Healthcare Standards ("ACHS") in April 2014, Sunway Medical Centre will be able to expand its services globally. By promoting medical tourism for the long term, we expect this to contribute positively to Sunway REIT's assets especially the hospitality and retail segments.



Artist's Impression – Sunway University's New Academic Block

### Providing Modern and Convenient Transportation Systems Infrastructure

The 500,000 residents in Bandar Sunway, USJ and Subang areas will be able to enjoy better public transport connectivity by 2015 with the construction of the nation's first Elevated Bus Rapid Transit ("BRT") – Sunway Line and road upgrading and

expansion projects. We expect the improved accessibility and convenience will attract more visitors to SRC, hence benefiting Sunway REIT's assets.

The BRT-Sunway Line is a public-private partnership ("PPP") between Syarikat Prasarana Negara Berhad ("Prasarana") and Sunway. The 5.4km-long elevated and dedicated line will see a total of seven halts linking Setia Jaya KTM station and the future Kelana Jaya LRT Line Extension Station in USJ 6 serviced by eco-friendly electric buses. With three halts located within the SRC, the project is currently more than 50 percent completed and on target to be completed in second half of 2015.

In order to ease the traffic congestion issue in Bandar Sunway, USJ and Subang areas, Sunway Group is working towards upgrading and expanding three major roads and highways in three phases. The first phase linking Sunway South Quay to Kesas Highway was completed in 2013. The work for second phase which is the elevated road linking Sunway South Quay to the New Pantai Expressway ("NPE") is expected to start in the next few years. Road widening works along the NPE from Sunway Pyramid Shopping Mall to Persiaran Kewajipan junction ("third phase") have started in 2013 and are targeted to complete in first half 2015.

### Sunway Group's Loyalty Programme – Sunway Pals

In conjunction with Sunway Group's 40th anniversary, Sunway Pals, a unique loyalty programme, was launched on 28 February 2014 as a gift to customers. Sunway Pals offers both rebates and savings from Sunway Lagoon, Sunway Medical Centre, Sunway University, Sunway Hotels, Sunway Lost World of Tambun and over 200 participating merchants at Sunway Pyramid Shopping Mall. Members are also eligible to discounts when they purchase properties from Sunway Property.

More than 150,000 people have signed up as members since the launch, making Sunway Pals one of the fastest growing loyalty programmes in the country. This programme is available in card and cardless format; the latter runs on Apple iOS and Google Android mobile platforms. In the coming months, parking privileges at Sunway shopping malls (Sunway Pyramid Shopping Mall being the first) will be added to the card, providing yet another exciting benefit to the members.

# SUNWAY

# Pals™

## MESSAGE FROM THE CHAIRMAN (CONT'D)

### First Annual General Meeting

Sunway REIT held its inaugural Annual General Meeting ("AGM") on 25 September 2013 and was well attended by unitholders.

The agendas of the AGM were as follows:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2013 together with the Trustee's and Auditors' Reports thereon.
2. Proposed unitholders' mandate to allot and issue new units of up to 10 percent of the approved fund size of 3,650,888,858 units.

I am pleased to report that the proposed unitholders' mandate was duly approved and passed by unitholders.

### Market Outlook

According to the World Bank, the global economy is expected to pick up as the year progresses and is projected to expand by 2.8 percent this year, strengthening to 3.4 percent and 3.5 percent in 2015 and 2016, respectively. The growth will be largely driven by developed economies which are expected to contribute about half of global growth in 2015 and 2016, compared with less than 40 percent in 2013. Although growth in emerging markets and developing economies will be helped by stronger export growth to advanced economies, tighter financial conditions will dampen domestic demand growth.

Bank Negara Malaysia ("BNM") expects the Malaysia's economy to grow at 4.5 to 5.5 percent in 2014 compared to 4.7 percent in 2013. After a strong growth of 6.2 percent in the 1Q2014, BNM expects Malaysia's economy to remain on a steady growth path in the remaining three quarters of the year, anchored by strong domestic demand with additional support from the improvement in the external environment. Full year growth is expected to hit the upper-end of the GDP projection.

Malaysia's inflation eased to 3.3 percent in June 2014 from February 2014's high of 3.5 percent and is projected to hover between 3 to 4 percent this year and stay elevated in 2015 in view of subsidy rationalisation and with the introduction of Goods and Services Tax ("GST") which will impact prices of goods and services. Given the fact that inflation is rising faster than average income growth (2.4 percent growth per annum based on the Human Resources Ministry's surveys), we believe this may erode consumers' purchasing power to a certain extent. That said, we expect our retail malls to stay resilient as it caters to mass market and non-discretionary items which are less demand elastic.

### Recognition for Excellence

While we continuously strive for excellence in the areas of innovation, creativity, resilience and sustainability, we are truly humbled by the awards and recognitions bestowed upon Sunway REIT. These awards were in recognition of our commitment to high standards of corporate governance, transparency and best practices as well as in delivering our promises and value to our unitholders.

Sunway REIT was bestowed the Chairman's Recognition Award by Asia Pacific Real Estate Association ("APREA")

Best Practices Awards For Real Estate Entities 2013 for its commitment in enhancing the transparency and comparability of public real estate markets in the Asia Pacific region.

Sunway REIT was awarded the National Annual Corporate Report Awards ("NACRA") 2013 under the Industry Excellence Award for REITs and Investment Funds Category for the second consecutive year, for its corporate reporting excellence, transparency and accountability.

Sunway REIT also received The BrandLaureate BestBrands Award 2013-2014 under the category of Corporate Branding, Best Brands in Investment – REIT, for its commitment in delivering brand promises. In addition, Sunway REIT was recognised as a member of The Edge Billion Ringgit Club 2014 for the fourth consecutive year. Sunway REIT was nominated for the Best CEO, Best CFO, Best Investor Relations Website and Quality of Annual Reports/Formal Disclosure by the Malaysian Investor Relations Association ("MIRA") for 2014.

We wish to express our sincere gratitude to all parties for these prestigious recognitions accorded to Sunway REIT. We attribute these honours to all the members of Sunway REIT who are dedicated and committed to excellence and success. I am proud to share that our team will continue to adopt higher standards by benchmarking against regional practices to deliver sustainable returns to unitholders.

### In Appreciation

I would like to welcome our new Board Member, Mr. Ng Sing Hwa, who was appointed as non-independent non-executive director on 18 November 2013. We are confident that Mr. Ng will be able to further broaden the knowledge and skills of the Board with his extensive experience.

I also wish to take this opportunity to express my appreciation to the Board Members and the management team for their dedication and commitment in delivering excellent performance to meet our vision and mission despite the tough situation we are currently facing.

I would like to thank our unitholders, employees, trustee, property manager, business partners and all stakeholders of Sunway REIT for their continuous support and confidence in Sunway REIT.

With continuous support and faith from all the parties coupled with the guidance from the Board of Directors and leadership of the CEO, I strongly believe Sunway REIT will deliver sustainable growth and returns for the coming year.

Yours sincerely,



**Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO**  
Chairman  
Sunway REIT Management Sdn Bhd  
11 August 2014

## MESEJ DARIPADA PENERUSI

### Para Pemegang Kepentingan Yang Dihargai,

Bagi pihak Lembaga Pengarah Pengurusan, saya dengan sukacita membentangkan Laporan Tahunan dan keputusan kewangan beraudit untuk tahun kewangan yang berakhir pada 30 Jun 2014 ("TK2014"). Dengan sukacita saya ingin mengumumkan satu lagi keputusan yang memberangsangkan walaupun dengan persekitaran operasi yang lebih mencabar sepanjang tahun tersebut.

### Kadar Hasil M-REITs Diperluas Kepada Tahap yang Lebih Menarik

Buat sementara waktu, M-REITs telah kehilangan daya tarikkannya selepas bekas Pengerusi Rizab Persekutuan Amerika Syarikat ("AS"), Encik Ben Bernanke, memberi petunjuk pada bulan Mei 2013 bahawa bank pusat mungkin akan mengurangkan pembelian bon atau program peringanan kuantitatif ("QE") tidak lama lagi. Dalam mesyuarat yang baru-baru ini, Rizab Persekutuan (Federal Reserve - ("Fed")) telah mengurangkan lagi pembelian bon bulanan sebanyak ASD10 bilion kepada ASD25 bilion (daripada ASD85 bilion), sebagai persediaan untuk pemansuhan program tersebut pada bulan Oktober 2014. Pengerusi Rizab Persekutuan, Puan Janet Yellen, dengan tegas menyatakan "julat sasaran kadar dana persekutuan sekarang lebih sesuai dikekalkan untuk suatu tempoh yang agak panjang setelah program pembelian aset berakhir". Para ahli ekonomi menjangkakan bahawa Fed akan mula menaikkan kadar faedah secara beransur-ansur sekitar pertengahan tahun 2015.

Kadar hasil 10 tahun Perbendaharaan AS ("UST") meningkat 110 mata asas (bps) sejak Mei 2013 kepada lebih 3 peratus pada akhir tahun 2013 sebelum menurun semula kepada 2.5 peratus pada Jun 2014 ekoran pembelian yang terjamin selamat. Sekuriti Kerajaan Malaysia ("MGS") 10 tahun meningkat lebih kurang 100 bps sehingga melebihi 4 peratus, mengikuti pergerakan UST sebagai tindak balas kepada perubahan persekitaran makro. Memandangkan ekonomi AS telah bertambah baik di samping pengurangan QE yang berterusan, pelabur secara amnya mengalihkan portfolio mereka daripada pelaburan bersikap pertahanan kepada saham beta tinggi untuk memperoleh pulangan yang berpotensi lebih tinggi, dan daripada pasaran baru muncul kepada pasaran maju. Ini mengakibatkan penjualan saham M-REITs secara besar-besaran yang dianggap sebagai pelaburan sensitif kadar hasil, kebanyakannya oleh dana luar negara. Dana tempatan juga telah mengurangkan pelaburan mereka dengan jangkaan persekitaran kadar faedah yang meningkat.

Sejajar dengan pengembangan kadar hasil bon, purata agihan hasil untuk M-REITs telah meningkat kepada paras yang lebih menarik iaitu sebanyak 6.8 peratus pada Jun 2014 (daripada bawah 6 peratus pada Mei 2013) atau kadar penyebaran hasil lebih kurang 282 bps.

Sunway REIT turut terjejas dengan penjualan berkaitan pengurangan dengan kejatuhan harga seunit yang mendadak daripada setinggi RM1.70 pada Mei 2013 kepada serendah

RM1.22 pada Disember 2013. Berikutan daripada itu, kadar hasil agihan telah meningkat kepada paras yang lebih menarik iaitu 6.8 peratus (daripada bawah 5 peratus sebelumnya) dan ini telah menarik minat pelabur jangka panjang. Dengan sokongan dan keyakinan pelabur yang berterusan, harga seunit Sunway REIT telah pulih dan ditutup pada RM1.44 dengan kadar hasil agihan sebanyak 5.8 peratus untuk TK2014.

### M-REITs-Aktiviti Korporat yang Lebih Banyak

Sejajar dengan kejatuhan harga seunit M-REITs dan juga Al-Hadharah Boustead REIT yang keluar daripada senarai rasmi, permodalan pasaran M-REITs pada 30 Jun 2014 jatuh kepada RM34.1 bilion, daripada RM38.4 bilion pada 30 Jun 2013. Al-Hadharah Boustead REIT telah keluar senarai rasmi daripada Bursa Malaysia pada tahun tersebut setelah diswastakan oleh syarikat induknya. Pada sisi positif pula, Malaysian Resources Corporation Berhad ("MRCB") telah memperoleh 31 peratus pegangan dalam Quill Capita Trust dan merancang untuk menyuntik aset kepada REIT tersebut setiap tahun. Dengan pendedahan lebih banyak rancangan untuk menambah aset oleh para M-REITs, saya percaya M-REITs yang mempunyai aset menarik dan asas yang kukuh akan terus menarik minat pelabur yang mencari peluang pelaburan berisiko sederhana rendah dengan pendapatan dan pertumbuhan modal mampan dan juga mempunyai kadar hasil pengagihan yang stabil.

### Kebingkasn Aset dan Komitmen Pengurusan Mendorong Kejayaan

Penutupan Sunway Putra Mall dan pengubahsuaian hotel dan menara pejabatnya yang melibatkan perbelanjaan modal berjumlah lebih kurang setengah bilion ringgit, telah mengakibatkan kehilangan dan pengurangan sumbangan pendapatan untuk jangka pendek. Walaupun ini ditambah dengan persekitaran kos operasi yang lebih tinggi, Sunway REIT berjaya memberi pengagihan setiap unit yang lebih tinggi iaitu 8.36 sen yang melampaui jangkaan penganalisis. Pencapaian tersebut sebahagian besarnya didorong oleh kebingkasn aset Sunway REIT (yang mengurangkan kesan negatif sementara daripada inisiatif peningkatan aset ("AEI")) dan komitmen yang ditunjukkan oleh pasukan pengurusan REIT dan juga pengurusan aset.

Untuk tahun tersebut, Sunway REIT melaporkan pulangan keseluruhan yang negatif sebanyak 0.7 peratus (berdasarkan harga penutup RM1.44) berikutan kejatuhan harga seunit akibat faktor-faktor yang disebutkan di atas. Namun begitu, kami masih mencatatkan jumlah pulangan purata yang baik sebanyak 18.8 peratus setahun sejak IPO pada Julai 2010 dan ini melebihi sasaran kami iaitu 10 peratus ke 15 peratus setahun.

Nilai portfolio kami meningkat sebanyak 6.5 peratus kepada RM5.52 bilion pada 30 Jun 2014 dan ini merangkumi laba nilai saksama sebanyak RM179.1 juta dan perbelanjaan modal yang bertanggung untuk tahun tersebut sebanyak RM156.9 juta. Nilai aset bersih setiap unit meningkat 4.9 peratus kepada RM1.2390.

## MESEJ DARIPADA PENERUS (SAMBUNGAN)

### Kerancangan dan Pertumbuhan Berterusan Sunway Resort City

Kerancangan bandar ini didorong oleh pembangunan berterusan oleh Sunway Berhad di Sunway Resort City ("SRC") dengan pembangunan utama seperti The Pinnacle, Sunway (siap pada Disember 2013), diikuti dengan Sunway University's New Academic Block dan Fasa 3 Sunway Pyramid (pembangunan peruncitan merangkap hotel) yang dijangka siap pada tahun 2015. Semua pembangunan ini dijangka menghasilkan jejak tambahan kepada aset Sunway REIT dalam SRC pada dasar yang mampan dan membentuk saluran aset untuk Sunway REIT.

The Pinnacle, Sunway, satu-satunya menara pejabat hijau Gred A berstatus Koridor Raya Multimedia ("MSC") di Bandar Sunway dan kawasan sekitar Subang telah dipilih untuk menjadi mercu tanda baharu di kawasan tersebut dengan permukaan bangunan kacanya yang berkilauan dan bumbung yang berbentuk piramid. Menara pejabat 27 tingkat dengan ruang boleh sewa bersih ("NLA") seluas 580,000 kaki persegi, telah memperoleh pengiktirafan Indeks Bangunan Hijau ("GBI") dan pensijilan Emas Tanda Hijau ("Green Mark Gold") Lembaga Bangunan dan Pembinaan ("Building and Construction Authority") Singapura. Pada bulan Julai 2014, lebih kurang 55 peratus daripada NLA telah dihuni termasuk beberapa penyewa multinasional terkemuka. Penyewa pertama The Pinnacle, Sunway telah menghuni pada bulan Mac 2014.

Sunway Berhad juga telah merancang pembinaan Fasa ke-3 Sunway Medical Centre di Bandar Sunway yang terdiri daripada bangunan 10 tingkat dan dirancang akan siap pada tahun 2017. Pelan pembangunan tersebut adalah untuk menampung permintaan pesakit antarabangsa, terutamanya dari Indonesia yang semakin meningkat. Sunway Medical Centre dijangka akan dapat mengembangkan perkhidmatannya ke peringkat antarabangsa dengan pengiktirafan yang dianugerahkan oleh Australian Council on Healthcare Standards (Piawaian Majlis Penjagaan Kesihatan Australia ("ACHS")). Dengan mempromosikan pelancongan perubatan secara jangka panjang, kami menjangka ini akan memberi sumbangan positif kepada aset Sunway REIT terutamanya dalam segmen hospitaliti dan runcit.

### Menyediakan Infrastruktur Sistem Pengangkutan Moden dan Mesra Pengguna

Kira-kira 500,000 penduduk di kawasan Bandar Sunway, USJ dan Subang akan menikmati sistem perhubungan pengangkutan awam yang lebih baik menjelang tahun 2015 dengan pembinaan Bas Rapid Transit ("BRT") - Sunway Line Bertingkat dan projek menaik taraf dan pelebaran jalan. Kami menjangka dengan rangkaian akses dan kemudahan yang

lebih baik ini, lebih ramai pelawat akan tertarik untuk melawat SRC sekaligus membawa manfaat kepada aset Sunway REIT.

BRT-Sunway Line ialah perkongsian swasta-awam ("PPP") antara Syarikat Prasarana Negara Berhad ("Prasarana") dan Sunway. Laluan bertingkat dan khusus sepanjang 5.4km menghubungkan stesen KTM Setia Jaya dan Stesen Sambungan Laluan LRT Kelana Jaya di USJ 6 dengan tujuh perhentian yang akan menerima perkhidmatan bas elektrik mesra alam sekitar. Projek tersebut yang mempunyai tiga perhentian di SRC, sudah lebih daripada 50 peratus siap dan menepati sasaran untuk disiapkan pada setengah tahun kedua 2015.

Untuk mengurangkan masalah kesesakan lalu lintas di kawasan Bandar Sunway, USJ dan Subang, Kumpulan Sunway sedang berusaha menaiktaraf dan melebarkan tiga jalan dan lebuh raya utama dalam tiga fasa. Fasa pertama yang menghubungkan Sunway South Quay ke Lebuh Raya Kesas telah siap pada tahun 2013. Kerja-kerja dalam fasa kedua iaitu jalan bertingkat menghubungkan Sunway South Quay ke Lebuh Raya Baru Pantai ("NPE") dijangka akan bermula dalam beberapa tahun yang akan datang. Kerja-kerja pelebaran jalan sepanjang NPE dari Sunway Pyramid Shopping Mall ke persimpangan Persiaran Kewajipan ("fasa ketiga") telah bermula pada tahun 2013 dan disasarkan akan siap pada setengah tahun pertama 2015.

### Program Kesetiaan Kumpulan Sunway - Sunway Pals

Sunway Pals, suatu program kesetiaan yang unik, telah dilancarkan pada 28 Februari 2014 sempena ulang tahun ke-40 Kumpulan Sunway sebagai satu hadiah untuk para pelanggan. Sunway Pals menawarkan rebat dan penjimatan daripada Sunway Lagoon, Sunway Medical Centre, Sunway University, Hotel-hotel Sunway, Sunway Lost World of Tambun dan lebih 200 peniaga Sunway Pyramid Shopping Mall yang menyertainya. Para ahli juga layak mendapat diskaun apabila mereka membeli hartanah daripada Sunway Property.

Lebih daripada 150,000 orang telah mendaftar sebagai ahli sejak pelancarannya dan ini menjadikan Sunway Pals salah satu daripada program kesetiaan yang paling cepat pertumbuhannya di negara ini. Program ini boleh didapati dalam bentuk kad atau tanpa kad yang menggunakan platform mudah alih seperti Apple iOS dan Google Android. Dalam beberapa bulan yang akan datang ini, keistimewaan parkir di pusat-pusat beli-belah Sunway (bermula dengan Sunway Pyramid Shopping Mall) akan ditambah kepada kad tersebut dan ini merupakan satu lagi faedah menarik yang disediakan untuk ahli-ahli Sunway Pals.

## MESEJ DARIPADA PENERUSA (SAMBUNGAN)

### Mesyuarat Agung Tahunan Pertama

Sunway REIT telah mengadakan Mesyuarat Agung Tahunan ("AGM") pada 25 September 2013 dengan kehadiran yang menggalakkan oleh pemegang unit.

Agenda AGM tersebut adalah seperti yang berikut:

1. Menerima Penyata Kewangan Beraudit untuk tahun kewangan berakhir 30 Jun 2013 bersama Laporan Pemegang Amanah dan Juruaudit.
2. Mandat pemegang unit yang dicadangkan untuk memperuntukkan dan mengeluarkan unit baharu sehingga 10 peratus saiz dana yang diluluskan iaitu 3,650,888,858 unit.

Dengan sukacita saya melaporkan bahawa mandat pemegang unit yang dicadangkan telah dipersetujui dan diluluskan oleh para pemegang unit.

### Prospek Pasaran

Menurut Bank Dunia, ekonomi global dijangka akan pulih selepas ini dan dijangka akan berkembang sebanyak 2.8 peratus tahun ini, dan beransur kukuh kepada paras 3.4 peratus dan 3.5 peratus masing-masing pada tahun 2015 dan 2016. Sebahagian besar pertumbuhan tersebut akan didorong oleh ekonomi maju yang dijangka menyumbang lebih kurang separuh daripada pertumbuhan global pada tahun 2015 dan 2016 berbanding dengan kurang daripada 40 peratus pada tahun 2013. Walaupun pertumbuhan pasaran baru muncul dan ekonomi membangun akan dibantu oleh pertumbuhan eksport ke ekonomi maju yang lebih kukuh, keadaan kewangan yang lebih ketat akan melembapkan pertumbuhan permintaan domestik.

Bank Negara Malaysia ("BNM") menjangka ekonomi Malaysia akan tumbuh pada paras 4.5 peratus ke 5.5 peratus pada tahun 2014 berbanding 4.7 peratus pada tahun 2013. Setelah pertumbuhan kukuh 6.2 peratus dalam suku pertama 2014, BNM menjangka ekonomi Malaysia akan tumbuh dengan tekak dalam tiga suku tahun seterusnya, dikukuhkan dengan permintaan domestik yang kuat dengan sokongan tambahan daripada pembaikan persekitaran luaran. Pertumbuhan setahun penuh dijangka mencapai bahagian teratas pengunjuran KDNK.

Inflasi Malaysia jatuh ke 3.3 peratus pada Jun 2014 daripada setinggi 3.5 peratus pada Februari dan ia diunjurkan untuk berada pada paras 3 peratus ke 4 peratus tahun ini dan kekal tinggi pada tahun 2015 memandangkan rasionalisasi subsidi dan pengenalan Cukai Barangan dan Perkhidmatan ("GST") yang akan memberi kesan ke atas harga barangan dan perkhidmatan. Memandangkan peningkatan inflasi yang lebih

pantas daripada pertumbuhan pendapatan (pertumbuhan 2.4 peratus setahun berdasarkan kaji selidik Kementerian Sumber Manusia), kami percaya ini akan mengurangkan daya pembelian pengguna sehingga ke satu tahap. Walaupun begitu, kami menjangka pusat beli-belah runcit kami akan kekal bingkas kerana ia memenuhi keperluan pasaran massa dan barang-barang bukan budi bicara yang tidak begitu anjal permintaan.

### Pengiktirafan Kecemerlangan

Walaupun kami terus berusaha mencapai kecemerlangan dalam inovasi, kreativiti, daya tahan dan kemampunan, kami amat berbesar hati dengan anugerah dan pengiktirafan yang diterima oleh Sunway REIT. Anugerah-anugerah ini adalah pengiktirafan kepada komitmen kami untuk mengekalkan standard urus tadbir, ketelusan dan amalan terbaik pada tahap tertinggi di samping mengotakan janji-janji kami dan memberikan nilai kepada pemegang unit kami.

Sunway REIT telah menerima Anugerah Pengiktirafan Pengerusa daripada Anugerah Amalan Terbaik untuk Entiti Harta Tanah 2013, Asia Pacific Real Estate Association ("APREA") bagi komitmennya dalam meningkatkan ketelusan dan kebolehbandingan pasaran hartanah awam dalam rantau Asia Pasifik.

Sunway REIT juga menerima National Annual Corporate Report Awards ("NACRA") 2013 di bawah Anugerah Kecemerlangan Industri untuk REIT dan Kategori Dana Pelaburan untuk dua tahun berturut-turut, bagi kecemerlangan pelaporan korporat, ketelusan dan kebertanggungjawabannya.

Sunway REIT juga menerima Anugerah BestBrand BrandLaureate 2013-2014 di bawah kategori Penjenamaan Korporat, Jenama Terbaik dalam Pelaburan - REIT, untuk komitmennya dalam mengotakan janji-janji jenama. Di samping itu Sunway REIT telah diiktiraf sebagai ahli The Edge Billion Ringgit Club 2014 untuk empat tahun berturut-turut. Sunway REIT juga telah dicalonkan untuk Ketua Pegawai Eksekutif ("KPE") Terbaik, Ketua Pegawai Kewangan Terbaik, Tapak Web Hubungan Pelabur dan Kualiti Laporan Tahunan/Pendedahan Rasmi Terbaik oleh Malaysian Investor Relations Association ("MIRA") untuk tahun 2014.

Kami juga ingin mengucapkan ribuan terima kasih kepada semua pihak atas pengiktirafan berprestij yang dianugerahkan kepada Sunway REIT ini. Penghormatan ini adalah hasil dedikasi dan komitmen warga Sunway REIT terhadap kecemerlangan dan kejayaan. Saya dengan bangganya memaklumkan bahawa pasukan kami akan terus menerapkan tahap piawaian yang lebih tinggi dengan menjadikan amalan serantau sebagai penanda aras untuk menyampaikan pulangan yang mampan kepada pemegang unit.

**Penghargaan**

Saya ingin mengalu-alukan ahli lembaga kami yang baharu, En. Ng Sing Hwa, yang telah dilantik sebagai pengarah tidak bebas bukan eksekutif pada 18 November 2013. Kami yakin Encik Ng akan dapat meluaskan lagi pengetahuan dan kemahiran Lembaga dengan pengalaman luas beliau.

Saya juga ingin mengambil kesempatan ini untuk menyatakan penghargaan saya kepada Ahli Lembaga dan pasukan pengurusan atas dedikasi dan komitmen mereka untuk memberikan prestasi yang cemerlang bagi memenuhi wawasan dan misi kami walaupun dalam situasi yang sukar yang sedang kami hadapi.

Saya ingin mengucapkan ribuan terima kasih kepada pemegang unit, kakitangan, pemegang amanah, pengurus hartanah, rakan kongsi perniagaan dan semua pemegang kepentingan Sunway REIT atas sokongan berterusan dan keyakinan yang tidak berbelah bagi kepada Sunway REIT.

Dengan sokongan berterusan dan kepercayaan semua pihak dan juga panduan daripada Lembaga Pengarah dan kepimpinan KPE, saya yakin bahawa Sunway REIT akan menyampaikan pertumbuhan dan pulangan mampan pada tahun yang akan datang.

Yang benar,



**Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO**

Pengerusi

Sunway REIT Management Sdn Bhd

11 Ogos 2014

## SALIENT FEATURES

Name of Fund	Sunway REIT
Type of Fund	Income and Growth
Category of Fund	Real estate investment trust
Duration of Fund / Termination Date	The earlier of : <ul style="list-style-type: none"> <li>• 999 years falling on 19 May 3009</li> <li>• the date on which Sunway REIT is terminated by the Trustee or the Manager, in such circumstances as set out under the provisions of the Deed</li> </ul>
Approved Fund Size	3,650,888,858 units
Investment Objective	To provide Unitholders with an exposure to a diverse portfolio of authorised investments that will provide stable cash distributions with the potential for sustainable growth in net asset value per unit
Investment Policy	<ul style="list-style-type: none"> <li>• To invest in retail, hospitality, office and other real estate assets, subject to the Securities Commission's Guidelines on Real Estate Investment Trust</li> <li>• At least 95% of Sunway REIT's total asset value must be invested in real estate and/or single purpose companies at all times with the remainder 5% invested in cash, deposits and money market instruments</li> </ul>
Key Acquisition Criteria	<ul style="list-style-type: none"> <li>• Retail and mixed-use assets</li> <li>• High growth cities and townships in Malaysia</li> <li>• Large ticket size</li> <li>• Compatibility and synergistic to asset portfolio</li> </ul>
Distribution Policy	<ul style="list-style-type: none"> <li>• 100% distributable income since FP2011 to FY2014 and at least 90% for each subsequent financial year</li> <li>• Quarterly distribution</li> </ul>
Revaluation Policy	Annually by an independent registered valuer
Gearing Policy	Up to 50% of total asset value of the Fund
Performance Benchmark	<ul style="list-style-type: none"> <li>• FTSE Bursa Malaysia Kuala Lumpur Composite Index (KLCI)</li> <li>• Thomson Reuters/Global Property Research/APREA Composite REIT Index Malaysia</li> </ul>
Manager's Fees	<ul style="list-style-type: none"> <li>• Base Fee : 0.3% per annum of total asset value</li> <li>• Performance Fee : 3% per annum of net property income, but before deduction of fees payable to the Property Manager pursuant to the Property Management Agreement</li> <li>• Acquisition Fee : 1% of acquisition price</li> <li>• Divestment Fee : 0.5% of sale price</li> </ul>
Trustee's Fee	0.03% per annum of the net asset value of Sunway REIT
Financial Year End	30 June
Board Lot	100 units per board lot
Listing	Main Market of Bursa Malaysia Securities Berhad
Stock Name	SUNREIT
Stock Code	5176
Date of Listing	8 July 2010
Initial Public Offering Price	<ul style="list-style-type: none"> <li>• RM0.88 - retail</li> <li>• RM0.90 - institutional</li> </ul>

## FINANCIAL HIGHLIGHTS

	RINGGIT MALAYSIA (RM)			
	FY2014 RM'000	FY2013 RM'000	FY2012 RM'000	FP2011 <sup>1</sup> RM'000
<b>Statement of Comprehensive Income - Key Data &amp; Financial Ratios</b>				
Gross revenue	<b>427,788</b>	415,946	406,426	327,416
Net property income	<b>320,977</b>	309,196	299,198	244,015
Income available for distribution (realised)	<b>245,017</b>	231,062	202,114	176,813
Earnings per unit (realised)(sen)	<b>7.93</b>	7.87	7.08	6.24
Distribution per unit (DPU)(sen)	<b>8.36<sup>2</sup></b>	8.30	7.50	6.58
Annualised DPU (sen)	<b>8.36</b>	8.30	7.50	6.71
Annualised distribution yield (%)	<b>5.8</b>	5.4	5.5	6.0
Management expense ratio (%)	<b>0.78</b>	0.82	0.98	0.83
<b>Statement of Financial Position - Key Data &amp; Financial Ratios</b>				
	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000	As at 30 June 2012 RM'000	As at 30 June 2011 RM'000
Investment properties	<b>5,520,000</b>	5,184,000	4,630,000	4,379,000
Other non-current assets	<b>3,039</b>	8,823	8,892	122
Current assets	<b>83,452</b>	76,709	44,484	73,773
<b>Total Asset Value</b>	<b>5,606,491</b>	<b>5,269,532</b>	<b>4,683,376</b>	<b>4,452,895</b>
Current liabilities	<b>(858,141)</b>	(403,257)	(1,303,040)	(127,791)
Non-current liabilities	<b>(1,060,279)</b>	(1,359,806)	(372,005)	(1,554,054)
<b>Total Liabilities</b>	<b>(1,918,420)</b>	<b>(1,763,063)</b>	<b>(1,675,045)</b>	<b>(1,681,845)</b>
<b>Net Asset Value (NAV)</b>	<b>3,688,071</b>	<b>3,506,469</b>	<b>3,008,331</b>	<b>2,771,050</b>
<b>Total Unitholders' Funds</b>	<b>3,688,071</b>	<b>3,506,469</b>	<b>3,008,331</b>	<b>2,771,050</b>
NAV per unit (before income distribution)(RM)	<b>1.2593</b>	1.2011	1.1157	1.0313
NAV per unit (after income distribution)(RM)	<b>1.2390</b>	1.1809	1.0968	1.0151
Lowest NAV during the period (RM)	<b>1.1787</b>	1.0964	1.0131	0.9737
Highest NAV during the period (RM)	<b>1.2390</b>	1.1809	1.0968	1.0151
Unit price as at 30 June (RM)	<b>1.44</b>	1.54	1.36	1.11
Market capitalisation (RM'000)	<b>4,217,349</b>	4,495,912	3,667,188	2,982,457
Premium to NAV (%)	<b>16.2</b>	30.4	24.0	9.3
Gearing ratio (%)	<b>31.1</b>	31.0	33.5	35.3
Average cost of debt (%)	<b>3.85</b>	3.77	4.45	4.54
Interest service cover ratio (times)	<b>5.0</b>	5.0	3.8	3.7

<sup>1</sup> Sunway REIT was established on 20 May 2010 and the acquisition of the initial eight properties was completed on listing date, 8 July 2010. The financial results reported refers to the period from 20 May 2010 to 30 June 2011 (FP2011)

<sup>2</sup> Comprising income distributed for the period from 1 July 2013 to 31 March 2014 of 6.33 sen and proposed final income distribution of 2.03 sen

## FINANCIAL HIGHLIGHTS (CONT'D)

## UNITED STATES DOLLAR (USD)

Statement of Comprehensive Income - Key Data & Financial Ratios	FY2014 USD'000	FY2013 USD'000	FY2012 USD'000	FP2011 <sup>1</sup> USD'000
Gross revenue	134,219	131,193	131,095	105,160
Net property income	100,707	97,523	96,508	78,373
Income available for distribution (realised)	76,874	72,879	65,193	56,789
Earnings per unit (realised)(cent)	2.49	2.48	2.28	2.00
Distribution per unit (DPU)(cent)	2.62 <sup>2</sup>	2.62	2.42	2.11
Annualised DPU (cent)	2.62	2.62	2.42	2.15
Annualised distribution yield (%)	5.8	5.4	5.5	6.0
Management expense ratio (%)	0.78	0.82	0.98	0.83
Statement of Financial Position - Key Data & Financial Ratios	As at 30 June 2014 USD'000	As at 30 June 2013 USD'000	As at 30 June 2012 USD'000	As at 30 June 2011 USD'000
Investment properties	1,718,288	1,639,469	1,456,433	1,449,280
Other non-current assets	946	2,790	2,797	41
Current assets	25,977	24,260	13,993	24,416
<b>Total Asset Value</b>	<b>1,745,211</b>	<b>1,666,519</b>	<b>1,473,223</b>	<b>1,473,737</b>
Current liabilities	(267,126)	(127,532)	(409,890)	(42,294)
Non-current liabilities	(330,048)	(430,046)	(117,019)	(514,332)
<b>Total Liabilities</b>	<b>(597,174)</b>	<b>(557,578)</b>	<b>(526,909)</b>	<b>(556,626)</b>
<b>Net Asset Value (NAV)</b>	<b>1,148,037</b>	<b>1,108,941</b>	<b>946,314</b>	<b>917,111</b>
<b>Total Unitholders' Funds</b>	<b>1,148,037</b>	<b>1,108,941</b>	<b>946,314</b>	<b>917,111</b>
NAV per unit (before income distribution)(USD)	0.3920	0.3799	0.3510	0.3413
NAV per unit (after income distribution)(USD)	0.3857	0.3735	0.3450	0.3360
Lowest NAV during the period (USD)	0.3669	0.3467	0.3187	0.3223
Highest NAV during the period (USD)	0.3857	0.3735	0.3450	0.3360
Unit price as at 30 June (USD)	0.45	0.49	0.43	0.37
Market capitalisation (USD'000)	1,312,794	1,421,857	1,153,567	987,078
Premium to NAV (%)	16.2	30.4	24.0	9.3
Gearing ratio (%)	31.1	31.0	33.5	35.3
Average cost of debt (%)	3.85	3.77	4.45	4.54
Interest service cover ratio (times)	5.0	5.0	3.8	3.7

<sup>1</sup> Sunway REIT was established on 20 May 2010 and the acquisition of the initial eight properties was completed on listing date, 8 July 2010. The financial results reported refers to the period from 20 May 2010 to 30 June 2011 (FP2011)

<sup>2</sup> Comprising income distributed for the period from 1 July 2013 to 31 March 2014 of 1.99 cents and proposed final income distribution of 0.63 cents

## FINANCIAL HIGHLIGHTS (CONT'D)

## SEGMENTAL PERFORMANCE

## REVENUE [RM'000]

	FP2011 <sup>1</sup>	FY2012	FY2013	FY2014	CAGR
RETAIL	 237,567	 292,268	 296,146	 300,727	8%
HOTEL	 55,660	 71,555	 68,989	 64,630	5%
OFFICE	 34,189	 42,603	 41,260	 43,099	8%
OTHERS	-	-	 9,551	 19,332	_*
TOTAL PORTFOLIO	 327,416	 406,426	 415,946	 427,788	9%

## NPI [RM'000]

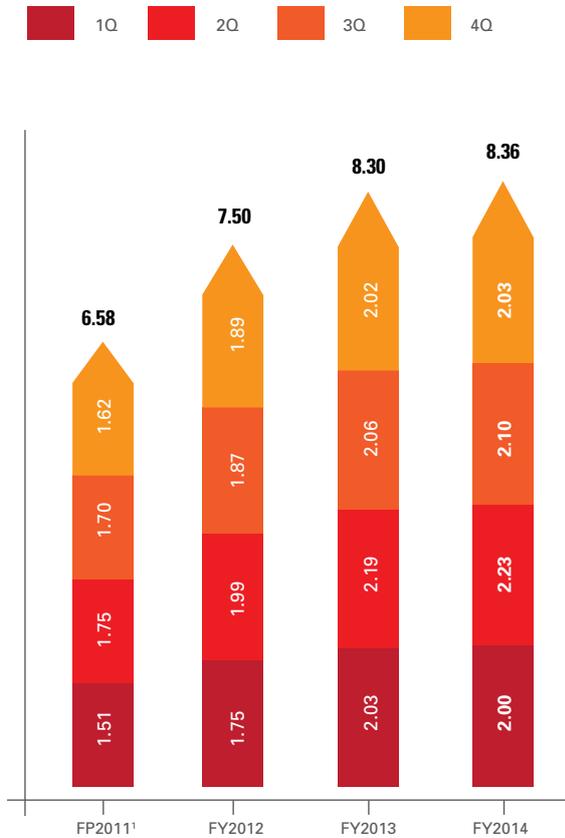
	FP2011 <sup>1</sup>	FY2012	FY2013	FY2014	CAGR
RETAIL	 165,195	 199,691	 205,413	 212,681	9%
HOTEL	 53,155	 68,974	 65,684	 60,811	5%
OFFICE	 25,665	 30,533	 28,548	 28,153	3%
OTHERS	-	-	 9,551	 19,332	_*
TOTAL PORTFOLIO	 244,015	 299,198	 309,196	 320,977	10%

\* Not Meaningful

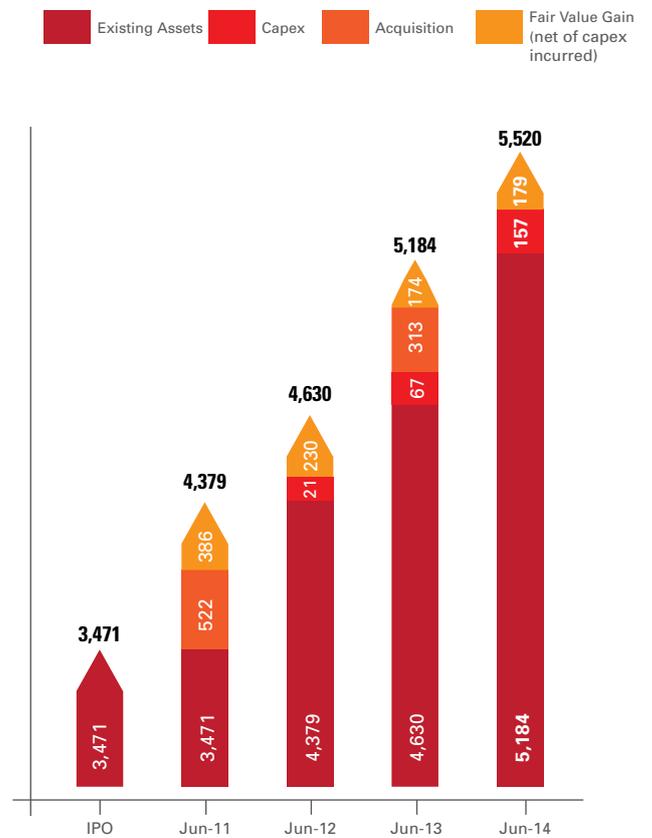
<sup>1</sup> Sunway REIT was established on 20 May 2010 and the acquisition of the initial eight properties was completed on listing date, 8 July 2010. The financial results reported refers to the period from 20 May 2010 to 30 June 2011 (FP2011)

**FINANCIAL HIGHLIGHTS (CONT'D)**

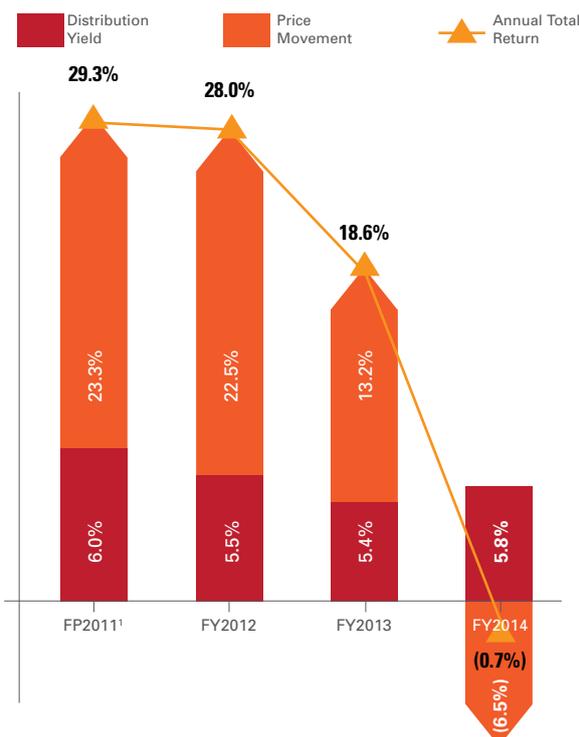
**DISTRIBUTION PER UNIT (sen)**  
CAGR 8%



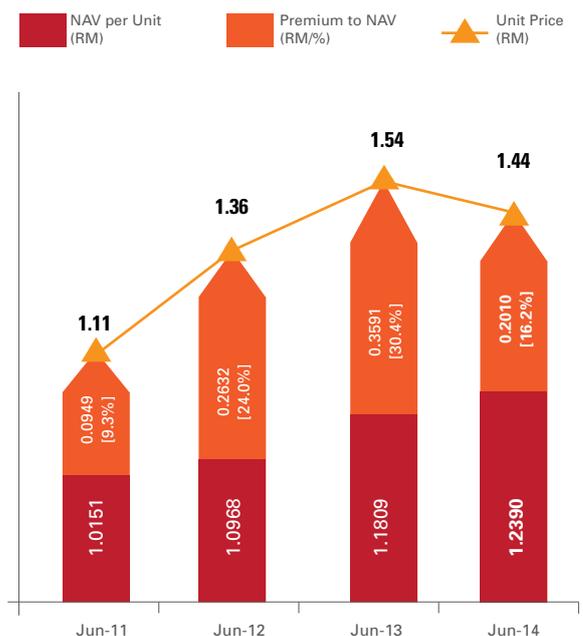
**PROPERTY VALUE (RM million)**  
CAGR 12%



**DISTRIBUTION YIELD AND ANNUAL TOTAL RETURN (%)**  
Average Total Return 18.8% per annum



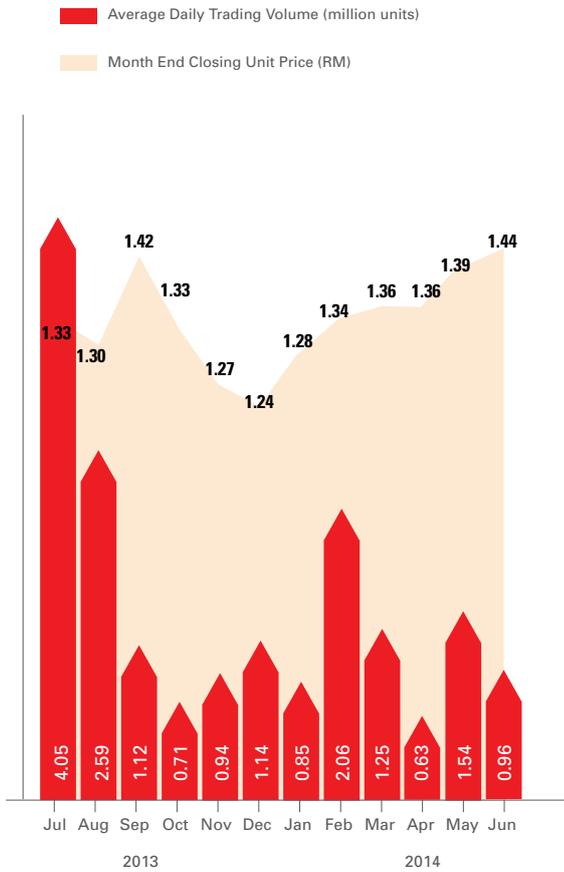
**NAV PER UNIT, PREMIUM TO NAV AND UNIT PRICE**



<sup>1</sup> Sunway REIT was established on 20 May 2010 and the acquisition of the initial eight properties was completed on listing date, 8 July 2010. The financial results reported refers to the period from 20 May 2010 to 30 June 2011 (FP2011)

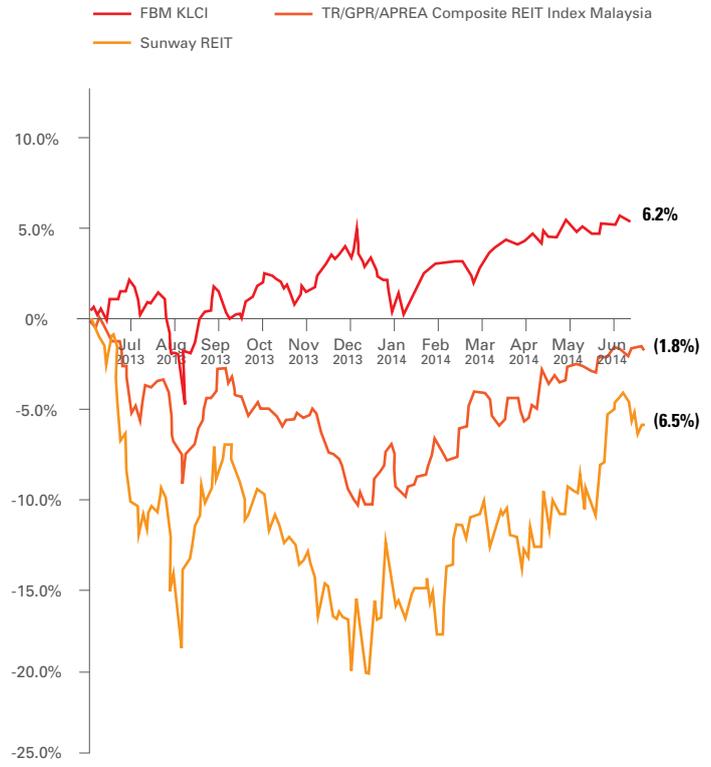
## TRADING PERFORMANCE

### SUNWAY REIT'S MONTHLY TRADING PERFORMANCE



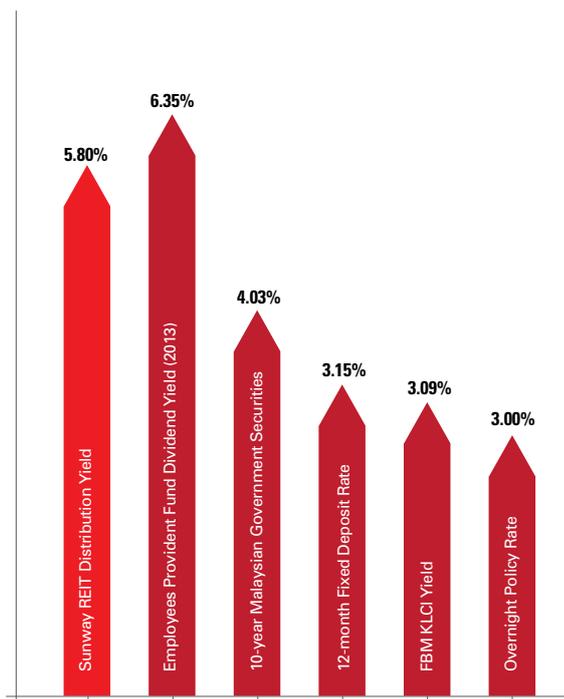
Source: Sunway REIT Management, Bloomberg

### CUMULATIVE PERFORMANCE OF SUNWAY REIT'S UNIT PRICE VERSUS FTSE BURSA MALAYSIA KLCI INDEX AND TR/GPR/APREA COMPOSITE REIT INDEX MALAYSIA



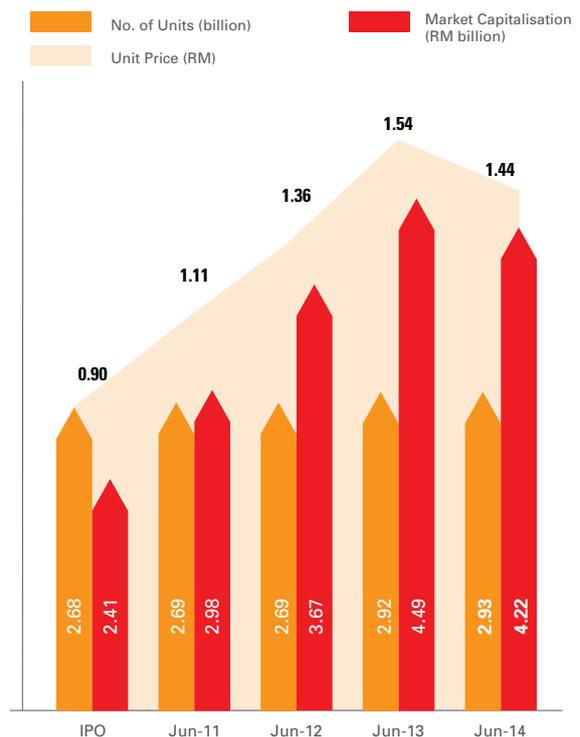
Source: Sunway REIT Management, Bloomberg

### COMPARATIVE YIELDS (AS AT 30 JUNE 2014)



Source: Sunway REIT Management, Bloomberg, Bank Negara Malaysia, Maybank2u.com

### MARKET CAPITALISATION, UNIT PRICE AND UNITS IN CIRCULATION



Source: Sunway REIT Management, Bloomberg

## TRADING PERFORMANCE (CONT'D)

### TRADING PERFORMANCE OF SUNWAY REIT

Trading Summary	FY2014	FY2013	FY2012	FP2011 <sup>1</sup>
Closing Unit Price (RM)	<b>1.44</b>	1.54	1.36	1.11
52-Week Highest Traded Price (RM)	<b>1.56</b>	1.70	1.36	1.14
52-Week Lowest Traded Price (RM)	<b>1.22</b>	1.33	1.06	0.88
Price Movement (%)	<b>(6.5)</b>	13.2	22.5	23.3
Annual Total Return (%)	<b>(0.7)</b>	18.6	28.0	29.3
Number of Units in Circulation (unit'000)	<b>2,928,715</b>	2,919,423	2,696,462	2,686,898
Market Capitalisation (RM'000)	<b>4,217,349</b>	4,495,912	3,667,188	2,982,457
Free Float (%)	<b>65.4</b>	65.6	63.1	63.3
Free Float (RM'000)	<b>1,915,380</b>	1,915,141	1,701,468	1,700,806

<sup>1</sup> Sunway REIT was established on 20 May 2010 and the acquisition of the initial eight properties was completed on listing date, 8 July 2010. The financial results reported refers to the period from 20 May 2010 to 30 June 2011 (FP2011)

Source: Sunway REIT Management, Bloomberg

## VALUE ADDED STATEMENT

	FY2014 RM'000	FY2013 RM'000	FY2012 RM'000	FP2011 <sup>1</sup> RM'000
<b>Value Added</b>				
Total turnover	<b>427,788</b>	415,946	406,426	327,416
Purchases of goods and services	<b>(106,811)</b>	(106,750)	(107,228)	(83,401)
Interest & other income/(expense)	<b>181,859</b>	172,177	226,213	384,624
<b>Total Value Added</b>	<b>502,836</b>	<b>481,373</b>	<b>525,411</b>	<b>628,639</b>
<b>Reconciliation</b>				
Total comprehensive income for the year/period	<b>412,868</b>	392,507	420,768	553,663
Add : Finance costs	<b>63,031</b>	63,604	81,196	55,190
Manager's fees	<b>25,834</b>	24,271	22,601	19,003
Trustee's fees	<b>1,103</b>	991	846	783
<b>Total Value Added</b>	<b>502,836</b>	<b>481,373</b>	<b>525,411</b>	<b>628,639</b>
<b>Value Distributed</b>				
Trust expenses				
Manager's fees	<b>25,834</b>	24,271	22,601	19,003
Trustee's fees	<b>1,103</b>	991	846	783
Providers of capital				
Finance costs	<b>63,031</b>	63,604	81,196	55,190
Income distribution <sup>2</sup>	<b>244,533</b>	230,893	201,972	176,578
Reinvestment and growth				
Undistributed income <sup>3</sup>	<b>168,335</b>	161,614	218,796	377,085
<b>Total Value Distributed</b>	<b>502,836</b>	<b>481,373</b>	<b>525,411</b>	<b>628,639</b>

<sup>1</sup> Sunway REIT was established on 20 May 2010 and the acquisition of the initial eight properties was completed on listing date, 8 July 2010. The financial results reported refers to the period from 20 May 2010 to 30 June 2011 (FP2011)

<sup>2</sup> Income distribution in respect of each financial year. The proposed final income distribution will be recognised and paid in the immediate subsequent financial year

<sup>3</sup> Mainly comprises unrealised income

## AWARDS & RECOGNITIONS



**APREA BEST PRACTICES AWARDS FOR REAL ESTATE ENTITIES 2013**  
**20 NOVEMBER 2013**  
**BY ASIA PACIFIC REAL ESTATE ASSOCIATION LIMITED**

Sunway REIT won the Chairman's Recognition Award

The award was in recognition of Sunway REIT's commitment in enhancing the transparency and comparability of public real estate markets in the Asia Pacific region



**NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2013**  
**21 NOVEMBER 2013**  
**BY BURSA MALAYSIA BERHAD, MALAYSIAN INSTITUTE OF ACCOUNTANTS**  
**AND THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

Sunway REIT won the Industry Excellence Award in the Real Estate Investment (REITs) & Investment Funds Category

The NACRA Awards aim to promote excellence in corporate reporting as well as greater transparency and accountability by organisations in their financial reporting



**THE BRANDLAUREATE BESTBRANDS AWARD 2013/2014**  
**30 MAY 2014**  
**BY THE BRANDLAUREATE**

Sunway REIT won the BestBrands award in Corporate Branding, BestBrands in Investment – REIT

The award was presented to Sunway REIT for its commitment in delivering brand promises, endearing values and good social and business conduct

**MALAYSIAN INVESTOR RELATIONS AWARDS 2014**  
**17 JUNE 2014**  
**BY THE MALAYSIAN INVESTOR RELATIONS ASSOCIATION (MIRA)**



Sunway REIT was nominated in the following four categories:

- Best CEO for Investor Relations
- Best CFO for Investor Relations
- Best Investor Relations Website
- Quality of Annual Reports/Formal Disclosure

MIRA was established to further the development of investor relations professionalism in Malaysia where the award recognises best practices in investor relations in the country

# DETERMINED DRIVE

The jungle terrain is land covered with dense vegetation. It is commonly overgrown with tangled vegetation at ground level, especially in the tropics. Jungles may form at the borders and along rainforest margins such as stream banks due to the greater available light at ground level.





## **FIRM FOUNDATIONS**

- 28** Trust Structure
- 29** Organisation Structure
- 30** Board of Directors
- 35** Management Team
- 37** Corporate Governance Statement

Sunway REIT seeks out for opportunities and turns them into successful long-term value providers for us and our stakeholders.



**ORGANISATION STRUCTURE****BOARD OF DIRECTORS**

Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO

Dato' Jeffrey Ng Tiong Lip

Dato' Ngeow Voon Yean

Sarena Cheah Yean Tih

Tan Sri Ahmad Bin Mohd Don

Willy Shee Ping Yah @ Shee Ping Yan

Elvin A/L Bertly Luke Fernandez

Ng Sing Hwa

**AUDIT COMMITTEE**

Tan Sri Ahmad Bin Mohd Don

Willy Shee Ping Yah @ Shee Ping Yan

Elvin A/L Bertly Luke Fernandez

→ **INTERNAL AUDIT TEAM****CHIEF EXECUTIVE OFFICER**

Dato' Jeffrey Ng Tiong Lip

**Chief Financial Officer**Wai Sow Fun → **FINANCE TEAM****Compliance Officer**

Samantha Khoo May Lin

**Investor Relations Manager**

Ser Chiew Yee

**Investment/Business Development Manager**

Shankar Arasaratnam

**Head of Retail Properties**

Chan Hoi Choy

**Head of Commercial Properties**

Goh Hai Thun @ Ng Hai Thun



**Tan Sri Dato' Seri  
Dr Jeffrey Cheah Fook Ling, AO**  
Non-Independent Non-Executive Chairman  
Malaysian

Tan Sri Dr Jeffrey Cheah, aged 69, is the Founder and Executive Chairman of Sunway Group, one of Malaysia's most formidable property-construction groups, with a multitude of established businesses in more than 40 locations worldwide.

A business and accounting graduate of Victoria University in Melbourne, Australia, Tan Sri Dr Jeffrey Cheah began his career as an accountant at a motor assembly plant in Malaysia. In 1974, he founded and started Sunway Group.

He has been conferred nine (9) honorary doctorates by leading universities worldwide. In 2007, Tan Sri Dr Jeffrey Cheah established the eponymous "Jeffrey Cheah Foundation" and in 2009, he transferred the ownership of Sunway Education Group in entirety together with its subsidiaries worth more than RM720 million to the Jeffrey Cheah Foundation. Sunway Education Group comprises, inter alia, Sunway University, Sunway College, Monash University Malaysia, Jeffrey Cheah School of Medicine and Health Sciences and Sunway International School. Jeffrey Cheah Foundation was officially launched by the Prime Minister of Malaysia on 18 March 2010 in the presence of its foundation's patron, His Royal Highness Sultan of Selangor. To date Jeffrey Cheah Foundation has awarded RM132 million worth of scholarships to more than 13,000 outstanding students.

In October 2013, Tan Sri Dr Jeffrey Cheah was bestowed The Edge Malaysia Outstanding Property Personality Award 2013 for his meritorious contribution to Malaysia's property industry. His stalwart leadership continues to solidify Sunway's position in the market as an innovative, trusted and reputable property player.

In July 2013, Tan Sri Dr Jeffrey Cheah through Jeffrey Cheah Foundation has endowed USD6.2 million in support of the Jeffrey Cheah Professorship of South-East Asia Studies at Harvard University. Tan Sri Dr Jeffrey Cheah is also the first Malaysian to donate a Chair at Harvard University, for the Jeffrey Cheah Professorship, the Jeffrey Cheah Visiting Professorship, the Jeffrey Cheah Fellowship and the Jeffrey Cheah Travel Grants to advance teaching and research on South-East Asia Studies.

In February 2013, Tan Sri Dr Jeffrey Cheah was conferred the Honorary Assistant Commissioner of Police title by Malaysia's Inspector-General of Police for his commendable efforts in crime awareness and prevention as Chairman of Malaysia Crime Prevention Foundation (Selangor Chapter). He received 2012 Honorary Gold Award, a top honour from the Royal Rotary Club of Kuala Lumpur, in recognition of his leadership and development of education and research in Malaysia. Prior to that, he was conferred the Honorary Fellow 2012 by the Malaysian Scientific Association ("MSA") for his meritorious contribution to the development of science education, as well as for his overall contribution in the advancement of science and technology in Malaysia.

In December 2011, Tan Sri Dr Jeffrey Cheah was appointed to Malaysia's education panel to review the nation's education system by the Minister of Education. He is the Founding Trustee of the Board of Mahathir Science Award Foundation, Razak School of Government, and the Perdana Leadership Foundation. He is among Malaysia's leading givers who made Forbes Asia's Heroes of Philanthropy list 2009.

In 2008, Tan Sri Dr Jeffrey Cheah was appointed Officer of the Order of Australia ("AO") by the Prime Minister of Australia. AO is one of Australia's most prestigious and highly regarded awards conferred to a non-citizen of Australia. In the same year, he was appointed Chairman of Malaysia Crime Prevention Foundation ("MCPF") Selangor Chapter, by the Deputy Prime Minister and Chairman of MCPF Malaysia. He is also the Chairman and Co-Founder of Asian Strategy & Leadership Institute ("ASLI").

Other achievements and appointments of Tan Sri Dr Jeffrey Cheah include:-

**2012** Appointed as Permanent Honorary President to the Federation of Hakka Associations Malaysia, in appreciation of his invaluable contributions to the Associations

**2007** Monash University School of Medicine and Health Sciences was named after Tan Sri Dr Jeffrey Cheah in appreciation of his contribution to Monash University Malaysia and Malaysia-Australia bilateral ties

**2006** His Royal Highness Sultan of Selangor installed him as the Foundation Chancellor of Sunway University

**2002** Deputy President of National Kidney Foundation of Malaysia

First non-Malay Honorary Member of Kuala Lumpur Malay Chamber of Commerce

**1999** Founding Trustee of Malaysian Liver Foundation

**1997** President of Malaysian Hakka Association (until 2004)  
Council Member of the Financial Reporting Foundation

**1996** Appointed by the Minister of Education to the Higher Education Council of Malaysia

Chairman of Malaysian Industry-Government Group for High Technology for Construction and Housing

EXCO member of the Malaysian Tourism Action Council

**1990** Director of National Productivity Centre

Other awards bestowed upon Tan Sri Dr Jeffrey Cheah include Property Man of the Year (Malaysia) in 1993, CEO of the Year (Malaysia) in 1996, the Paul Harris Fellow Award in 2002, and Asia's Most Innovative Chinese Entrepreneur Award in 2005.

Tan Sri Dr Jeffrey Cheah was appointed to the Board of the Manager on 24 March 2010 and he also serves as a Member of the Remuneration and Nomination Committees. He attended 3 out of the 5 Board Meetings held in the financial year.

His directorships in other public companies are Sunway Berhad, ASLI Foundation, Jeffrey Cheah Foundation, Mahathir Science Award Foundation, Razak School of Government and Perdana Leadership Foundation.

He is the father of Sarena Cheah Yean Tih. Both Tan Sri Dr Jeffrey Cheah and Sarena Cheah Yean Tih are major shareholders of Sunway Berhad, which is a major unitholder of Sunway REIT.

He has not been convicted for any offence within the past 10 years other than traffic offences, if any.

**BOARD OF DIRECTORS (CONT'D)**

**Dato' Jeffrey Ng Tiong Lip**  
Chief Executive Officer,  
Non-Independent Executive Director  
Malaysian

Dato' Jeffrey Ng, aged 57, is a graduate of Monash University, Melbourne with a Bachelor of Economics. He completed his professional articleship in an international accounting firm in Australia before returning to Malaysia. He has more than 30 years of extensive experience in finance, corporate planning and executive management in the property and hotel industry in both Malaysia and Australia.

Prior to joining Sunway Group, Dato' Jeffrey Ng was the former Managing Director of AP Land Berhad. He was also the former Executive Director of Sunway City Berhad, a company formerly listed on Bursa Malaysia. He has held various positions in the past, such as the President of Real Estate and Housing Developers Association (REHDA), Past Chairman of REHDA Wilayah Persekutuan (KL) Branch, Director of Construction Industry Development Board (CIDB), Vice President and Secretary General of FIABCI Malaysian Chapter (International Real Estate Federation), Vice President of Malaysian Association of Hotel Owners (MAHO), Chapter Chairman of Young Presidents Organisation (YPO) Malaysian Chapter and Vice Chairman of Malaysia Australia Business Council (MABC).

Dato' Jeffrey Ng is a member of Malaysian Institute of Certified Public Accountants and Institute of Chartered Accountants, Australia. In 1999, he was conferred a fellowship by Malaysian Institute of Directors and accorded the 'Entrepreneur of the Year' by MABC in 2003. In 2008, he was advanced to fellowship member of Institute of Chartered Accountants, Australia. In 2009, he was conferred the patron of REHDA. In 2011, he was appointed by the Minister of Federal Territories as a panel member of the Appeal Board under the Federal Territory (Planning) Act 1982.

Dato' Jeffrey Ng was appointed to the Board of the Manager on 24 March 2010. He attended all of the 5 Board Meetings held in the financial year.

His directorships in other public companies are SunREIT Capital Berhad, SunREIT Unrated Bond Berhad and United Overseas Bank (Malaysia) Berhad. He is also a Director of Urban Hallmark Properties Sdn Bhd.

He does not have any family relationship with any director of the Manager and/or major unitholder of Sunway REIT.

He has not been convicted for any offence within the past 10 years other than traffic offences, if any.



**Dato' Ngeow Voon Yean**  
Non-Independent  
Non-Executive Director  
Malaysian

Dato' Ngeow, aged 62, holds a Bachelor of Commerce Degree majoring in Business Studies and Economics from University of Auckland, New Zealand. He is a Council Member of Malaysian Association of Hotel Owners (MAHO) and an Honorary Advisor to Malaysian Association for Shopping and Highrise Complex Management.

Dato' Ngeow has 33 years of working experience in property development and investment, and management industry. He was the Founder President of Shopping and Highrise Buildings Association in both Malaysia and Singapore. He has wide experience in the development and management of mixed-use developments. He began his career with Landmarks Holdings Bhd, the developer owner of Sungei Wang Plaza, Regent Hotel and Metroplex Holdings Sdn Bhd, the developer of The Mall. He subsequently moved to Singapore to join Marina Centre Holdings Pte Ltd, the developer and manager of Marina Square, a mixed-use waterfront development comprising 3 international class hotels, shopping

mall and offices in Singapore. He later joined Suntec City Development Pte Ltd as part of the pioneering team in the development of one of Singapore's largest private mixed-use projects comprising convention, exhibition, shopping and offices. He currently manages the investment portfolio which includes retails, commercial, hospitality, leisure and other asset management components of Sunway Berhad.

Dato' Ngeow was appointed to the Board of the Manager on 24 March 2010. He attended all of the 5 Board Meetings held in the financial year.

His directorship in other public company is Sunway International Vacation Club Berhad.

He does not have any family relationship with any director of the Manager and/or major unitholder of Sunway REIT.

He has not been convicted for any offences within the past 10 years other than traffic offences, if any.



**Sarena Cheah Yean Tih**  
Non-Independent  
Non-Executive Director  
Malaysian

Ms Sarena Cheah, aged 40, graduated from University of Western Australia with a Bachelor of Commerce (Accounting and Finance) Degree in 1994. She also obtained a Master Degree in Business Administration from Melbourne Business School in 2001.

Ms Sarena Cheah has been with Sunway Group since 1995, starting her career in the Corporate Finance and Group Internal Audit divisions. In 2000, she left to pursue her Master Degree in Business Administration at Melbourne Business School. Upon her return, she joined the Education and Healthcare divisions as Business Development Manager. In 2003, she rejoined the Corporate Finance division to lead the asset-backed securitisation exercise for Sunway City Berhad. In 2006, she became the Sales & Marketing General Manager in the Property Development division before holding the position as the Director of Strategy & Corporate Development in 2009. Thereafter, she assumed the position as the Executive Director of Strategy & Corporate Development of Sunway Berhad in

August 2011. Effective 1 May 2013, she was appointed as Managing Director of Strategy & Corporate Development as well as Joint Managing Director of Property Development Division, Malaysia/Singapore.

Ms Sarena Cheah was appointed to the Board of the Manager on 25 August 2010. She attended all of the 5 Board Meetings held in the financial year.

Her directorships in other public companies are Sunway Berhad, SunREIT Capital Berhad, SunREIT Unrated Bond Berhad and Sunway Lagoon Club Berhad.

She is the daughter of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling. Both Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih are major shareholders of Sunway Berhad, which is a major unitholder of Sunway REIT.

She has not been convicted for any offence within the past 10 years other than traffic offences, if any.



**Tan Sri Ahmad Bin Mohd Don**  
Senior Independent  
Non-Executive Director  
Malaysian

Tan Sri Ahmad, aged 66, graduated with an Honours Degree in Economics and Business from Aberystwyth University, United Kingdom in 1969. He is a Fellow of Institute of Chartered Accountants in England and Wales as well as a Member of Malaysian Institute of Certified Public Accountants.

Tan Sri Ahmad started his career with the Corp of Accountants, Government of Malaysia from 1972 to 1974 before joining the private sector. He served as the Financial Controller from 1974 to 1980 in companies such as Syarikat Jengka Sdn Bhd, Mansfield Berhad and Pernas Securities Sdn Bhd where he was also the Company Secretary. In November 1980, he joined Permodalan Nasional Berhad as the Deputy General Manager and was involved in the planning and launching of the National Unit Trust Scheme in 1981. Subsequently in April 1982, he joined Malayan Banking Berhad as the General Manager of Treasury. During his service with Malayan Banking Berhad, he rose through the ranks of Senior General Manager and Board Member, then as Executive Director and in January 1991, he was appointed the Group Managing Director and

Chief Executive Officer, a position which he held until 1994.

In May 1994, Tan Sri Ahmad was appointed the Governor of Bank Negara Malaysia, a position which he held until August 1998.

Tan Sri Ahmad was appointed to the Board of the Manager on 25 August 2010 and he also serves as Chairman of the Audit and Remuneration Committees as well as a Member of the Nomination Committee. He attended all of the 5 Board Meetings held in the financial year.

His directorships in other public companies are Zurich Insurance Malaysia Berhad, KAF Investment Bank Berhad, United Malacca Berhad, Hap Seng Plantations Holdings Berhad, Komarkcorp Berhad and MAA Group Berhad.

He does not have any family relationship with any director of the Manager and/or major unitholder of Sunway REIT.

He has not been convicted for any offence within the past 10 years other than traffic offences, if any.

**BOARD OF DIRECTORS (CONT'D)**

**Willy Shee Ping Yah @  
Shee Ping Yan**  
Independent Non-Executive Director  
Singaporean

Mr Willy Shee, aged 65, graduated from University of Auckland, New Zealand. He is an Associate Member of New Zealand Property Institute, a Fellow Member of Singapore Institute of Surveyors and Valuers (FSISV) and a Fellow Member of Association of Facilities & Property Management. He is an Honorary Advisor (Valuation) of Real Estate Developers' Association of Singapore (REDAS).

Mr Willy Shee is currently the Chairman (Asia) of CBRE Pte. Ltd, a company listed on the New York Stock Exchange and is a leading real estate service provider with more than 400 offices in more than 50 countries. He is also a Director of Ascendas Pte Ltd, NTUC Fairprice Co-operative Ltd, Lafe (Emerald Hill) Development Pte Ltd, Mercatus Co-operative Ltd, SLF Properties Pte Ltd, Bund Center Investment Ltd, Shanghai Golden Bund Real Estate Co. Ltd, CBRE Management (Pte) Ltd and OMB Pte Ltd.

Mr Willy Shee was appointed to the Board of the Manager on 24 March 2010 and he also serves as a Member of the Audit, Remuneration and Nomination Committees. He attended all of the 5 Board Meetings held in the financial year.

He has no directorship in public companies in Malaysia.

He does not have any family relationship with any director of the Manager and/or major unitholder of Sunway REIT.

He has not been convicted for any offence within the past 10 years other than traffic offences, if any.



**Ng Sing Hwa**  
Non-Independent  
Non-Executive Director  
Malaysian

Mr Ng, aged 68, is a qualified Chartered Accountant and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. In May 1977, he completed the Program for Management Development at the Harvard University Graduate School of Business Administration, Boston. He was elected President of the Harvard Business School Alumni Club of Malaysia 1980/81.

Mr Ng was formerly the Executive Chairman of Bertam Alliance Berhad, a company listed on the Malaysian Stock Exchange, whose principal activities are property development, construction and planting of plantation. Mr Ng resigned from Bertam Alliance Berhad as Director and Executive Chairman on 1 March 2012 following the disposal of his substantial shareholding in the Company.

He has vast experience in the areas of corporate finance, hospitality industry, property & construction industry and manufacturing of building materials. He had held the positions

of Group Chief Executive of Faber Merlin Malaysia Berhad from 1977 to 1985 and Managing Director of CI Holdings Berhad from 1985 to 1988 prior to venturing into management consultancy services and own property development in 1989.

He is currently the Executive Chairman of Miramas Development Sdn Bhd and the Managing Director of Golden Clay Industries Sdn Bhd. He is also a Director of Millennium Pavilion Sdn Bhd, a major shareholder of the Manager. He has no directorship in public companies.

He was appointed to the Board of the Manager on 18 November 2013. He attended 2 out of the 2 Board Meetings held during the time he held office in the financial year.

He does not have any family relationship with any director of the Manager and/or major unitholder of Sunway REIT.

He has not been convicted for any offence within the past 10 years other than traffic offences, if any.



**Elvin A/L Bertly Luke Fernandez**  
Independent Non-Executive Director  
Malaysian

Mr Elvin Fernandez, aged 65, graduated from the Institution of Surveyors Malaysia (ISM), now known as The Royal Institution of Surveyors Malaysia (RISM).

He is the Managing Director of Khong & Jaafar Group of Companies, a Past Chairman of the International Valuation Standards Council (2007/2008), a Past President of the Royal Institution of Surveyors Malaysia (Session 2010/2011), a former Member/Exco-Member of the Board of Valuers, Appraisers & Estate Agents Malaysia (1993-2007), a Past President of the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (2000/2002) and a past Secretary-General of the ASEAN Valuers Association (2010/2014). He is also a former Adjunct Professor of University Malaya - Faculty of Built Environment (2013/2014).

He was appointed as a member of the RICS Malaysia Board on 1 June 2014 for a two-year term until 31 May 2016. He is also a National Committee Member of FIABCI, a Member of Malaysian Institute of Estate Agents and the Malaysian Institute of Professional Property Managers, a Fellow of the Royal Institution of Chartered Surveyors, United Kingdom, Honorary Member of Institution of Valuers India, Institute of Philippine Real Estate Appraisers, National Association of Valuers in Romania, China Appraisal Society, Practising Valuers Association India, Indonesian Society of Appraisers and the International Association of Consultants, Valuers and Analysts (Business Valuer). He is also a Member of the Malaysian Association of Professional Property Managers and the Investigating Tribunal Panel of the BAR Council Malaysia.

In May 2008, he was appointed as a consultant for the establishment of a Real Estate Investment Trust Framework (Valuation Aspects) by the Securities Commission of Pakistan.

On 21 February 2013, he was appointed as a Director of Malaysian Property Incorporated.

Mr Elvin Fernandez was awarded the "Property Consultant of the Year 2005" by the Board of Valuers, Appraisers & Estate Agents Malaysia on 12 January 2006. He was also conferred with "Professional Excellence" Award in the "Engineering, Construction & Property" category by the Malaysian Professional Centre or Balai Ikhtisas Malaysia on 21 May 2011. He was invited in 2013 by the China Appraisal Society to advise the CAS as well as the Ministry of Finance of the People's Republic of China on their proposed valuation law. Only four International experts from around the world were called to be on the Advisory Committee. On 10 January 2014, Mr Elvin Fernandez was conferred with "Valuer of the Year 2013" Award by the Valuation Division of the Royal Institution of Surveyors Malaysia.

Mr Elvin Fernandez was appointed to the Board of the Manager on 24 March 2010 and he also serves as a Chairman of the Nomination Committee and Member of the Audit and Remuneration Committees. He attended all of the 5 Board Meetings held in the financial year.

He has no directorship in public companies.

He does not have any family relationship with any director of the Manager and/or major unitholder of Sunway REIT.

He has not been convicted for any offence within the past 10 years other than traffic offences, if any.

**MANAGEMENT TEAM**

From left to right : Shankar Arasaratnam, Samantha Khoo, Chan Hoi Choy, Ser Chiew Yee, Dato' Jeffrey Ng Tiong Lip, Wai Sow Fun, Goh Hai Thun

**CHIEF EXECUTIVE OFFICER**

Leads the team of managers to plan overall strategies and ensure their effective execution to achieve the objectives of the Manager. The Chief Executive Officer plans and sets clear strategic directions, which are approved by the Board, and helps ensure long term sustainability of Sunway REIT.

**CHIEF FINANCIAL OFFICER**

In charge of the finance team, which is responsible for the financial management functions including monitoring of cashflow and capital management strategy of Sunway REIT. Key functions of the finance team include monitoring and reporting financial performance of Sunway REIT as well as prepare relevant financial reports for statutory requirements. The finance team also develops and ensure effective implementation of the capital and cost structure of Sunway REIT in accordance with the capital management strategy.

**COMPLIANCE OFFICER**

The Compliance Officer's key role is to ensure that the operations and conduct of the Manager are in compliance with the Deed and the relevant guidelines and regulations governing real estate investment trusts in Malaysia.

**INVESTOR RELATIONS MANAGER**

Responsible for developing and implementation of effective communications strategies with all stakeholders to achieve high levels of transparency in disclosures. The role encompasses continuous engagement with the investment community and maintaining the various communication channels. The Investor Relations Manager ensures key strategies of the Manager are effectively communicated to project consistent brand equity to the market.

**INVESTMENT/  
BUSINESS DEVELOPMENT MANAGER**

Primary role is to develop investment strategies and grow Sunway REIT's portfolio through strategic acquisitions. The Investment/Business Development Manager shall actively identify, research and evaluate potential investment proposals that shall add value to the portfolio through potential future capital appreciation and/or yield accretive income growth. Active portfolio management is carried out continuously to maximise the portfolio's return in the long run.

**ASSET MANAGEMENT TEAM**

Comprises Asset Managers for Retail Properties and the Commercial Properties. The roles of the Asset Managers include formulating strategies and business plans to ensure continuous asset enhancement initiatives are carried out to enhance property income and values in the long run. The Asset Managers ensure effective execution of the asset management strategies of Sunway REIT.

## PROFILE OF KEY PERSONNEL

### Wai Sow Fun

#### Chief Financial Officer

Wai Sow Fun was appointed on 16 May 2010. She has more than 20 years experience in auditing, corporate finance, financial accounting and management across a variety of industries including property development, property investment, leisure and hospitality. She started her career in Arthur Andersen & Co and left the firm as an Audit Senior prior to joining the Sunway Group in 1994 as an Assistant Finance Manager. She was the General Manager of Finance of Sunway City Berhad prior to joining the Manager. Ms Wai graduated from the University of Malaya, Malaysia with a Bachelors Degree (Hons) in Accounting and is a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountant (MICPA).

### Samantha Khoo May Lin

#### Compliance Officer

Samantha Khoo May Lin was appointed on 23 October 2012. She started her career at Presgrave & Matthews, a prominent law firm in Penang, specialising in property and real estate, banking and finance and general corporate advisory. She then further expanded her experience in the property, real estate and corporate practice areas in Raslan Loong and thereafter joined ZICOlaw (then Zaid Ibrahim & Co) where she specialised in equity capital markets and mergers and acquisitions. She was part of the advisory team involved in the listing of Sunway REIT in 2010, amongst other notable transactions. Prior to joining the Sunway Group, she was the legal counsel of a pharmaceutical company with predominantly European operations. Ms Samantha Khoo holds a Bachelor of Laws and a Bachelor of Commerce from Monash University, Melbourne, Australia.

### Ser Chiew Yee

#### Investor Relations Manager

Ser Chiew Yee was appointed on 6 March 2014. Prior to joining the Manager, she was responsible for the research and management of a family fund portfolio in Hong Kong with focus on Asia Pacific region. She has also worked with a securities firm and a life assurance firm, where she was involved in investment research. Ms Ser has more than 10 years experience in equity research and fund management industry. She graduated from University Kebangsaan Malaysia with a Bachelor of Business Administration, majoring in Finance in 2002.

### Shankar Arasaratnam

#### Investment/Business Development Manager

Shankar Arasaratnam was appointed on 8 March 2013. Prior to joining the Company, he was attached to Ravindra Dass Property Services Sdn Bhd as the General Manager. He has more than 12 years experiences in the real estate field which includes valuation, real estate, research, agency and consultancy. Mr Shankar Arasaratnam holds a Bachelor of Engineering (Hons) in Electrical and Electronics from the Nottingham Trent University, Nottingham, United Kingdom.

### Chan Hoi Choy

#### Head of Retail Properties

Chan Hoi Choy was appointed on 20 May 2010 and currently serves as the Chief Executive Officer of Sunway Shopping Malls and Theme Parks. He oversees the portfolio of Sunway Pyramid, Sunway Carnival, Sunway Giza, Sunway Putra, Sunway Velocity, Sunway Lagoon and Lost World of Tambun. Having spent his entire 31 years of professional career in mall management and development, he has acquired extensive experience in general mall management, operations and marketing management. Mr Chan began his career in Sungei Wang Plaza in 1983 where he spent 11 years with this successful shopping mall before joining Berjaya Starcity (now known as Times Square) as the General Manager principally responsible for the development of this major shopping mall in the heart of Kuala Lumpur from 1994 to 1999. His next career move was to Sunway Pyramid.

He is the current Advisor of Malaysia Shopping Malls Association (PPK Malaysia) after serving a two-term presidency in advocating the industry interest at both international and national levels. He also serves as the current Advisor of Council of Asian Shopping Centres (CASC). Mr Chan is an alumnus of University of Aston, Birmingham, United Kingdom and holds a Bachelor of Science (Hons) degree in Managerial and Administrative Studies.

### Goh Hai Thun @ Ng Hai Thun

#### Head of Commercial Properties

Goh Hai Thun @ Ng Hai Thun was appointed on 20 May 2010. He is also currently the General Manager of Sunway Group where he heads the Property and Facility Management Division. Prior to his current position, he was the Chief Operating Officer of a public listed infrastructure company. He has more than 25 years of experience in real estate and facility management which includes township maintenance, high-rise office complexes, educational institutions, industrial buildings and condominiums. Mr Goh holds a MBA (Real Estate) degree from the University of Western Sydney, Australia.

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Manager (“the Board”) recognises the intrinsic value of good corporate governance and is committed to ensure that high standards of corporate governance are upheld and practised with the ultimate objective of protecting and enhancing unitholders’ value and the financial performance of Sunway REIT.

The Malaysian Code on Corporate Governance 2012 (“Corporate Governance Code”), a key deliverable of the Corporate Governance Blueprint 2011, has taken effect from 2012. The Manager has implemented the principles and recommendations of the Corporate Governance Code and the Asia Pacific Real Estate Association (“APREA”) Best Practices Handbook (2nd Edition) and to the extent that the Manager is not able to comply, the Manager is progressively putting measures in place to ensure compliance in the years ahead.

### 1. THE MANAGER’S ROLE

In accordance with the Deed, the Manager is appointed to manage the assets and administer the funds of Sunway REIT. Its primary objective is to provide the unitholders with long term and stable income distributions with the potential of sustainable growth of the net asset value of Sunway REIT.

The Manager has been issued a Capital Markets Services License (CMSL) by the Securities Commission (“SC”) on 28 June 2013 as required under the new licensing regime for REIT Managers which took effect from 28 December 2012. Its 2 licensed representatives, namely Dato’ Jeffrey Ng Tiong Lip and Dato’ Ngeow Voon Yean have respectively been issued with a Capital Markets Services Representatives License (CMSRL).

Sunway REIT is externally managed by the Manager and as such, it has no employees. The Manager has appointed experienced and qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Sunway REIT.

The Manager has the general power of management over the assets of Sunway REIT. Its primary role is to manage Sunway REIT and the properties in accordance with the Deed in the sole interest of the unitholders focussing on generating rental income and, where appropriate, increasing Sunway REIT’s assets over time to enhance the return on investments and ultimately the distributions to the unitholders. On the corporate governance front, the Manager continues to update and enhance its investment, strategic direction and risk management policies of Sunway REIT.

The Manager’s other main functions, amongst others, are as follows:-

- **Asset Management**

Supervise and oversee the management of Sunway REIT’s properties including procurement of service providers to carry out specified activities, including but not limited to onsite property management, property maintenance, letting and leasing services, rent collection and arrear control. The Manager is also responsible for developing a business plan for

the short, medium and long term with a view to maximising the income of Sunway REIT.

- **Risk Management**

Identifying principal risks of Sunway REIT and ensuring the implementation of appropriate systems to mitigate and manage these risks. The Board through the Risk Management Working Group, sets, where appropriate, objectives, performance targets and policies to manage the key risks faced by Sunway REIT.

- **Finances**

Formulate plans for equity and debt financing for Sunway REIT’s capital requirements with the objective of optimising the capital structure and cost of capital. The Manager is also responsible for managing the finances of Sunway REIT including preparation of accounts and financial statements.

- **Investor Relations**

Developing and maintaining investor relations including information coordination and distribution as well as customer service to investors.

- **Compliance Management**

Reviewing the adequacy and integrity of Sunway REIT’s internal control systems and systems for compliance with applicable laws, regulations, rules, directives and guidelines as well as ensuring compliance.

### 2. THE BOARD OF THE MANAGER

The Board has the overall responsibility for managing and governing the Manager in carrying out its role as the Asset Manager acting in the best interests of the unitholders and stakeholders of Sunway REIT. The Board sets the strategic directions and oversees the competent and efficient management of Sunway REIT in the spirit of the Corporate Governance Code. The following sections set out the Manager’s corporate governance policies and practices with reference to the Corporate Governance Code.

### 3. PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

#### 3.1 PRINCIPLE 1:

#### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

##### 3.1.1 Main Function

The main functions and roles of the Board are as follows:-

- Setting the objectives, goals and strategic plans for the Manager with a view to maximising unitholders’ value for Sunway REIT.
- Reviewing, adopting and monitoring the progress of the strategies, budgets, plans and policies of the Manager and Sunway REIT.
- Overseeing and scrutinising the conduct and overall management of the Manager and management of the assets of Sunway REIT.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

- Ensuring that the Manager's strategies, budget, plans and policies promote sustainability.
- Identifying principal risks of the Manager and Sunway REIT and ensuring the implementation of appropriate systems to mitigate and manage these risks through the Risk Management Working Group.
- Considering management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure.
- Reviewing the adequacy and integrity of the internal control systems and management information systems of the Manager and Sunway REIT, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- Sets the disclosure and transparency standards for the Manager and Sunway REIT to enable effective communication with the unitholders and stakeholders of Sunway REIT and to ensure that obligations to unitholders are understood and met.
- Ensuring that all candidates appointed to senior management positions are of sufficient calibre.
- Ensure that policies and processes are in place for orderly succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing the positions in senior management. The Board has set up a Nomination Committee for this purpose.

These functions and roles of the Board are further elaborated in the Board Charter on page 132. The Board Charter establishes the clear roles and responsibilities of the Board in discharging its fiduciary leadership functions.

### 3.1.2 Committees and Working Groups

In carrying out its functions, the Board is supported by the Audit Committee, Remuneration Committee, Nomination Committee, Investment Appraisal Working Group and Risk Management Working Group, all of which operate within defined terms of reference. These committees and working groups provide the appropriate checks and balances.

#### (a) Audit Committee

The Audit Committee comprising Tan Sri Ahmad Bin Mohd Don as Chairman, Willy

Shee Ping Yah @ Shee Ping Yan and Elvin A/L Berty Luke Fernandez, has an active role in assisting the Board in discharging its governance responsibilities. The composition of the Audit Committee, its terms of reference, attendance of meetings and a summary of its activities are set out on pages 141 to 144 of the Annual Report. The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

#### (b) Remuneration Committee

The Remuneration Committee comprises mainly Independent Non-Executive Directors namely Tan Sri Ahmad Bin Mohd Don as Chairman, Willy Shee Ping Yah @ Shee Ping Yan and Elvin A/L Berty Luke Fernandez. The other member of the Remuneration Committee is Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling.

During the financial year, 2 meetings were held to deliberate on the following matters:-

- to evaluate the performance of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Manager and to endorse their annual increment and bonuses; and
- to review and to approve the terms of the contract of employment of the CEO.

The Executive Director and Senior Manager of Group Human Resources attended the said meetings at the invitation of the Committee. At the meetings, the targeted key performance indicators ("KPI") of the CEO and CFO were compared to the actual achievement. In addition, industry benchmarks were also tabled for comparison.

#### (c) Nomination Committee

In compliance with the Corporate Governance Code, the Board had set up a Nomination Committee which comprises 3 Independent Non-Executive Directors namely Elvin A/L Berty Luke Fernandez as Chairman, Tan Sri Ahmad Bin Mohd Don and Willy Shee Ping Yah @ Shee Ping Yan. The other member of the Committee is Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling.

The main role of the Nomination Committee is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance of Executive Directors and Independent Non-Executive

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

Directors. In discharging its responsibilities, the Nomination Committee has developed a set of criteria used for identifying and recruitment of potential directors. In evaluating the suitability of a candidate for directorships, the Nomination Committee considers, inter alia, the competency, experience, commitment, contribution and integrity of the potential candidate. In case of candidates proposed for appointment as Independent Non-Executive Directors, the Nomination Committee would also assess the candidate's independence in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The functions of the Nomination Committees are set out in the Board Charter on page 136.

During the financial year, 2 meetings were held for the following purposes :-

- i) to assess the performance of retiring Directors and to endorse their re-election at the Company's Annual General Meeting, subject to the approval of shareholders. The performance of Tan Sri Ahmad Bin Mohd Don and Mr Willy Shee Ping Yah @ Shee Ping Yan as Independent Directors were assessed based on the results obtained from the Directors' Peer Review, Financial Literacy assessment and fulfillment of independence criteria as per Paragraph 1.01 of the Listing Requirements of Bursa Securities as well as the Guidelines on Real Estate Investment Trusts issued by the SC ("REIT Guidelines"). Both Tan Sri Ahmad Bin Mohd Don and Mr Willy Shee Ping Yah @ Shee Ping Yan abstained from all deliberation on their proposed re-election as retiring Directors.
- ii) to assess the appointment of Mr Ng Sing Hwa as a Non-Independent Non-Executive Director of the Company and to recommend his appointment to the Board for approval.
- iii) to adopt and discuss the results of the assessment on the independent directors as well as their financial literacy. The aforesaid evaluation reports were tabled for discussion. Areas which needed improvements were highlighted to the Board and management for action.
- iv) to approve and adopt evaluation forms for assessment of Board Effectiveness, Directors' Peer Review, Audit Committee Evaluation Format, Audit Committee Members' Self and Peer Evaluation

Form and Board Committee Evaluation Form for financial year ended 2014.

- v) to approve and recommend to the Board, the Policy on Selection of new Directors and Assessment of Members of the Board of Directors and Board Composition.
- vi) to assess the appointment of Tan Sri Ahmad Bin Mohd Don as Senior Independent Director of the Company and to recommend his appointment to the Board for approval.
- vii) to approve and recommend to the Board, the Statement on Diversity and Inclusion Policy.
- viii) to discuss on management succession planning.

### Meetings and Attendance

Name of Committee Members	Number of meetings attended
Elvin A/L Berty Luke Fernandez	2/2
Tan Sri Ahmad Bin Mohd Don	2/2
Willy Shee Ping Yah @ Shee Ping Yan	2/2
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	1/2

### (d) Investment Appraisal Working Group ("IAWG")

The IAWG was established to determine the investment and divestment strategies of Sunway REIT, with the aim of improving the growth of Sunway REIT and improve its distribution yields. The IAWG consists of Dato' Jeffrey Ng Tiong Lip, Dato' Ngeow Voon Yean, Sarena Cheah Yean Tih, Shankar Arasaratnam and Wai Sow Fun.

### (e) Risk Management Working Group ("RMWG")

The RMWG comprises Dato' Jeffrey Ng Tiong Lip, Dato' Ngeow Voon Yean, Sarena Cheah Yean Tih and Wai Sow Fun.

The RMWG is tasked with the responsibility to oversee the risk management activities of Sunway REIT, approving appropriate risk management procedures and measurement methodologies across Sunway REIT as well as identification and management of strategic business risks of Sunway REIT. Risk management has been part of the Manager's day-to-day operations and there is a Policy Manual (reviewed and updated from time to time) which provides an overview of the

Manager's responsibilities and guidance in relation to the management of Sunway REIT to ensure consistency of operational procedures and practices within the organisation.

### 3.1.3 Company Secretary

The Company Secretary and/or his assistants attend all Board meetings and, together with the Directors are responsible for the proper conduct of the meetings according to applicable rules and regulations. The Company Secretary regularly updated the Board on new statutes, regulations and directives issued by regulatory authorities.

### 3.1.4 Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with the Deed and all legislation, rules and guidelines issued by the SC and Bursa Securities applicable to Sunway REIT.

### 3.1.5 Setting High Ethical Standards

The Board has formalised ethical standards of the Manager by having in place the following comprehensive framework:

#### (a) Board Charter

Board Charter provides guidance to the Board in the effective discharge of its roles and responsibilities as well a clear definition of the functions delegated to management and Board Committees. The Board Charter will be periodically reviewed. Please refer to page 132 for the details of the Board Charter.

#### (b) Code of Conduct and Business Ethics

Code of Conduct and Business Ethics provides an ethical framework to guide actions and behaviors of all Directors and its employees while carrying out the respective roles and duties. Please refer to page 139 for a summary of the said code.

#### (c) Whistleblowing

Whistleblowing Policy has been adopted to encourage all employees of the Manager to report suspected inappropriate behaviour or misconduct. The policy covers fraud, corrupt practices and abuses.

#### (d) Insider Trading

Insider Trading Policy has been introduced to satisfy the Manager's obligation to prevent insider trading and to prevent the employees of the Manager from committing acts that contravene the insider trading laws.

## 3.2 PRINCIPLE 2: STRENGTHENING COMPOSITION

### 3.2.1 Transparency in Selection

The Nomination Committee has been set up to identify and make recommendations for any new appointment and re-election of Board members and oversees the succession and leadership development plan of the Manager. In discharging its responsibilities, the Nomination Committee has developed a set of criteria used for recruitment of new directors and an annual assessment of all directors on the Board which has been made a formal policy. It assesses the effectiveness of the Board as a whole as well as the performance of each Director. This is a positive step towards the Board's commitment on transparency in management.

The policy details the processes and criteria for selection and assessment of potential candidates for election to the Board. It also sets out the criteria for assessment of the appropriateness of the Board mix and composition. The policy was approved and adopted by the Board on the recommendation of the Nomination Committee. Based on the policy, the Board has delegated the responsibility for recommending a potential candidate to fill a board vacancy to the Nomination Committee but the ultimate decision on the appointment of a candidate is solely that of the Board as a whole.

The Nomination Committee complements the Remuneration Committee which recommends to the Board, the proposed remuneration for the CEO and CFO, with the aim of ensuring that the Company attracts and retains the best possible talents needed to run the Company successfully.

### 3.2.2 Composition of the Board

The Board consists of 8 members, with 3 Independent Non-Executive Directors. The Board composition reflects a balance of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals in the fields of accountancy, banking and finance, property valuation, real estate development and property management backgrounds. This combination of different professions and skills working together enables the Board to effectively lead and control the Manager and Sunway REIT. Mr Ng Sing Hwa, a qualified Chartered Accountant, was appointed to the Board on 18 November 2013 to further strengthen the composition of the Board.

The performances of the Directors have been assessed by the Nomination Committee who have recommended to the Board for their re-election to be tabled at the Manager's AGM. The composition of the Board will annually be

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

reviewed by the Nomination Committee and the Nomination Committee will also look into strengthening the independence of the Board, by attracting and retaining Directors. In order to further complement the above initiatives of the Nomination Committee, the Board had adopted a diversity and inclusion policy. This policy reinforces the Manager's commitment to encourage diversity and inclusion in the workplace including but not limited to the diversity in the composition of the Board. Ms Sarena Cheah Yean Tih is currently the only female director on the Board and hence, it is the Manager's intention to balance up the Board with a capable and suitable candidate subject to the requirements of the Manager and Nomination Committee. The Manager aims to create a culture that respects and values each other's differences, promotes equality and diversity, and encourages individuals to grow and develop in order to realize their full potential. The Board will ensure the effective mix of competencies, skills as well as relevant experience and knowledge are always in place in order to strengthen its effectiveness. The Board has also appointed Tan Sri Ahmad Bin Mohd Don as Senior Independent Non-Executive Director, to whom concerns relating to the affairs of the Manager may be directed at.

### 3.2.3 Remuneration

Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in

determining the remuneration packages for Executive and Non-Executive Directors. The remuneration of the Directors is paid by the Manager and not by Sunway REIT. The remuneration of the Executive Director is structured on the basis of linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committee meetings. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account.

The Board as a whole resolves on the fees for the Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The fees payable to the Non-Executive Directors are subject to the approval of the shareholders of the Manager.

### 3.3 PRINCIPLE 3: REINFORCING INDEPENDENCE

The composition of the Board will be reviewed regularly to ensure that it has an appropriate mix of expertise and experience through conducting surveys on board effectiveness among the Directors. In addition, the newly adopted statement on diversity and inclusion policy which promotes equality and diversity, including gender diversity, will ensure that an effective combination of ideas and expertise are brought to the Board and permeate through all levels of management.

The details of the Directors' remuneration during the financial year are as follows:-

Directors' remuneration	Executive Director RM	Non-Executive Directors RM	Total RM
Director Fee	-	245,263	245,263
Other Emoluments	-	12,000	12,000
Meeting Allowance	-	22,000	22,000
Salaries and other Remuneration	779,787	-	779,787
Bonus	261,305	-	261,305
Benefits-in-kind	8,764	-	8,764
<b>Total:</b>	<b>1,049,856</b>	<b>279,263</b>	<b>1,329,119</b>

The number of Directors whose remuneration falls under the following bands is as follows:-

Range of Remuneration	Executive Director	Non-Executive Directors	Total
Below RM100,000	-	4	4
RM950,001 to RM1,500,000	1	-	1
<b>Total:</b>	<b>1</b>	<b>4</b>	<b>5</b>

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

There is a clear segregation of roles and responsibilities between the Chairman and the CEO to ensure a balance of power and authority. This also provides a healthy professional relationship between the Board and management with clarity of roles and robust deliberation on the business activities of Sunway REIT.

The Chairman ensures that members of the Board work together with the management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

The Nomination Committee reviews the independence of Independent Directors annually according to the criteria on independence set out in the Listing Requirements of Bursa Securities and the REIT Guidelines. All of the Independent Non-Executive Directors are independent from the substantial shareholders of the Company nor directly or indirectly associated with any substantial shareholder and each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company.

However, the Board does not comprise a majority of independent directors where the Chairman of the Board is not an independent director as recommended under Recommendation 3.5 of the Corporate Governance Code. Whilst the Manager is keeping an eye out for a suitable candidate with the appropriate skills to join the Board, the Manager is of the view that the current three Independent Directors are highly respected persons with extensive experience in various fields which are beneficial to the Board. Thus, their existing presence commands a strong independent element on the Board for the exercise of independent judgment.

The CEO has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Sunway REIT.

A brief profile of each Director is presented on pages 30 to 34 of the Annual Report

### 3.4 PRINCIPLE 4: FOSTERING COMMITMENT

#### 3.4.1 Meetings and Supply of Information

The Board meets regularly at least once a quarter, to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, annual budget, capital expenditure requirements, property reports, investor relations reports, funding requirements, risk management, performance of the Manager and Sunway REIT against the approved budget. When necessary, the Board meets to review and approve acquisitions or disposals for recommendation to the Trustee or any other issues requiring the immediate attention of the Board. To facilitate participation at the Board meetings, Directors may attend in person, via telephone or video-conference. Board meetings are also supplemented by resolutions circulated to the Directors for decision between the scheduled meetings.

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least 1 week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties' developments, risk management and internal control reports, minutes of meetings of Board Committees, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

**The Board met 5 times during the financial year ended 30 June 2014 and the details of attendance of the Directors are as follows:-**

Name of Directors	Number of Board Meetings Attended	Percentage of Attendance (%)
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	3/5	60
Dato' Jeffrey Ng Tiong Lip	5/5	100
Dato' Ngeow Voon Yean	5/5	100
Sarena Cheah Yean Tih	5/5	100
Tan Sri Ahmad Bin Mohd Don	5/5	100
Willy Shee Ping Yah @ Shee Ping Yan	5/5	100
Elvin A/L Berty Luke Fernandez	5/5	100
Ng Sing Hwa*	2/2	100

\*Appointed on 18 November 2013

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

Directors are also notified of the impending restriction in dealing with the units of Sunway REIT prior to the announcement of the financial results. Directors are also expected to observe the insider trading policy of Sunway REIT at all times even when dealing with units within the permitted trading period.

The Board is entitled to information pertaining to the Manager. In addition, the Board has direct access to the advice and services of the Company Secretaries. They are also permitted to seek independent advice whenever deemed necessary, at the Manager's expense.

### 3.4.2 Directors' Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. The attendance record of the Directors at the Board Meetings is disclosed in this statement.

The Director must advise the Board and the Company Secretary of his/her appointment as director in other public listed company outside the Group. The Company Secretary will monitor the number of directorships and the changes, if any, of each Director.

In compliance with Paragraph 15.06 of the Main Market Listing Requirements of Bursa

Securities, the Directors of the Company hold not more than 5 directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are more focused.

### 3.4.3 Directors' Training

During the financial year, all the Directors had attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment. The Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

The training programmes, seminars and workshops attended by the Directors during the financial year were, inter alia, on areas relating to corporate leadership and governance, financial reporting, property market, economic trends, strategic planning and implementation of new regulations by the Government.

The Board was also constantly updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

### Training Programmes, Seminars and Workshops attended by Directors :-

Name of Directors	Course Title / Organiser / Venue	Date
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	<ul style="list-style-type: none"> <li>• 13th Annual Forbes Global CEO Conference (Forbes Asia)</li> <li>• Sunway Managers Conference 2013 (Sunway Group)</li> </ul>	3 to 5 September 2013 23 November 2013
Tan Sri Ahmad Bin Mohd Don	<ul style="list-style-type: none"> <li>• Sunway Managers Conference 2013 (Sunway Group)</li> <li>• Personal Data Protection Act 2010 (Rahmat Lim &amp; Partners)</li> </ul>	23 November 2013 7 January 2014
Dato' Jeffrey Ng Tiong Lip	<ul style="list-style-type: none"> <li>• Conventional and Islamic REIT's Conference 2013* (Malaysian Institute of Corporate Governance)</li> <li>• The 16th National Housing and Property Summit 2013 "Scaling New Heights, Strengthening Growth" (Asian Strategy &amp; Leadership Institute)</li> <li>• Advocacy Sessions on Corporate Disclosure (Bursa Malaysia Berhad)</li> <li>• Real Estate CEO Forum (REHDA Institute &amp; Credit Suisse)</li> <li>• World Capital Markets Symposium 2013 (Mandarin Oriental, Kuala Lumpur)</li> <li>• Sunway Managers Conference 2013 (Sunway Group)</li> <li>• Personal Data Protection Act 2010 (Rahmat Lim &amp; Partners)</li> </ul>	21 August 2013 27 August 2013 5 September 2013 19 September 2013 22 October 2013 23 November 2013 7 January 2014

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

Name of Directors	Course Title / Organiser / Venue	Date
	<ul style="list-style-type: none"> <li>• SWAP MASTER CLASS: Pricing-Trading-Hedging &amp; Accounting Issues (The Cornerstones of Derivatives Training) (IABT Advanced in Business Training Sdn Bhd)</li> <li>• Motivations and Strategies for Venture Capitals &amp; Private Equities (PNB Investment Institute Sdn. Berhad)</li> </ul>	6 June 2014  24 June 2014
Dato' Ngeow Voon Year	<ul style="list-style-type: none"> <li>• Sunway Managers Conference 2013 (Sunway Group)</li> <li>• Managing Risks In Asset Management And Treasury (Local and Foreign Case Studies) (Smart Focus Business Consulting)</li> <li>• Integrating Corporate Governance with Business Acumen (Smart Focus Business Consulting)</li> </ul>	23 November 2013 24 April 2014  12 May 2014
Sarena Cheah Yean Tih	<ul style="list-style-type: none"> <li>• Sunway Managers Conference 2013 (Sunway Group )</li> <li>• Knight Frank Malaysia - Where to Invest: 2014 (Knight Frank Malaysia)</li> <li>• Malaysia National Corporate Innovation Index - Breakfast Roundtable Session (Alpha Catalyst Consulting)</li> <li>• Corporate Outlook 2014: Navigating Challenges and Cross-Border Investment Opportunities (Malaysia Property Incorporated)</li> <li>• The Edge Investment Forum - The Edge Investment Forum on Real Estate 2014 (The Edge)</li> </ul>	23 November 2013 18 January 2014 29 January 2014 20 February 2014  19 April 2014
Willy Shee Ping Yah @ Shee Ping Yan	<ul style="list-style-type: none"> <li>• 2014 Audit Committee Conference - Stepping Up for Better Governance (Malaysian Institute of Accountants)</li> <li>• LCD Module 4: Nominating Committee and Remuneration Essential (Singapore Institute of Directors)</li> <li>• WPO Firefly Forum – “Building of Brands in China” (Shanghai)</li> <li>• The Global Summit of The Consumer Goods Forum 2014 (Paris, France)</li> </ul>	20 March 2014  3 April 2014 14 April 2014 18 to 20 June 2014
Elvin A/L Bertly Luke Fernandez	<ul style="list-style-type: none"> <li>• Asia Pacific Network for Housing Research Conference 2013 ‘Global Housing Dilemmas: The Ways Forward’* (Asia-Pacific Network for Housing Research)</li> <li>• Conventional and Islamic REIT’s Conference 2013* (Malaysian Institute of Corporate Governance)</li> <li>• The 16th National Housing and Property Summit 2013 “Scaling New Heights, Strengthening Growth”* (Asian Strategy &amp; Leadership Institute)</li> <li>• Advocacy Sessions on Corporate Disclosure (Bursa Malaysia Berhad)</li> <li>• Talk on “Overview of Malaysian REITs”* (Bank Negara Malaysia)</li> <li>• REITs Unlocked (Trueventus)</li> <li>• Greater KL Office Space Conundrum: Winners &amp; Losers* (Malaysia Property Incorporated)</li> <li>• 2013 China Valuation Forum* (China Appraisal Society)</li> <li>• Conference on Property Market Outlook, Development Planning and Construction Contract Management 2013* (Palm Garden Hotel, IOI Resort, Putrajaya)</li> <li>• Real Estate: Priceless vs Price Less* (University of Malaya)</li> <li>• 7th ASEAN Post Graduate Seminar 2013* (University of Malaya)</li> <li>• Land Acquisition In Malaysia: Proceedings &amp; Compensation (Concorde Hotel, KL)</li> </ul>	20 to 22 August 2013  21 August 2013 28 August 2013  5 September 2013 9 September 2013  18 to 19 September 2013 26 September 2013  14 to 16 October 2013 24 October 2013  23 November 2013 5 December 2013  17 December 2013

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

Name of Directors	Course Title / Organiser / Venue	Date
	<ul style="list-style-type: none"> <li>• Property Outlook Conference 2014* (Hotel Istana, Kuala Lumpur)</li> <li>• Malaysia 3rd Annual Property Conference 2014 (Comfori Sdn Bhd)</li> <li>• Maybank IB's Malaysia Property Conference &amp; Regional Property Breakout Sessions for 2014* (Maybank)</li> <li>• Corporate Outlook 2014: Navigating Challenges and Cross-Border Investment Opportunities (Malaysia Property Incorporated)</li> <li>• 7th Malaysian Property Summit 2014* (Persatuan Penilai, Pengurus Harta, Ejen Harta &amp; Perunding Harta Swasta Malaysia)</li> <li>• 2014 Audit Committee Conference - Stepping Up for Better Governance (Malaysian Institute of Accountants)</li> <li>• Business Valuation Conference 2014 (Institute of Valuers and Appraisers of Singapore)</li> <li>• 7th International Real Estate Research Symposium (IRERS) 2014* [National Institute of Valuation (INSPEN)]</li> <li>• Business Valuation Seminar with Aswath Damodaran* (Deloitte)</li> <li>• XXV FIG Congress 2014 (Kuala Lumpur)</li> <li>• Asset Valuation for IPO Value Maximisation* (Best Practices Search Sdn Bhd)</li> <li>• Malaysia Midyear Property Conference* (Comfori Sdn Bhd)</li> </ul>	<ul style="list-style-type: none"> <li>11 January 2014</li> <li>22 to 23 January 2014</li> <li>10 February 2014</li> <li>20 February 2014</li> <li>25 February 2014</li> <li>20 March 2014</li> <li>24 to 25 March 2014</li> <li>29 to 30 April 2014</li> <li>22 to 23 May 2014</li> <li>16 - 21 June 2014</li> <li>23 June 2014</li> <li>25 to 26 June 2014</li> </ul>
Ng Sing Hwa	<ul style="list-style-type: none"> <li>• Sunway Managers Conference 2013 (Sunway Group)</li> <li>• Personal Data Protection Act 2010 (Rahmat Lim &amp; Partners)</li> </ul>	<ul style="list-style-type: none"> <li>23 November 2013</li> <li>7 January 2014</li> </ul>

\* Attended as speaker

### 3.5 PRINCIPLE 5: UPHOLDING INTEGRITY IN FINANCIAL REPORTING

#### 3.5.1 Financial Reporting

In presenting the annual financial statements, annual report and quarterly announcement of results to unitholders, the Board aims to provide a balanced and understandable assessment of Sunway REIT's financial position, performance and prospects. The Board is assisted by the Audit Committee to oversee Sunway REIT's financial reporting processes and the quality of its financial reporting.

#### 3.5.2 Relationships with External Auditors

The Board maintains, via the Audit Committee, an active, transparent and professional relationship with the external auditors. The Audit Committee meets the External Auditors at least twice a year to discuss their audit plan, audit findings and Sunway REIT's financial statements. At least 2 meetings are held between the Audit Committee and external auditors without the presence of the Executive Directors and the management. The Audit Committee annually assesses the suitability, effectiveness and independence of the External Auditors.

In addition, the External Auditors are invited

to attend Sunway REIT's general meeting and are available to answer any questions from unitholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements as well as any corporate exercise undertaken by Sunway REIT where the External Auditors are involved.

The appointment of External Auditors, who may be nominated by the Manager, is approved by the Trustee. The Auditors appointed must be independent of the Manager and the Trustee. The remuneration of the Auditors must be approved by the Trustee.

### 3.6 PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

#### 3.6.1 Dealings with Conflict of Interest

The Manager has established the following procedures to deal with potential conflicts of interest issues which it (including its Directors, executive officers and employees) may encounter in managing Sunway REIT:-

- The Manager will be a dedicated manager of Sunway REIT and will not manage any other real estate investment trust or be involved in any other real property business;
- The appointment or renewal of appointment

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

of any delegate or service provider who is a related party of the Manager must be approved by the Independent Directors of the Manager.

- Any related party transaction must be duly disclosed by the related parties to the Audit Committee and the Board;
- The Audit Committee shall review the terms of the related party transaction before recommending to the Board;
- The Board shall ensure one-third of its Directors are Independent Directors;
- In circumstances where any Director or officer of the Manager may have a direct or indirect interest in any related party transaction, they will abstain from deliberation and voting at any Board meeting and will require the Trustee's approval prior to entering into any transaction/agreement.

The Board is under a fiduciary duty towards Sunway REIT to act in the best interest in relation to decisions affecting Sunway REIT when they are voting as a member of the Board. In addition, the Executive and Non-Executive Directors (including the CEO) and the executive officers of the Manager are expected to act with honesty and integrity at all times.

Under the Deed, the related parties of the Manager (as defined in the Deed) are prohibited from voting at, or being part of a quorum for, any meeting of unitholders convened to approve matter or business in which any of the related parties has an interest.

### 3.6.2 Dealings with Related Party Transactions

In dealing with any related party transaction, it is the Manager's policy that all related party transactions carried out by or on behalf of Sunway REIT should be :-

- carried out in full compliance with the REIT Guidelines and the Deed;
- carried out on an arm's length basis and under normal commercial terms;
- in the best interest of the unitholders;
- adequately disclosed to the unitholders; and
- consented by the Trustee.

All related party transactions are subject to review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating

in the review and recommendation process in relation to that transaction.

The Manager would have to demonstrate to the Audit Committee that the related party transactions (whether purchase of services or property) would be undertaken on normal commercial terms, which may include in the case of the purchase of services, the requisitioning of quotations from parties unrelated to the Manager; or in the case of property acquisitions, obtaining the valuation from an independent valuer.

Prior to signing any contract with a related party of the Trustee or the Manager, the Trustee will review the terms and conditions of the contract to ensure that it complies with the requirements contained in the REIT Guidelines and the Deed and that the transaction is in the best interests of the unitholders.

### 3.6.3 Real Estate Related Party Transactions

Related party transactions shall require the Trustee to ensure that such transactions are carried out at arm's length, based on normal commercial terms and not prejudicial to the interest of the unitholders. A further step to be undertaken by the Trustee, as set out in the Deed, is for the Trustee to provide a written confirmation to confirm that the related party transaction is based on normal commercial terms at arm's length and is not prejudicial to the unitholders' interests where:-

- (i) the transaction value does not exceed 5% of the total asset value of Sunway REIT (after completion of the transaction) and the Trustee is satisfied that the proposed transaction is in compliance with the Deed; or
- (ii) in relation to acquisitions and disposals of real estate, the acquisition price is not more than 110% of the value assessed in the valuation report or the disposal price not less than 90% of the value assessed in the valuation report and the Trustee is satisfied that the proposed transaction price is commercially justifiable.

For the purpose of i) and ii) above, the Manager must inform the unitholders through an announcement to Bursa Securities.

Furthermore, the Trustee has the ultimate discretion under the Deed to decide whether or not to enter into a transaction involving a related party of the Manager. Where the value of the proposed related party real estate transaction exceeds 5% of the total asset value of Sunway REIT (after completion of the transaction), the Trustee will obtain prior approval from unitholders in a meeting held

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

specifically for that purpose, and the approval of the SC, if required.

The related parties shall not vote on the resolution at any meeting held for such purposes.

### 3.6.4 Non-Real Estate Related Party Transactions

Although Paragraph 8.36 of the Listing Requirements provides that Chapter 10 of the Listing Requirements does not apply to Sunway REIT, nonetheless in the absence of any specific provisions in the REIT Guidelines, the Manager is adopting the provisions of Chapter 10 of the Listing Requirements where it relates to announcements to Bursa Securities in respect of non-real estate related party transactions.

The Manager, in ensuring its commitment to high standards of corporate governance, has used its discretion to adopt the requirements under Paragraphs 10.08(1) and 10.09(1) of the Listing Requirements for the purposes of announcements to Bursa Securities where the following governance procedures are adopted:-

- (i) transactions below the threshold stipulated under Paragraphs 10.08(1) and 10.09(1) of the Listing Requirements:-
  - Presentation to the Audit Committee on quarterly basis for ratification.
- (ii) transactions exceeding the threshold stipulated under Paragraphs 10.08(1) and 10.09(1) of the Listing Requirements:-
  - Approval to be sought from the Audit Committee and the Board;
  - Trustee to be informed immediately of the transaction and the relevant details; and
  - Announcement is made to Bursa Securities.

#### Note:

Paragraph 10.08 (1)

Where any one of the percentage ratios of a related party transaction is 0.25% or more, a listed issuer must announce the related party transaction to the Exchange as soon as possible after terms of the transaction have agreed, unless –

- (a) the value of the consideration of the transaction is less than RM250,000; or
- (b) it is a Recurrent Related Party Transaction.

Paragraph 10.09 (1)

Notwithstanding paragraph 10.08 (1) (b) above, a listed issuer must immediately announce a Recurrent Related Party Transaction as follows:

- (a) in relation to a listed issuer with an issued and paid-up capital of RM60 million and above –
  - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transaction is RM1 million or more; or
  - (ii) the percentage ratio of such Recurrent Related Party Transaction is 1% or more,
 whichever is the higher; or
- (b) in relation to a listed issuer with an issued and paid-up capital which is less than RM60 million –
  - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transaction is RM1 million or more; or
  - (ii) the percentage ratio of such Recurrent Related Party Transaction is 1% or more,
 whichever is the lower.

### 3.6.5 Internal Audit Department

The Internal Audit function is outsourced and undertaken by the Manager's holding company's Internal Audit Department. The Head of the Internal Audit Department has unrestricted access to the Audit Committee and reports directly to the Audit Committee.

## 3.7 PRINCIPLE 7:

### ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Main Market Listing Requirements of Bursa Securities require that a listed entity disclose to the market matters that could, or might be expected to have a material effect on the price of the entity's securities. In line with Sunway REIT's disclosure obligations, the Board's policy is to inform unitholders in a timely manner, of all significant and material developments which impact Sunway REIT.

In addition to the above, any announcements released to Bursa Securities and developments on Sunway REIT will be available to unitholders and stakeholders via Sunway REIT's website. Other information such as the corporate information, Sunway REIT's structure, portfolio and strategies are disclosed on Sunway REIT's website.

### 3.8 PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN SUNWAY REIT AND UNITHOLDERS

#### 3.8.1 Unitholders and Investor Dialogues

The Board values constant dialogue and is committed to clear communication with unitholders and investors. In this respect, as part of Sunway REIT's active investor relations programmes, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Sunway REIT's performance, corporate strategy and other matters affecting unitholders' interests.

The Manager communicates information on Sunway REIT to unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to Sunway REIT requiring disclosure under the Listing Requirements. Communication channels with unitholders are also made accessible via:-

- Press and analysts' briefings.
- One-on-one/group meetings, conference calls, investor luncheons, domestic/overseas roadshows and conferences.
- Annual reports.
- Press releases on major developments of Sunway REIT.
- Sunway REIT's website at [www.sunwayreit.com](http://www.sunwayreit.com).

As majority of the units in Sunway REIT are held by institutional investors, the Manager considers meetings with local and foreign fund managers an integral part of investor relations. These meetings and roadshows with investors enable the Manager to update potential and current unitholders on Sunway REIT's significant developments and its medium to long term strategies. Sunway REIT also participates in various local and overseas investors conferences as part of its efforts to build interest in the Malaysia's real estate investment trust market.

In addition to ensuring that a published Annual Report is sent to all unitholders and quarterly results announced to Bursa Securities, Sunway REIT has established a website at [www.sunwayreit.com](http://www.sunwayreit.com) from which investors and unitholders can access for information. Sunway REIT takes the extra mile to inform

investors the date of release of the quarterly results in advance.

While the Manager endeavours to provide as much information as possible to unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

#### 3.8.2 General Meetings

As part of the effort in strengthening its relationship with the unitholders, Sunway REIT is committed to continuously disclose and disseminate comprehensive and timely information to its unitholders as well as to the general investing public. Sunway REIT believes that by maintaining consistent and extensive communication with its unitholders, its mutual relationship with its unitholders would be strengthened. This would also enhance the unitholders' understanding of Sunway REIT as well as their ability in making informed investment decisions.

The Board also recognises the importance of unitholders' participation in general meetings and encourages such participation. The Annual General Meeting of Sunway REIT provides the principal forum for dialogue and interaction between the Board and the unitholders. The participation of unitholders, both individuals and institutional at general meetings on clarifications of pertinent and relevant information is encouraged. All related party transactions and significant corporate acquisitions or corporate exercises are voted by way of poll and poll results are independently verified by external scrutineers.

The annual report of Sunway REIT is also another main channel of communication between Sunway REIT and its unitholders as well as stakeholders. The annual report communicates comprehensive information of the financial results and activities undertaken by Sunway REIT. The annual report in the form of CD-ROM together with an executive summary would be sent to the unitholders.

#### 3.8.3 Investor Relations Service

Sunway REIT's website has a section dedicated to investor relations which provides detailed information on Sunway REIT's businesses and latest developments. Any enquiries on investor related matters may be conveyed to:-

Ms Ser Chiew Yee  
Senior Manager - Investor Relations  
Tel No : (603) 5639 8864  
Fax No : (603) 5639 8001  
Email : [sercy@sunway.com.my](mailto:sercy@sunway.com.my)

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### 4. DIRECTORS' RESPONSIBILITY STATEMENT ON AUDITED FINANCIAL STATEMENTS

The responsibility of the Board in the preparation of the Audited Financial Statements is to give a true and fair view of the state of affairs, results and cash flows of the Manager and Sunway REIT at the end of each financial year.

In preparing the financial statements, the Board will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgments and estimates have been made. All applicable approved accounting standards and provisions of the Companies Act, 1965 have been complied with.

The Board is also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Manager and Sunway REIT and to ensure that the financial statements comply with the relevant statutory requirements. The Board has the overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of Sunway REIT to prevent and detect fraud and other irregularities.

### 5. NEW INITIATIVES

As the Corporate Governance Code advocates the adoption of standards that go beyond the minimum standards prescribed by regulation, the Manager and Sunway REIT have also benchmarked where applicable, with the APREA Best Practices Handbook (2nd Edition). In year 2013, Bursa Malaysia Berhad subsequently issued the Corporate Governance Guide (2nd Edition) for the Board of Directors to gain a clear understanding in applying the principles and recommendations of the Corporate Governance Code 2012. New initiatives by the Manager in this FY2014 include the conducting poll voting at its first AGM and adopting a statement on diversity and inclusion policy. In its continuous drive to fulfill all recommendations of the Corporate Governance Code and the APREA Best Practices Handbook (2nd Edition), the Manager is continually enhancing the value of its corporate governance practices to demonstrate the highest quality and integrity of the Manager whilst maximising value and ultimately returns to its unitholders.

This Corporate Governance Statement was approved by the Board on 11 August 2014.

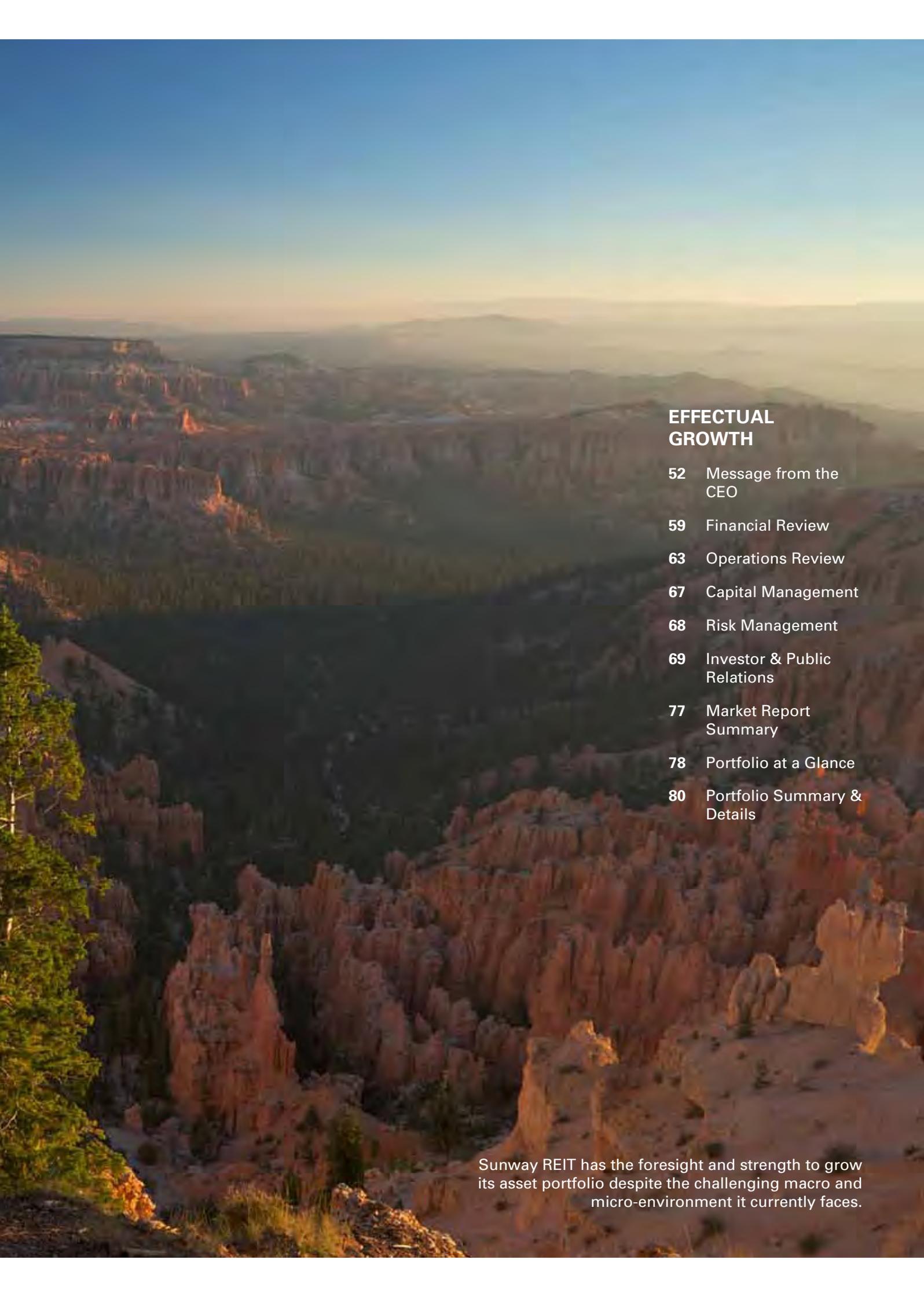


**Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO**  
Chairman

# GROWING STRENGTH

The desert's terrain is mountainous with high latitudes, rocky plateau, sand dunes, and salt marshes. The desert's terrain is hard to travel and navigate. Deserts are still continuing to expand today.





## **EFFECTUAL GROWTH**

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Sunway REIT has the foresight and strength to grow its asset portfolio despite the challenging macro and micro-environment it currently faces.

**Dear Valued Stakeholders,**

It is our pleasure to share with you the key accomplishments of Sunway REIT for the financial year ended 30 June 2014 ("FY2014") and key developments and business strategies for the coming year.

**A Year Full of Challenges**

FY2014 was indeed a very challenging year for Sunway REIT, with both operational issues and external headwinds to contend with. We were adversely affected by the ongoing refurbishment work at Sunway Putra Place as well as higher operating costs arising from electricity tariff hike and Kuala Lumpur property assessment hike. On the external front, we had to deal with the negative impact from the unwinding of quantitative easing ("QE") programme and the competitive Kuala Lumpur office market due to the oversupply situation. The QE tapering had triggered a sell-off on M-REITs causing yield to rise and thus rendering it more difficult to make yield accretive acquisition. However, I am glad to report that we managed to overcome all these challenges and averted a decline in DPU and instead delivered a set of commendable results. We were able to achieve this outcome through our continuous and proactive strategies.

**"We see every matter in an opportunistic manner and remain committed in upholding our vision and mission to create ever-greater value to our unitholders"**

**Commendable Growth Backed by Resilient Asset Growth**

FY2014 NPI and DPU grew marginally by 3.8 percent and 0.7 percent y-o-y to RM321 million and 8.36 sen respectively despite the lost/reduced income contribution of RM21.9 million from Sunway Putra Place. We believe our NPI and DPU would have dropped by 7.1 percent and 9.7 percent y-o-y respectively if the loss was not mitigated by our carefully planned and well executed strategies. In addition, we have exceeded both our internal target of maintaining DPU at 8.3 sen and market estimates of 8.0 sen by 4.5 percent to 8.36 sen. Sunway REIT's DPU has consistently beaten market consensus since FY2012.

How did we achieve this? The sustained earnings reflect the strategies planned and implemented over the years which are in the best interest of our unitholders. When we decided to acquire Sunway Putra Place in 2011, we had planned to make further significant investments involving a major refurbishment to turnaround the property. This decision also meant that there would be an unavoidable temporary setback in earnings resulting from the need to close the mall during the refurbishment, in order to achieve a long term sustained and higher returns from the investment. Hence, along with the refurbishment plans for Sunway Putra Mall back in 2012, we planned for mitigating strategies to cushion the loss of its contribution. The resilient growth of the existing assets underpinned by the double digit rental reversion (over a 3-year term) for both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall had played a significant role. Both the retail properties have consistently achieved a double digit rental reversion (over a 3-year term), supported by the continuous expansion plans by our sponsor within the townships and asset management initiatives undertaken



by the Asset Manager to increase the attractiveness of the assets. To complement the asset management strategies, we had also lined up several asset enhancement initiatives ("AEIs"). During the year, we completed the expansion of Sunway Pyramid Shopping Mall (known as Oasis Boulevard 5 or OB5<sup>1</sup>) and it is now generating a healthy ROI of 12.5 percent. In addition, full year earnings impact from AEIs completed in the previous year, namely chillers retrofit at Sunway Pyramid Shopping Mall, refurbishment of Sunway Hotel Seberang Jaya and expansion of Menara Sunway with a blended ROI of 15 percent, also helped to cushion the adverse impact. Our proactive capital management strategies which were initiated in the later part of FY2012 also played an important role. The continuous proactive capital management has resulted in interest savings of more than half a million for FY2014 and this savings flowed directly to the bottom line.

Once again, the resiliency of our assets, the abilities and skill sets of our people and the well planned and executed strategies enabled us to deliver a sustainable return to unitholders with a 4-year DPU CAGR of 8.3 percent since IPO.

**"Sunway REIT has delivered an average total return of 18.8% per annum since IPO in July 2010"**

<sup>1</sup>Please refer details of OB5 in page 63

## MESSAGE FROM THE CEO (CONT'D)

### Managing Short-term Pain for Long-term Gain

Sunway Putra Place's refurbishment which is estimated to cost approximately RM460 million was our key AEI focus in FY2014 and the refurbishment work will continue into FY2015. We take cognisance that this project which spans approximately 2 years from May 2013 has caused short-term pain. Hence, our main focus for FY2015 is to ensure that the project is completed within the timeline, budget and quality so that contribution could resume as planned. We actively engage with our project delivery partners ("PDP") to drive this goal and to resolve challenges that could potentially derail the plans. The integrated 3-in-1 mixed-use development has rendered the refurbishment extremely difficult as the hotel and office tower remain in operations. With hotel guests and office tenants at the property on 24/7 basis, our PDP had to manage the refurbishment in a manner that cause minimal disruptions.

Sunway Putra Mall is poised to transform itself into one of the leading malls in Kuala Lumpur that appeals to the cosmopolitan lifestyle of the urban population and tourists. We are confident that we are able to attract more affluent shoppers with middle and mid-upper income earnings due to our right tenancy mix and its prime location. Sunway Putra Mall is on track to commence operation in 3QFY2015 with target occupancy of more than 70 percent. Although we are on track to meet the target completion timeline, we are challenging ourselves to reopen the shopping mall earlier than planned. Unitholders can expect higher DPU if Sunway Putra Mall reopens earlier than target.

We have accelerated the refurbishment plans for Sunway Putra Hotel and Sunway Putra Tower alongside with Sunway Putra Mall in order to reap the full synergies and compatibility of the 3-in-1 mixed-use asset upon its expected completion by mid-2015.

Unitholders can expect to reap the fruits of this short-term pain from FY2015 and beyond. The NPI for Sunway Putra Place is estimated to be at least double post refurbishment

compared to FY2013 with an estimated ROI of 7.5 to 8.5 percent. We expect DPU to grow moderately in FY2015 followed by the expected quantum leap in earnings to deliver a double digit growth in FY2016 barring any unforeseen circumstances.

### Continuous Efforts to Improve Assets Performance

We constantly strive to strengthen our portfolio through AEIs to deliver sustainable DPU growth. Apart from the major AEI for Sunway Putra Place, other on-going AEIs during the year include construction of car park linkages, pedestrian linkages and annex building ("the Annex") at Sunway Resort Hotel & Spa. At an estimated investment cost of RM61.5 million, we expect an ROI of 9 percent.

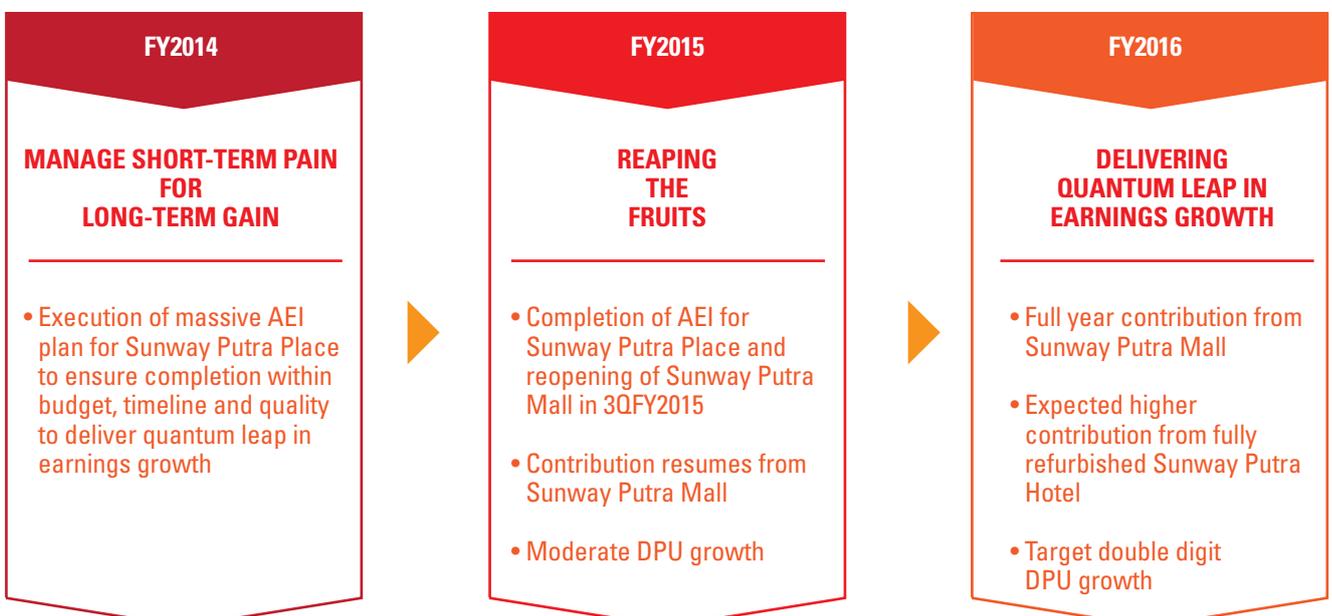
With a total of 12 assets in our portfolio, we will constantly study and identify other AEI opportunities at their respective asset life cycle to enhance organic growth. For example, potential AEIs beyond FY2015 include refurbishment of Sunway Resort Hotel & Spa and Pyramid Tower Hotel. As at 30 June 2014, we still have major AEIs amounting to RM378.6 million to be incurred, thereby making us the busiest M-REIT manager in respect of AEIs.

### Capital Management – No Refinancing Risks

Bank Negara Malaysia has announced a rate hike of 25 bps in July 2014 to 3.25 percent after maintaining the overnight policy rate at 3 percent since May 2011. With floating rate loan amounting to RM421 million as at 30 June 2014, the 25 bps hike in interest rates will result in decrease in profit and DPU by RM1.1 million and 0.04 sen respectively, hence minimal impact to us. This is underscored by our high fixed rate borrowings of 76 percent and healthy gearing level of 31 percent.

We do not foresee any problems to refinance approximately RM321 million fixed rate loan which is due in February 2015, given the ample liquidity in the banking system in Malaysia and the quality of the underlying assets. We will be adopting an active interest rate management strategy to manage the risks associated with interest rates.

## LOOK BEYOND 2014 FOR BETTER EARNINGS GROWTH



While we continue to enjoy the lower rate from the floating rate borrowings compared to the significant premium for fixed rate borrowings, we will be extremely cautious under the current rising interest rate environment. We will continue to monitor the interest rate environment closely and plan to maintain 70 to 80 percent of the loan portfolio at fixed rate to provide income stability.

### Challenging but Exciting Year Ahead

Having gone through a challenging and busy year, we expect an equally challenging and exciting year ahead. Despite the competitive and inflationary operating environment, we expect our assets to continue to perform well given their competitive edges, i.e. strategic location, strong brand name and experienced management team. However, we would like to caution on Sunway Tower's performance as the anchor tenant will surrender approximately 72,000 sq.ft. NLA in FY2015. We would like to assure our unitholders that we are actively looking for new tenants to minimise the negative impact. Nevertheless, the impact on financial performance would be minimal as the contribution from Sunway Tower is only 3.2 percent of total NPI and we view this as an opportunity for us to further improve the tenancy mix of this building to be less reliant on the anchor tenant.

We are not pursuing our earlier target of one acquisition per year under the current market situation. The REIT yield decompression vis-à-vis property yield compression coupled with stiffer competition from other asset investors makes it very challenging to make any yield accretive acquisitions. We believe that an opportunity such as Sunway Putra Place where we can value add to create quantum leap in earnings will not be easy to come by. It is our strategy to ensure that acquisition growth will remain as Sunway REIT's key growth driver over a longer term. Hence, we will continue to explore third party opportunities as well as pipeline assets with a prudent and cautious stance as we are committed to enhance unitholders value. We will maintain a strong balance sheet with proactive capital management strategies and await the right property cycle to grasp opportunities when they arise.

**"We will always remain prudent and cautious by not acquiring for the sake of making acquisition in view of the competitive property market condition and sizeable pipeline assets from sponsor"**

We adopt a robust risk management framework to ensure sustainable business growth and promote a proactive

approach in identifying, evaluating, mitigating and monitoring risks which is integrated within the business operations. This enables smooth and effective execution of strategies, policies and plans. The Risk Management Working Group and the Asset Managers continuously review and assess identified risks and ensure that mitigating actions are taken to eliminate/minimise potential adverse impact.

As a strong proponent for high standards of corporate governance, industry best practices as well as a high degree of transparency in reporting, we continue to push the boundaries of excellence in this area. During the year, the Manager has adopted the diversity and inclusion policy statement (including gender diversity) for its employees and directors. In addition, poll voting was adopted at Sunway REIT's inaugural AGM held in September 2013.

With corporate social responsibility becoming part and parcel of our daily lives, we will continuously introduce new and sustainable policies and measures targeting sustainable projects for the benefit of the community, economy and environment as a whole. Sunway Pyramid Shopping Mall, our trophy asset, is the first Health Promoting Mall in Malaysia and this is a holistic long-term programme aiming at promoting healthy living for its shoppers, visitors, employees, tenants and local community. In line with the objective of transforming all Sunway-owned assets within Sunway Resort City ("SRC") into smoke-free status by year 2018, the Manager and asset management team are working together to strategise and implement key initiatives in phases for all the assets in SRC under Sunway REIT in order to support our sponsor's noble direction.

With all the strategies on track to put us back on higher growth path in the foreseeable future, we will continuously plan and implement strategies to create values to our unitholders on a sustainable basis.



**Dato' Jeffrey Ng Tiong Lip**  
CEO

Sunway REIT Management Sdn Bhd  
11 August 2014

## MESEJ DARIPADA KETUA PENGAWAI EKSEKUTIF

### Para Pemegang Kepentingan Yang Dihargai,

Dengan sukacita kami mengumumkan pencapaian utama Sunway REIT untuk tahun kewangan yang berakhir pada 30 Jun 2014 ("TK2014") dan perkembangan utama dan strategi perniagaan untuk tahun yang akan datang.

### Tahun yang Penuh Cabaran

TK2014 sangat mencabar bagi Sunway REIT, dengan isu-isu operasi dan rintangan dari luar yang perlu dihadapi. Kami telah terjejas dengan kerja-kerja pengubahsuaian yang sedang berlangsung di Sunway Putra Place dan juga kos operasi yang lebih tinggi akibat kenaikan tarif elektrik dan kenaikan cukai taksiran bagi hartanah di Kuala Lumpur. Kami juga menghadapi kesan negatif daripada luar ekoran perungkaian program peringanan kuantitatif ("QE") dan persaingan dalam pasaran pejabat di Kuala Lumpur disebabkan situasi bekalan berlebihan. Pengurangan QE telah mencetuskan penjualan M-REITs yang mengakibatkan peningkatan kadar hasil dan dengan itu menyukarkan pemerolehan akresi kadar hasil. Namun begitu, sukacita saya melaporkan bahawa kami telah berjaya mengatasi semua cabaran ini dan mengelakkan penurunan DPU dan sebaliknya telah menunjukkan keputusan kewangan yang memberangsangkan. Pencapaian ini telah kami peroleh melalui strategi kami yang dilaksanakan secara berterusan dan pro-aktif.

**"Kami melihat semua perkara sebagai peluang dan telah mengekalkan komitmen dalam mendukung wawasan dan misi kami untuk mencipta nilai yang lebih tinggi secara berterusan untuk pemegang unit kami"**

### Pertumbuhan yang Baik Disokong dengan Pertumbuhan Aset yang Bingkas

NPI dan DPU TK2014 meningkat sebanyak 3.8 peratus dan 0.7 peratus masing-masing kepada RM321 juta dan 8.36 sen walaupun kehilangan/kemerosotan sumbangan pendapatan sebanyak RM21.9 juta daripada Sunway Putra Place. Kami percaya NPI dan DPU kami akan jatuh sebanyak 7.1 peratus dan 9.7 peratus masing-masing jika kehilangan sumbangan pendapatan tersebut tidak diatasi dengan strategi kami yang telah dirancang dengan teliti dan dilaksanakan dengan baik. Di samping itu, kami telah melangkaui sasaran dalaman untuk mengekalkan DPU pada 8.3 sen dan anggaran pasaran 8.0 sen sebanyak 4.5 peratus kepada 8.36 sen. DPU Sunway REIT telah mengatasi konsensus pasaran secara berterusan sejak TK2012.

Bagaimana kami memperoleh pencapaian ini? Pengkalan pendapatan tersebut mencerminkan perancangan strategi dan pelaksanaannya yang kami lakukan sejak dahulu untuk kebaikan pemegang unit kami. Apabila kami bercadang untuk memperoleh Sunway Putra Place pada tahun 2011,

kami telah merancang untuk membuat pelaburan yang besar yang melibatkan pengubahsuaian utama untuk membaik pulih hartanah tersebut. Keputusan ini juga bermakna pendapatan akan terjejas buat sementara waktu yang tidak dapat dielakkan kerana pusat beli-belah tersebut terpaksa ditutup sewaktu pengubahsuaian dijalankan bagi mendapatkan pulangan jangka panjang yang mampan dan lebih tinggi daripada pelaburan tersebut. Oleh sebab itu, seiring dengan perancangan pengubahsuaian Sunway Putra Mall pada tahun 2012, kami telah merancang strategi bagi mengatasi kehilangan sumbangan pendapatan daripadanya. Pertumbuhan bingkis aset sedia ada yang disokong oleh pelarasan kadar sewa dengan pertumbuhan dua angka (untuk tempoh 3 tahun) bagi Sunway Pyramid Shopping Mall dan juga Sunway Carnival Shopping Mall telah memainkan peranan yang penting. Kedua-dua pusat beli-belah telah mencapai pelarasan kadar sewa dengan pertumbuhan dua angka (untuk tempoh 3 tahun) dengan konsisten, disokong oleh pelan perkembangan bandar oleh penaja kami dan inisiatif pengurusan aset yang dilaksanakan oleh Pengurus Aset untuk meningkatkan daya tarikan aset-aset tersebut. Untuk melengkapkan strategi pengurusan aset tersebut, kami juga telah merancang beberapa inisiatif peningkatan aset ("AEI"). Pada tahun tersebut, pembesaran Sunway Pyramid Shopping Mall telah siap (dikenali sebagai Oasis Boulevard 5 atau OB5<sup>1</sup>) dan sekarang ia telah pun menjana pulangan pelaburan ("ROI") yang menggalakkan penuh setahun daripada AEI yang siap pada tahun sebelumnya, iaitu penukaran alat pendingin di Sunway Pyramid Shopping Mall, pengubahsuaian Sunway Hotel Seberang Jaya dan pembesaran Menara Sunway dengan gabungan ROI sebanyak 15 peratus juga telah membantu mengurangkan kesan negatif tersebut. Strategi pengurusan modal proaktif kami yang mula pada akhir TK2012 juga memainkan peranan yang penting. Pengurusan modal secara proaktif berterusan telah menghasilkan penjimatan faedah lebih daripada setengah juta bagi TK2014 dan penjimatan ini terserlah pada penyata untung rugi.

Sekali lagi, kebingkasan aset kami, keupayaan dan gabungan kemahiran kami dan strategi yang dirancang dan dilaksanakan dengan teliti telah membolehkan kami menyampaikan pulangan yang mampan kepada pemegang unit dengan DPU CAGR 4 tahun sebanyak 8.3 peratus sejak IPO.

**"Sunway REIT telah menyampaikan jumlah pulangan purata sebanyak 18.8% setahun sejak IPO pada Julai 2010"**

<sup>1</sup>Sila rujuk perincian OB5 pada muka surat 63

## MESEJ DARIPADA KETUA PENGAWAI EKSEKUTIF (SAMBUNGAN)

### Mengurus Kesukaran Jangka Pendek Untuk Laba Jangka Panjang

Pengubahsuaian Sunway Putra Place yang dianggarkan menelan belanja lebih kurang RM460 juta adalah tumpuan AEI utama kami pada TK2014 dan kerja pengubahsuaian tersebut akan berterusan sehingga TK2015. Kami sedia maklum bahawa projek ini yang mengambil masa lebih kurang 2 tahun dari Mei 2013 telah memberi kesukaran jangka pendek. Oleh sebab itu, tumpuan utama kami untuk TK2015 adalah memastikan bahawa projek ini disiapkan dalam tempoh masa, belanjawan dan kualiti yang ditetapkan agar sumbangan daripadanya dapat diteruskan semula seperti yang dirancang. Kami melibatkan diri secara aktif dengan rakan kongsi penyampaian projek ("PDP") kami untuk memacu matlamat ini dan menyelesaikan cabaran yang berpotensi menjejaskan rancangan kami. Pembangunan aset pelbagai guna 3 dalam 1 tersebut telah menyebabkan pengubahsuaian amat sukar dilakukan kerana menara pejabat dan hotel tersebut masih beroperasi. PDP kami harus menguruskan pengubahsuaian tersebut agar ia tidak terlalu mengganggu penyewa ruang pejabat dan tetamu hotel yang berada di sana selama 24 jam setiap hari.

Sunway Putra Mall sudah bersedia untuk menjadi salah sebuah pusat beli-belah terulung di Kuala Lumpur yang menjadi daya tarikan gaya hidup kosmopolitan penduduk bandar dan pelancong. Kami yakin akan dapat menarik pembeli-belah berpendapatan menengah dan menengah atas dengan gabungan penyewa yang bersesuaian dan kedudukannya di lokasi yang baik. Sunway Putra Mall dijangka akan mula beroperasi mengikut jadual iaitu pada suku ke-3 TK2015 dengan sasaran kadar penghunian lebih daripada 70 peratus. Walaupun tempoh masa siap sasaran kami mengikut jadual, kami berusaha untuk membuka semula pusat beli-belah tersebut lebih awal daripada yang dirancang. Pemegang unit boleh menjangka DPU yang

lebih tinggi jika Sunway Putra Mall dibuka semula lebih awal daripada masa yang disasarkan.

Kami telah mempercepatkan pelan pengubahsuaian Sunway Putra Hotel dan Sunway Putra Tower di samping Sunway Putra Mall bagi mengaut sinergi dan keserasian aset pelbagai guna 3 dalam 1 dengan sepenuhnya apabila ia siap pada waktu yang dijangkakan menjelang pertengahan tahun 2015.

Pemegang unit boleh menjangka untuk mengaut hasil daripada kesukaran ini dari TK2015 dan seterusnya. NPI untuk Sunway Putra Place dianggarkan akan sekurang-kurangnya bertambah sekali ganda selepas pengubahsuaian berbanding dengan TK2013 dengan anggaran ROI sebanyak 7.5 hingga 8.5 peratus. Kami menjangkakan pertumbuhan DPU secara sederhana pada TK2015 dan diikuti dengan peningkatan besar pendapatan yang dijangka akan bertumbuh dengan dua angka pada TK2016 sekiranya tiada apa-apa keadaan yang tidak dijangka.

### Usaha Berterusan untuk Memperbaiki Prestasi Aset

Kami sentiasa berusaha untuk mengukuhkan portfolio kami melalui AEI bagi menyampaikan pertumbuhan DPU yang mampan. Selain daripada AEI major untuk Sunway Putra Place, AEI yang sedang dijalankan pada tahun tersebut termasuk pembinaan penghubung tempat letak kereta, penghubung pejalan kaki dan bangunan tambahan di Sunway Resort Hotel & Spa. Anggaran kos pelaburan tersebut ialah RM61.5 juta dan kami menjangka perolehan ROI sebanyak 9 peratus daripadanya.

## TAHUN-TAHUN SELEPAS 2014 MENUNJUKKAN PENINGKATAN PENDAPATAN YANG MENGUJAKAN



## MESEJ DARIPADA KETUA PENGAWAI EKSEKUTIF (SAMBUNGAN)

Dengan 12 aset dalam portfolio kami, kami sentiasa mengkaji dan mengenalpasti peluang AEI lain pada kitaran hidup aset berkenaan untuk meningkatkan pertumbuhan organik. Contohnya, potensi AEI selepas TK2015 termasuk pengubahsuaian Sunway Resort Hotel & Spa dan Pyramid Tower Hotel. Pada 30 Jun 2014, kami masih mempunyai AEI major yang akan menelan belanja berjumlah RM378.6 juta dan ini akan menjadikan kami sebagai salah satu pengurus M-REIT yang paling sibuk berdasarkan AEI.

### Pengurusan Modal - Tiada Risiko Pembiayaan Semula

Bank Negara Malaysia telah mengumumkan kenaikan kadar sebanyak 25bps pada Julai 2014 kepada 3.25 peratus setelah mengekalkan kadar dasar semalaman pada 3 peratus sejak Mei 2011. Dengan pinjaman kadar terapung berjumlah RM421 juta pada 30 Jun 2014, kenaikan kadar faedah sebanyak 25 bps tersebut akan mengakibatkan penurunan keuntungan dan DPU masing-masing sebanyak RM1.1 juta dan 0.04 sen dan ini hanya memberi kesan minima kepada kami. Ini ditonjolkan oleh pinjaman kadar tetap kami yang tinggi sebanyak 76 peratus dan paras gear teguh sebanyak 31 peratus.

Kami tidak meramalkan sebarang masalah untuk membiayai semula lebih kurang RM321 juta pinjaman kadar tetap yang perlu dibayar pada Februari 2015, memandangkan kecairan yang tinggi dalam sistem perbankan di Malaysia dan kualiti aset dasar kami. Kami akan melaksanakan strategi pengurusan kadar faedah aktif untuk menguruskan risiko yang berkaitan dengan kadar faedah. Walaupun kami terus menikmati kadar lebih rendah daripada pinjaman kadar terapung berbanding dengan premium yang tinggi untuk pinjaman kadar tetap, kami akan mengambil langkah berjaga-jaga di bawah persekitaran kenaikan kadar faedah pada masa kini. Kami akan terus memantau dengan teliti persekitaran kadar faedah tersebut dan merancang untuk mengekalkan 70 peratus ke 80 peratus portfolio pinjaman pada kadar tetap untuk menjana pendapatan yang stabil.

### Tahun Akan Datang yang Mencabar Namun Mengujakan

Setelah mengalami satu tahun yang mencabar dan sibuk, kami menjangka tahun akan datang ini juga akan mencabar tetapi mengujakan. Walaupun persekitaran operasi penuh saingan dan dibayangi inflasi, kami menjangka aset kami akan terus memberikan prestasi yang baik memandangkan ia mempunyai kelebihan saing iaitu lokasi yang strategik, jenama yang kuat dan pasukan pengurusan yang berpengalaman. Namun begitu, kami ingin mengingatkan bahawa penyewa utama Sunway Tower akan menyerahkan lebih kurang 72,000 kaki persegi NLA pada TK2015 yang akan menjejaskan prestasinya. Kami memberi jaminan kepada pemegang unit kami bahawa kami sedang berusaha dengan bersungguh-sungguh untuk mencari penyewa baharu bagi meminimumkan kesan negatif tersebut. Walau bagaimanapun, kesan ke atas prestasi kewangan tidaklah begitu ketara kerana Sunway Tower hanya menyumbang sebanyak 3.2 peratus kepada jumlah keseluruhan NPI dan kami melihat ini sebagai peluang kami untuk memperbaiki

lagi campuran penyewa bangunan agar tidak begitu bergantung kepada penyewa utama.

Kami juga tidak akan meneruskan sasaran awal kami untuk membuat satu pemerolehan setiap tahun memandangkan situasi pasaran semasa. Pengurangan tekanan ke atas kadar hasil REIT berbanding tekanan ke atas kadar hasil hartanah dicampur dengan persaingan lebih sengit daripada pelabur hartanah yang lain telah membuatkan sebarang pemerolehan akresi kadar hasil menjadi sangat mencabar. Kami percaya bahawa peluang seperti Sunway Putra Place di mana kami dapat menambah nilai untuk mencipta peningkatan besar pendapatan tidak mudah diperoleh. Strategi kami adalah untuk memastikan pertumbuhan pemerolehan akan kekal sebagai pendorong pertumbuhan utama Sunway REIT dalam jangka masa lebih panjang. Oleh sebab itu kami akan terus meneroka peluang pihak ketiga dan juga aset saluran dengan pendirian yang berhati-hati dan berwaspada kerana kami komited untuk meningkatkan nilai pemegang unit. Kami akan mengekalkan kunci kira-kira yang kukuh dengan strategi pengurusan modal proaktif dan menunggu kitaran hartanah yang sesuai untuk merebut peluang apabila ia muncul.

**“Kami akan sentiasa berhati-hati dan berwaspada dalam membuat pemerolehan memandangkan keadaan pasaran hartanah yang persaingan sengit dan aset saluran daripada penaja yang besar”**

Kami menerapkan rangka kerja pengurusan risiko yang mantap bagi memastikan pertumbuhan perniagaan yang mampan dan menggalakkan pendekatan proaktif dalam mengenalpasti, menilai, meringankan dan memantau risiko yang bersepadu dalam operasi perniagaan. Ini membolehkan strategi, dasar dan rancangan dilaksanakan dengan lancar dan berkesan. Kumpulan Kerja Pengurusan Risiko dan para Pengurus Aset sentiasa meneliti dan menilai risiko yang dikenalpasti dan memastikan tindakan peringanan diambil untuk menyingkirkan/meminimumkan kesan buruk yang mungkin berlaku.

Sebagai penyokong kuat standard tinggi dalam urus tadbir korporat, amalan terbaik industri dan juga kadar ketelusan yang tinggi dalam pelaporan, kami terus berusaha meningkatkan lagi tahap kecemerlangan dalam aspek ini. Pada tahun tersebut, Pengurus telah melaksanakan polisi kenyataan kepelbagaian dan perangkuman (termasuk kepelbagaian jantina) untuk kakitangan dan pengarah. Selain daripada itu, pengundian juga telah dilaksanakan pada AGM pertama Sunway REIT yang diadakan pada September 2013.

Dengan tanggungjawab sosial korporat yang telah menjadi sebahagian daripada kehidupan seharian, kami akan terus memperkenalkan dasar dan langkah baharu dan mampan yang berdasarkan projek mampan untuk faedah komuniti, ekonomi dan persekitaran seluruhnya. Sunway Pyramid Shopping Mall, aset utama kami, ialah Pusat Beli-belah

**MESEJ DARIPADA KETUA PENGAWAI EKSEKUTIF (SAMBUNGAN)**

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Menggalakkan Kesihatan pertama di Malaysia, dan ini ialah program jangka panjang menyeluruh yang bermatlamat mempromosi kehidupan sihat kepada pembeli-belah, pelawat, kakitangan, penyewa dan komuniti tempatan di sana. Seajar dengan objektif perubahan semua aset milik Sunway yang berada di Sunway Resort City ("SRC") kepada status bebas rokok menjelang tahun 2018, Pengurus dan pasukan pengurusan aset bekerjasama merancang strategi dan melaksanakan inisiatif penting secara berperingkat kepada semua aset di SRC di bawah Sunway REIT untuk menyokong hala tujuan murni penaja kami ini.

Dengan semua strategi untuk menempatkan kami kepada laluan pertumbuhan lebih baik pada masa depan, kami akan terus merancang dan melaksanakan strategi untuk mencipta nilai bagi pemegang unit kami atas dasar berkekalan.

**Dato' Jeffrey Ng Tiong Lip**

Ketua Pegawai Eksekutif  
Sunway REIT Management Sdn Bhd  
11 Ogos 2014

## FINANCIAL REVIEW

**“Sunway REIT managed to overcome various challenges during the financial year ended 30 June 2014 (“FY2014”) to deliver a marginal DPU growth of 0.7%”**

Key Financials	FY2014 RM'000	FY2013 RM'000	Growth %
Gross revenue	<b>427,788</b>	415,946	2.8%
Net property income	<b>320,977</b>	309,196	3.8%
Profit for the year (realised)	<b>231,931</b>	218,785	6.0%
Income available for distribution (realised)	<b>245,017</b>	231,062	6.0%
EPU (realised)(sen)	<b>7.93</b>	7.87	0.8%
DPU (sen)	<b>8.36</b>	8.30	0.7%

Sunway REIT's gross revenue grew 2.8% to RM427.8 million in FY2014 from RM415.9 million in FY2013. Net property income (“NPI”) was RM321.0 million in FY2014, an increase of 3.8% from RM309.2 million in FY2013. Sunway REIT managed to fully mitigate the loss of income contribution from Sunway Putra Mall which has been closed for a major refurbishment since May 2013, adverse impact that the refurbishment had on the performance of the adjoining Sunway Putra Hotel and rising operating costs environment, to deliver a commendable set of results. This achievement was largely attributable to the resilient growth of Sunway Pyramid Shopping Mall and full year income contribution from Sunway Medical Centre which was acquired in December 2012.

Property	Gross Revenue			Net Property Income		
	FY2014 RM'000	FY2013 RM'000	Growth %	FY2014 RM'000	FY2013 RM'000	Growth %
Sunway Pyramid Shopping Mall	<b>258,452</b>	239,055	8.1	<b>190,481</b>	170,623	11.6
Sunway Carnival Shopping Mall	<b>37,022</b>	32,896	12.5	<b>22,649</b>	20,385	11.1
SunCity Ipoh Hypermarket	<b>4,622</b>	4,546	1.7	<b>4,310</b>	4,211	2.4
Sunway Putra Mall <sup>1</sup>	<b>631</b>	19,649	(96.8)	<b>(4,759)</b>	10,194	(146.7)
<b>Total for Retail Segment</b>	<b>300,727</b>	<b>296,146</b>	<b>1.5</b>	<b>212,681</b>	<b>205,413</b>	<b>3.5</b>
Sunway Resort Hotel & Spa	<b>33,370</b>	31,689	5.3	<b>32,211</b>	30,219	6.6
Pyramid Tower Hotel	<b>21,278</b>	21,802	(2.4)	<b>20,908</b>	21,417	(2.4)
Sunway Hotel Seberang Jaya	<b>4,178</b>	3,409	22.6	<b>3,967</b>	3,199	24.0
Sunway Putra Hotel	<b>5,804</b>	12,089	(52.0)	<b>3,725</b>	10,849	(65.7)
<b>Total for Hotel Segment</b>	<b>64,630</b>	<b>68,989</b>	<b>(6.3)</b>	<b>60,811</b>	<b>65,684</b>	<b>(7.4)</b>
Menara Sunway	<b>17,741</b>	16,975	4.5	<b>12,868</b>	12,117	6.2
Sunway Tower	<b>15,922</b>	15,765	1.0	<b>10,304</b>	11,602	(11.2)
Sunway Putra Tower	<b>9,436</b>	8,520	10.8	<b>4,981</b>	4,829	3.1
<b>Total for Office Segment</b>	<b>43,099</b>	<b>41,260</b>	<b>4.5</b>	<b>28,153</b>	<b>28,548</b>	<b>(1.4)</b>
Sunway Medical Centre <sup>2</sup>	<b>19,332</b>	9,551	102.4	<b>19,332</b>	9,551	102.4
<b>Total for Other Segment</b>	<b>19,332</b>	<b>9,551</b>	<b>102.4</b>	<b>19,332</b>	<b>9,551</b>	<b>102.4</b>
<b>Total Portfolio</b>	<b>427,788</b>	<b>415,946</b>	<b>2.8</b>	<b>320,977</b>	<b>309,196</b>	<b>3.8</b>

<sup>1</sup> Sunway Putra Mall was closed for a major refurbishment since May 2013

<sup>2</sup> Acquisition completed on 31 December 2012

**The retail segment** registered a commendable growth of 1.5% and 3.5% in revenue and NPI respectively despite the closure of Sunway Putra Mall with loss of NPI contribution amounting to RM15.0 million (loss of RM4.8 million in FY2014 vs NPI of RM10.2 million in FY2013), underpinned by strong performance by both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall.

**Sunway Pyramid Shopping Mall** registered robust growth of 8.1% and 11.6% in revenue and NPI respectively, following a major rental reversion exercise where more than 1.0 million sq.ft. (59.1% of total NLA) had been renewed with double digit rental reversion (over a 3-year term) coupled with the opening of Oasis Boulevard 5 ("OB5") in December 2013. Please refer to page 63 for details of OB5. Average occupancy for FY2014 was slightly lower at 97.8% compared to 98.3% for FY2013 due to the reconfiguration works for 22,096 sq.ft. of existing space at OB5 which commenced in April 2013 and completed in December 2013. Sunway Pyramid Shopping Mall remained as the key contributor accounting for 59.3% of total portfolio NPI.

**Sunway Carnival Shopping Mall** performed strongly in FY2014 with revenue and NPI growth of 12.5% and 11.1% respectively as a result of strong double digit rental reversion (over a 3-year term) due to its growing popularity in the mainland of Penang. Average occupancy rate was however lower at 92.0% compared to 97.4% in FY2013 due to non-renewal by a major tenant in FY2013. The vacancy has been taken by a new tenant commencing July 2014.

**The hospitality segment** registered a decline of 6.3% and 7.4% in revenue and NPI respectively, mainly attributable to a significant decline in the performance of **Sunway Putra Hotel**. Its performance was adversely affected by the ongoing refurbishment works at the adjoining Sunway Putra Mall and the hotel's own refurbishment, with drop in average occupancy from 60.2% in FY2013 to 42.6% (53.8% based on number of saleable rooms) in FY2014. Consequently the lease rental from this property declined by 52% from RM12.1 million in FY2013 to RM5.8 million. The guaranteed rental for the property was waived for FY2014 and FY2015 in light of the disruptions from Sunway Putra Mall. Please refer to page 106 for further details of the variation of the master lease agreement.

On a positive note, **Sunway Resort Hotel & Spa's** performance in FY2014 had improved with a 5.3% growth in revenue, after experiencing a slowdown in corporate activities prior to the general election in FY2013. Occupancy soared to 78.8% in FY2014, the highest achieved since acquisition in July 2010, as a result of tactical promotion activities during the year. In addition, tighter control over operating expenses resulted in improvement in operating margins. Although similar strategy was applied to **Pyramid Tower Hotel** which faced the same headwinds as Sunway Resort Hotel & Spa, it did not yield similar results as it is not supported by food & beverage and banquet operations due to it being a "rooms only" hotel and also at the expense of lower room rates.

## PERFORMANCE BENCHMARK

Performance Benchmark	FY2014	FY2013	Commentary
i. Management expense ratio (%)	<b>0.78%</b>	0.82%	Management expense ratio ("MER") of 0.78% (FY2013: 0.82%) is comparable to the top five M-REITs (in terms of market capitalisation) which ranges from 0.67% - 1.30%. The reduction in MER was due to higher NAV following the annual revaluation
ii. Annual total return (%)	<b>(0.7%)</b>	18.6%	Annual total return for the financial year was (0.7%) (FY2013: 18.6%) whereby capital loss was 6.5% (FY2013: capital gain of 13.2%) plus distribution yield of 5.8% (FY2013: 5.4%)
iii. Average total return (%)	<b>18.8%</b>	25.3%	The average total return for 4 years since listing was 18.8% (FY2013: average for 3 years since listing was 25.3%)
iv. Distribution yield (%)	<b>5.8%</b>	5.4%	Distribution yield has increased from 5.4% in FY2013 to 5.8% in FY2014 following a drop in unit price from RM1.54 as at 30 June 2013 to RM1.44 as at 30 June 2014. The increase in Sunway REIT's distribution yield was in line with the 45 bps rise in the 10-year Malaysian Government Securities during the financial year
v. NAV per unit (RM)	<b>1.2390</b>	1.1809	NAV per unit was RM1.2390 (FY2013: RM1.1809), an increase of 4.9% arising from revaluation of the properties

i. The ratio of expenses incurred in operating Sunway REIT of RM 28.2 million (FY2013: RM28.2 million) to the NAV of Sunway REIT of RM3,628.6 million (after income distribution) (FY2013: RM3,447.5 million)

ii. Annual total return represents the change in unit price during the year plus distribution yield for the year

iii. Average total return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years

iv. Based on DPU of 8.36 sen (FY2013: DPU of 8.30 sen) divided by its closing price as at 30 June 2014 of RM1.44 (as at 30 June 2013: RM1.54)

v. NAV per unit of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units

## FINANCIAL REVIEW (CONT'D)

**Sunway Hotel Seberang Jaya** which completed a major refurbishment exercise in May 2013, saw a significant improvement in its performance and recorded revenue and NPI growth of 22.6% and 24.0% respectively. The average occupancy improved to 67.8% in FY2014 compared to 51.6% in FY2013.

The office segment continued to be a challenge in an oversupply situation exacerbated by rising operating costs. During the financial year, the office portfolio revenue grew 4.5% due to rental reversion. However, the rental growth was totally eroded by the increase in electricity tariff and assessment hike for Kuala Lumpur properties resulting in a drop in NPI by 1.4%. Average occupancy rate at **Menara Sunway** which is located within the Sunway Resort City and with 72.4% of total NLA occupied by the Sunway Group remained stable at 98.8%. **Sunway Tower's** average occupancy rate improved slightly from 83.0% in FY2013 to 84.3% in FY2014. However, **Sunway Putra Tower's** average occupancy rate saw a further decline from 78.0% in FY2013 to 74.2% in FY2014. A tenant did not renew during the year due to the ongoing refurbishment works at the adjoining Sunway Putra Mall.

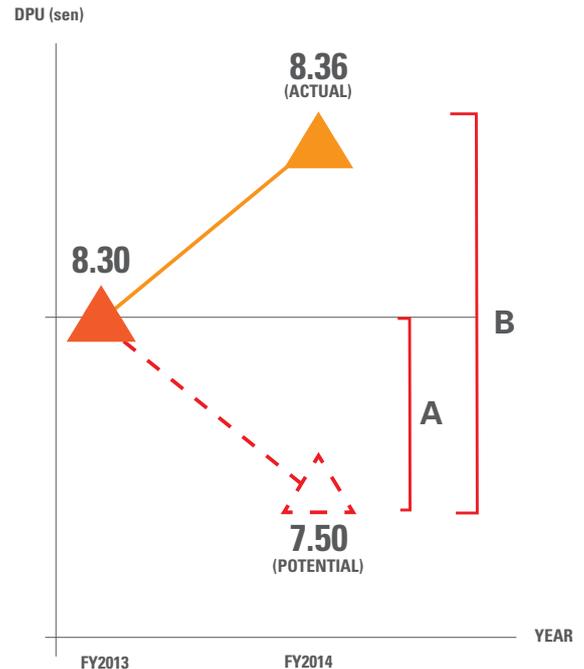
**Sunway Medical Centre** which was acquired in December 2012 contributed a full year rental in FY2014 compared to only half a year in FY2013. In addition, the master lease rental was subject to an annual increase of 3.5%.

With effect from January 2014, electricity tariff increased by approximately 17%. In addition, the assessment for properties located in Kuala Lumpur had also increased by approximately 38%. Both these expenses had a 1.6% impact to Sunway REIT's DPU. In view of the rising operating costs, Sunway REIT had raised the service and promotion charges to tenants for both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall with effect from June 2014 to alleviate the situation.

Profit for FY2014 was RM411.1 million comprising realised profit of RM231.9 million and unrealised profit of RM179.2 million. Realised profit for FY2014 of RM231.9 million represent an increase of 6.0% against FY2013 of RM218.8 million, due to higher NPI and lower trust expenses. Trust expenses was higher in the prior year due to expenses for acquisition of Sunway Medical Centre and related equity fund raising exercise. The unrealised profit for FY2014 was RM179.2 million compared to RM173.5 million in FY2013, comprising mainly fair value gain after accounting for capex incurred.

Total income available for distribution was RM245.0 million an increase of 6% compared to FY2013 of RM231.1 million. Despite the challenges mentioned above, Sunway REIT had succeeded to avoid a decline of 0.80 sen in DPU to deliver a marginal growth of 0.7% from 8.30 sen in FY2013 to 8.36 sen.

### ASSET RESILIENCY MITIGATED LOST AND REDUCED INCOME FROM SUNWAY PUTRA PLACE



A) Loss of DPU contribution from Sunway Putra Place of 0.80 sen

B) Mitigated by resilient growth of existing assets and full year contribution from Sunway Medical Centre

## FINANCIAL REVIEW (CONT'D)

## FAIR VALUE OF INVESTMENT PROPERTIES

Sunway REIT's portfolio was revalued to RM5.52 billion as at 30 June 2014, recording an increase of RM336 million compared to the value of RM5.18 billion as at 30 June 2013. After accounting for capex incurred during the year amounting to RM156.9 million, the fair value gain was RM179.1 million. The capex incurred for FY2014 was significantly higher than FY2013 of RM67.1 million mainly

for Sunway Putra Mall, Sunway Putra Hotel and Sunway Pyramid Shopping Mall's OB5 projects. The portfolio yield was 5.81% compared to 6.15% for FY2013. The decline in the portfolio yield was attributable to loss of income from Sunway Putra Mall and reduced income contribution from Sunway Putra Hotel as mentioned above. Excluding these two properties, the portfolio yield would have been 6.56%.

## FAIR VALUE OF INVESTMENT PROPERTIES

Property	Fair Value @ 30.6.2014 RM million	Fair Value @ 30.6.2013 RM million	Change in Value RM million	Property Yield FY2014 %	Property Yield FY2013 %
<b>Retail</b>					
Sunway Pyramid Shopping Mall	2,908	2,700	208	6.55	6.32
Sunway Carnival Shopping Mall	296	290	6	7.65	7.03
SunCity Ipoh Hypermarket	56	55	1	7.70	7.66
Sunway Putra Mall	352	254	98	(1.35)	4.01
<b>Total</b>	<b>3,612</b>	<b>3,299</b>	<b>313</b>	<b>5.89</b>	<b>6.23</b>
<b>Hotel</b>					
Sunway Resort Hotel & Spa	530	518	12	6.08	5.83
Pyramid Tower Hotel	295	295	-	7.09	7.26
Sunway Hotel Seberang Jaya	75	75	-	5.29	4.27
Sunway Putra Hotel	258	240	18	1.44	4.52
<b>Total</b>	<b>1,158</b>	<b>1,128</b>	<b>30</b>	<b>5.25</b>	<b>5.82</b>
<b>Office</b>					
Menara Sunway	160	160	-	8.04	7.57
Sunway Tower	180	190	(10)	5.72	6.11
Sunway Putra Tower	93	92	1	5.36	5.25
<b>Total</b>	<b>433</b>	<b>442</b>	<b>(9)</b>	<b>6.50</b>	<b>6.46</b>
<b>Others</b>					
Sunway Medical Centre	317	315	2	6.10	6.03 <sup>1</sup>
<b>Total</b>	<b>317</b>	<b>315</b>	<b>2</b>	<b>6.10</b>	<b>6.03<sup>1</sup></b>
<b>Total Portfolio</b>	<b>5,520</b>	<b>5,184</b>	<b>336</b>	<b>5.81</b>	<b>6.15</b>
Less : Capital expenditure			(157)		
<b>Fair Value Gain</b>			<b>179</b>		

<sup>1</sup>Annualised Property Yield

## OPERATIONS REVIEW

## ORGANIC GROWTH &amp; KEY OPERATION DATA

## ASSET ENHANCEMENT INITIATIVES

## AElS completed in FY2014

# RM40 million

## Completed AElS

**Sunway Pyramid Shopping Mall – Oasis Boulevard 5 (“OB5”)**

During the financial year ended 30 June 2014, Sunway REIT completed the AEl at OB5 amounting to approximately RM40.1 million. The project created an additional net lettable area of 22,201 sq.ft. whilst 22,096 sq.ft. of existing space was reconfigured. The new and reconfigured space is occupied by H&M, a new international retailer and relocation of Padini Concept Store. The project’s ROI is expected to be approximately 12.5%.



Oasis Boulevard 5 - H&amp;M



Oasis Boulevard 5 - Padini Concept Store

## On-going major AElS

# RM524 million

## On-going Major AElS

Sunway REIT’s total on-going major AElS amount to RM524 million of which RM146 million have been incurred as at 30 June 2014. RM459 million or 88% of RM524 million involve the complete refurbishment of Sunway Putra Place, a 3-in-1 mixed-use development. Besides improvement to the architectural aspect of the 3 properties within Sunway Putra Place, the refurbishment includes an extensive replacement of the mechanical and electrical services such as chillers, lifts, building automation system etc. The Manager plans to reposition the entire property post comprehensive refurbishment and to fully capitalise on the synergy between the properties. The Manager is confident of at least doubling its NPI contribution post refurbishment from RM25.9 million achieved in FY2013.

**Sunway Putra Mall Refurbishment**

The refurbishment commenced in May 2013 and will take approximately 22 months with target completion in 3QFY2015. The project with an estimated cost of RM307 million involves the creation of approximately an additional 71,000 sq.ft. of NLA bringing total NLA to approximately 578,000 sq.ft..

The project aims to create a new identity for the mall and revive it as an exciting shopping and entertainment destination. Retail layout plan, connectivity, traffic circulation and carpark facility will be improved and the shopping mall will be repositioned as a lifestyle urban-chic mall that caters to the mid and mid-upper clientele with merchandise mix from the low bridge to the fashion edge spectrum.

The refurbishment is approximately 60% complete as at 30 June 2014 and is progressing in accordance with plans. The Asset Manager is in the process of leasing the space and has achieved a take up of more than 65% of total NLA as at 30 June 2014. Sunway Putra Mall will have several reputable mini anchor tenants which include Cold Storage, Sports Direct, Taste Enclave and TGV Cinemas.



Artist's Impression – Sunway Putra Mall’s Atrium

### Sunway Putra Hotel Refurbishment

The refurbishment which commenced during the financial year is estimated to cost RM123 million and is undertaken in phases with target completion in mid-2015. The project aims to refresh and improve the facilities of the hotel on par with 5-star standard to better meet the expectations of more discerning corporate clients. As at 30 June 2014, 245 rooms have been refurbished out of 618 rooms. Public areas that have been completed include the ballroom, meeting/function rooms and the pre-function areas.

### Sunway Putra Tower Refurbishment

The refurbishment of the office tower covers the upgrading and modernisation of public areas and washrooms. The project will be completed by mid-2015 and is estimated to cost RM29 million.

### Sunway Resort Hotel & Spa – Hotel Annex & Linkages

The above and underground linkages that connect Menara Sunway to The Pinnacle, Sunway and onward to Sunway Resort Hotel & Spa complete the seamless connectivity between all the commercial buildings within Sunway Resort City. The aboveground linkages aim to increase footfall to Sunway Pyramid Shopping Mall by providing pedestrians with a comfortable and safe walkway from the office towers



Sunway Putra Hotel – Refurbished Room

to the hotels and retail mall. The underground carpark linkages offer shoppers additional options of over 1,000 car park bays at the office towers and hotels during weekend and peak season when Sunway Pyramid Shopping Mall's car park is full.

An annex building comprising 3 floors with total NLA of approximately 30,000 sq.ft. is being constructed above the carpark linkage between The Pinnacle, Sunway and Sunway Resort Hotel & Spa. This annex building will house 2 floors of restaurants and a ballroom on the 3rd floor. The annex building which has been fully leased out is expected to commence operations by end 2014. The project is estimated to cost RM61.5 million with an estimated ROI of 9%.

### Sunway Resort Hotel & Spa – Relocation & Upgrading of Cooling Towers

In our continuous effort to improve the energy efficiencies of equipments, Sunway Resort Hotel & Spa has embarked on a project to upgrade and relocate its cooling towers to an area with better air circulation/heat dissipation. The project includes fitting of variable frequency drive to all pump motors to provide energy usage optimisation thus resulting in energy savings. The project is estimated to cost RM3.5 million with an expected ROI of 10%.



Artist's Impression – Annex Building

## MAJOR AEI PROGRAMME

Major AEI Programme	Estimated timeline and capital expenditure					Total actual/estimated project cost (RM million)
	FP2011	FY2012	FY2013	FY2014	FY2015(e)	
<b>Completed</b>						
Sunway Resort Hotel & Spa - Fuzion and Pool Side	→					13.8
Sunway Pyramid Shopping Mall - Canopy Walk		→				4.2
Sunway Pyramid Shopping Mall - Chillers Retrofit		→	→			16.9
Sunway Hotel Seberang Jaya - Refurbishment		→	→			17.0
Menara Sunway - Extension			→			3.6
Sunway Pyramid Shopping Mall - OB5				→		40.1
<b>Total Completed</b>						<b>95.6</b>
<b>Ongoing</b>						
Sunway Resort Hotel & Spa - Hotel Annex & Linkages		→	→	→	→	61.5
Sunway Putra Mall - Refurbishment			→	→	→	307.2
Sunway Putra Hotel - Refurbishment				→	→	123.0
Sunway Putra Tower - Refurbishment				→	→	29.0
Sunway Resort Hotel & Spa - Relocation and Upgrading of Cooling Towers					→	3.5
<b>Total On-going</b>						<b>524.2</b>
<b>Grand Total</b>	<b>13.8</b>	<b>19.2</b>	<b>59.1</b>	<b>149.1</b>	<b>378.6</b>	<b>619.8</b>

**OPERATIONS REVIEW (CONT'D)**

**KEY OPERATION DATA**

**RENTAL RENEWALS**

Rental Rate Increase

**13.7%**<sup>1</sup>

Sunway REIT registered an average rental reversion of 13.7%<sup>1</sup> at the portfolio level. The reversion involved 1,466,478 sq.ft. of retail space and 390,771 sq.ft. of office space. The retail properties achieved a 99.1% renewal rate with 13,478 sq.ft. not renewed. The office properties secured a renewal rate of 95.8% whereby 16,964 sq.ft. was not renewed at Sunway Putra Tower due to disruptions from ongoing refurbishment works at the adjoining Sunway Putra Mall. The Asset Managers are actively seeking replacement tenants for these spaces.

<sup>1</sup> Increase for 3 years including step up rent

**TENANCY EXPIRY PROFILE**

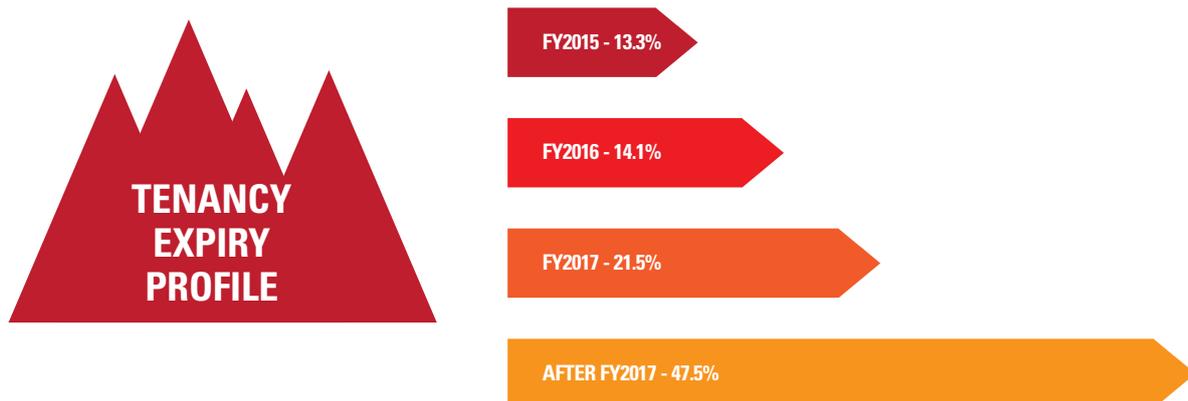
Weighted Average Lease Expiry

**2.49**  
years

The portfolio lease expiry profile remains well spread following the recent major renewal exercise at Sunway Pyramid Shopping Mall. 13.3%, 14.1%, 21.5% and 47.5% of NLA will expire in FY2015, FY2016, FY2017 and after FY2017 respectively. The majority of the tenancies are three-year tenancies with renewal option for another three year term, subject to renewal at market rates. Certain anchor tenants or major tenants have the option to renew their tenancies for two terms of three years each. Included in the tenancies expiring in FY2015 are monthly tenancies occupying 0.5% of the total space.

The hotel master leases are for a term of 10 years expiring in July 2020 (for Sunway Resort Hotel & Spa, Pyramid Tower Hotel and Sunway Hotel Seberang Jaya) and September 2021 (for Sunway Putra Hotel). The hospital master lease is similarly for a term of 10 years expiring in December 2022. These master leases are with the option to renew for another 10 years and they represent 47.6% of the total space of the portfolio (excluding Sunway Putra Mall which is currently closed for refurbishment).

The weighted average lease expiry (WALE) as at year end was 2.49 years compared to 2.58 years as at last year.



## TOP 10 TENANTS

Sunway REIT has a diverse tenant mix of approximately 1,000 tenancies, three hotel master leases and a hospital master lease. The 10 largest tenants contribute approximately 15.5% of total revenue.

Top 10 tenants

**15.5%**

of total revenue

## TOP 10 TENANTS BY TOTAL REVENUE

Tenant	Trade	Tenancy(ies) expiry date(s)	% of total revenue <sup>1</sup>
Ranhill Worley Parsons Sdn Bhd	Consultancy (Oil & Gas)	30 June 2015	3.3%
Parkson Corporation Sdn Bhd	Department Store	18 July 2016 & 31 August 2016	2.3%
Suruhanjaya Koperasi Malaysia	Government Agency	30 June 2016	1.8%
Aeon Co (M) Bhd	Department Store	29 September 2016	1.7%
GCH Retail (Malaysia) Sdn Bhd	Hypermarket	30 April 2017	1.5%
Golden Screen Cinema Sdn Bhd	Cinema	30 September 2016	1.3%
TGV Cinemas Sdn Bhd	Cinema	22 July 2015	1.1%
Sunway Resort Hotel Sdn Bhd (Convention Centre)	Convention Centre	31 December 2014	0.9%
Sunway Management Sdn Bhd	Management Services	31 December 2015 & 31 December 2016	0.8%
Padini Dot Com Sdn Bhd	Fashion	6 September 2016	0.8%
			<b>15.5%</b>

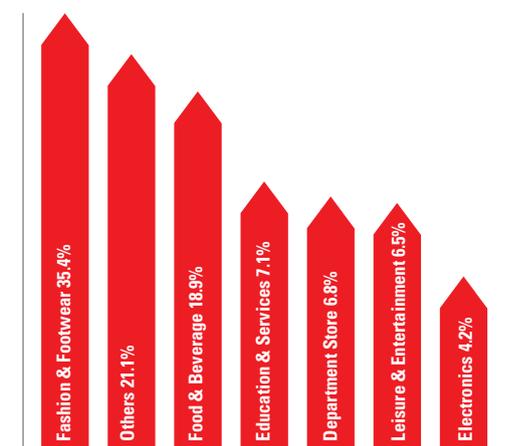
<sup>1</sup>Based on total gross income for the month of June 2014, excluding hotel and hospital master lease rental income and carpark tenancies

## TRADE SECTOR ANALYSIS

Sunway REIT's diverse tenant mix trade in a wide range of sectors. The top three trade mix for the retail properties are fashion and footwear followed by others (comprising various trades such as gifts, pharmaceutical, optical etc.) and food and beverage. For the office properties, the top three sectors are consultancy, government agency and construction and property.

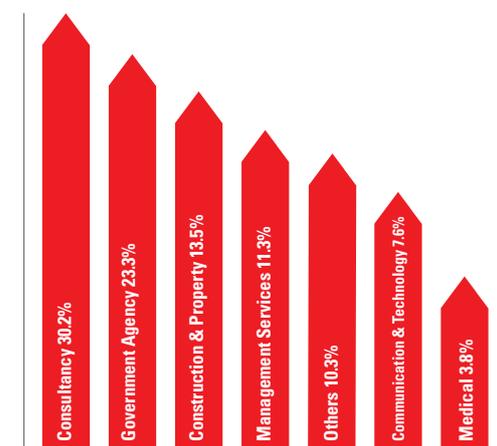
## TRADE SECTOR ANALYSIS

Retail Properties



## TRADE SECTOR ANALYSIS

Office Properties



## CAPITAL MANAGEMENT

## HISTORICAL LOAN PROFILE

Loan Profile	FY2014	FY2013	FY2012	FP2011 <sup>1</sup>
Total borrowings (RM billion)	1.742	1.633	1.568	1.573
Average cost of debt (%)	3.85	3.77	4.45	4.54
Fixed : Floating ratio	76 : 24	81 : 19	20 : 80	33 : 67
Average maturity period (years)	2.2	3.1	0.6	3.0
Interest service cover ratio (times)	5.0	5.0	3.8	3.7
Gearing ratio (%)	31.1	31.0	33.5	35.3

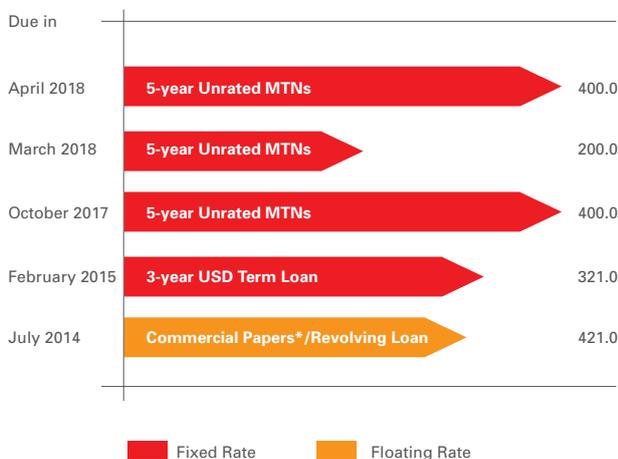
<sup>1</sup> Sunway REIT was established on 20 May 2010 and the acquisition of the initial eight properties was completed on listing date, 8 July 2010. The financial results reported refers to the period from 20 May 2010 to 30 June 2011 (FP2011)

The Manager aims to optimise Sunway REIT's capital structure and cost of capital within the borrowing limits in the REIT Guidelines. The Manager's ongoing capital management strategy involves adopting and maintaining an appropriate prudent gearing level, maintaining an appropriate fixed to floating rate borrowing ratio and adopting an active interest rate management strategy to manage the risks associated with interest rates.

The Manager intends to implement this strategy by:

- diversifying sources of debt funding
- maintaining a reasonable level of loan interest service capability
- securing the most favourable terms of funding
- managing its financial obligations
- where appropriate, managing the exposure arising from adverse market interest rates through appropriate hedging strategies
- actively manage the range of maturities to reduce refinancing risk and optimise cost of capital

## DEBT MATURITY PROFILE (RM MILLION)



\* 7-year CP Programme of up to RM1.6 billion in nominal value and it is fully underwritten by a financial institution for the entire duration of the CP Programme. The CPs are rolled over on monthly basis

## Debt Capital

The outstanding borrowings as at 30 June 2014 have increased to RM1.742 billion from RM1.633 billion. The increase was substantially to fund the major capex plan for Sunway Putra Place. Sunway REIT's average cost of debt increased slightly from 3.77% to 3.85% due to the full year effect from the issuance of fixed rate unrated bond throughout FY2013. The exposure to floating rate borrowings have inched up to 24% compared to 19% of total borrowings as at 30 June 2013, due to issuance of commercial papers to fund Sunway REIT's capex plans. The Manager intends to maintain fixed rate borrowings at 70-80% of total borrowings.

With an amount of RM321 million fixed rate loan due in February 2015, the average maturity of borrowings was at 2.2 years as at 30 June 2014, down from 3.1 years as at 30 June 2013. The Manager does not foresee any problem in refinancing the loan supported by the quality of the underlying asset and adequate liquidity in the market. In addition, Sunway REIT's interest service cover ratio which is at 5.0 times is above the requirement of debt covenant of 1.5 times. However, the Manager expects the loan to be refinanced at a higher interest rate.

The gearing of Sunway REIT stands at 31.1% as at 30 June 2014, leaving a debt headroom of approximately RM800 million – RM1 billion to fund its capex plans and future acquisitions before reaching an optimum level of 40-42%. Sunway REIT has unencumbered assets worth RM317 million as at 30 June 2014 or 5.7% of total assets which can be used to secure future borrowings whilst unutilised facility from the commercial paper programme amount to RM1.179 billion.

## FIXED vs. FLOATING RATE BORROWINGS



The Manager adopts a robust risk management framework that enables it to continuously identify, evaluate, mitigate and monitor risks that affect Sunway REIT in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk management scorecard to facilitate systematic review and monitoring.

The risk management process is integrated with the business processes, enabling proper risk management at operation level of each property as well as at the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.

### KEY RISKS FACTORS

#### Acquisition & Investment Risk

Risk that assets are not yield accretive and distort existing portfolio which is retail focused or difficulty in acquiring quality assets. The Manager remains very selective and manages such risk by evaluating potential acquisitions against an approved investment criteria. All acquisition proposals are evaluated by the Investment Appraisal Working Group prior to recommendation to the Board. Due diligence will also be performed prior to acquisition.

#### Valuation Risk

Risk that assets may suffer a decline in value and thus affecting profitability and gearing. Such a situation may occur if the asset suffers a decline in occupancy and rental rates. The Manager ensures that all the assets under management maintains its high occupancy level and rental rates by adopting various asset management strategies such as developing strong relationship with tenants, providing value-added property related services to tenants, improving tenancy mix, reduce reliance on major tenants, organising promotional activities to attract customers to the properties etc. Further, the Manager continuously reviews the quality of asset management to ensure it meets relevant needs at both the REIT and asset level. The diversification of Sunway REIT's portfolio further mitigates risk of weaker market in certain sub-sector of the property market.

#### Financing & Refinancing Risk

Risk that fundings will not be available from banks or debt capital market to meet requirements when due. To mitigate such risks, the Manager has established a 7-year commercial paper programme ("CP Programme") of up to RM1.6 billion in nominal value since 2012 and a 15-year medium term note programme ("MTN Programme") of RM1 billion in nominal value since 2013 to diversify the sources of debt funding.

The CP Programme has been accorded a rating of P1(s) by RAM Rating Services Berhad ("RAM") and is fully underwritten by a financial institution. The P1(s) rating had been reaffirmed by RAM in their annual review dated July 2014. The MTN Programme is unrated. The CP Programme is on floating rate basis whilst the MTN Programme is on fixed rate basis. The programmes with different maturity profile will enable a more manageable refinancing when due. The average maturity period of Sunway REIT's borrowings was 2.2 years as at 30 June 2014. In addition, the amount of unutilised facility available to fund capital expenditure and acquisition under the CP Programme was RM1.179 billion as at 30 June 2014.

#### Liquidity Risk

Risk that funds are inadequate to meet obligations. The Manager, working together with the Asset Managers actively and continuously monitors the debtors ageing record of tenants. The Asset Managers shall promptly engage with tenants who are slow in making payment and

will take necessary actions against such tenants. As at 30 June 2014, debtors turnover was approximately 8.3 days and do not pose any significant risk to Sunway REIT. In addition, interest service cover ratio as at 30 June 2014 was 5.0 times.

#### Interest Rate Risk

Risk that adverse movements in floating interest rates will affect financial performance. As at 30 June 2014, approximately 76% of the total outstanding borrowings of Sunway REIT was on a fixed rate basis whilst the balance 24% was on floating rate basis. The Manager closely monitors the interest rate environment and plans to maintain fixed rate borrowings at 70-80% of total borrowings.

#### Business/ Market Risk

Risk that the properties face decline in revenue due to poor market condition, competition and geographical concentration. The Manager will ensure that the Asset Managers collaborate closely with the sponsor, Sunway Berhad, to leverage on and seek to maximise the operating synergies between the properties in the Sunway REIT portfolio and the surrounding developments within the townships that are master-planned and developed by the sponsor. The Manager will also actively identify and capitalise on potential asset enhancement initiatives within the portfolio to maintain market position and competitiveness. The Manager will address the geographical concentration risk of its portfolio at Sunway Resort City by its strategy to acquire properties at other key growth cities throughout Malaysia.

#### Tenant Concentration Risk

Risk that revenue of two office properties (namely Sunway Tower and Sunway Putra Tower) is dependent on anchor tenants. Termination or non-renewal of tenancies by the anchor tenants may negatively impact the performance of the properties. The Manager ensures that the Asset Manager develops strong relationship and provides high level of service to the tenants. However the revenue, NPI and DPU contribution of the anchor tenants to the entire portfolio was only 4.6%, 6.1% and 0.66 sen respectively for FY2014.

#### Currency Risk

Risk that Sunway REIT is exposed to foreign currency exposure and exchange rate fluctuations. Sunway REIT's properties are all located in Malaysia and hence there is no exposure to foreign currency risks arising from business operations. Sunway REIT has a 3-year fixed rate USD 100 million term loan which has been fully hedged via a cross currency swap. Other than this loan, all other borrowings are from the domestic debt capital market.

#### Compliance Risk

Risk that Sunway REIT fails to comply with applicable laws and regulations. Sunway REIT has a compliance officer who is responsible for ensuring that all relevant laws and regulations are duly complied with. In addition, compliance reviews are embodied within Sunway REIT's operational procedures.

#### Human Capital Risk

Risk that the Manager fails to attract and retain competent staff force to manage its portfolio and to execute its strategies for sustainable growth. The Manager has a strong and prevailing employee engagement philosophy and strategy which reinforces the importance of having an engaged workforce. The Manager has an established salary structure that is reviewed annually in line with the general market. The Manager also practices Annual Talent Review which is a talent retention and development programme besides providing various trainings for employees' career progression.

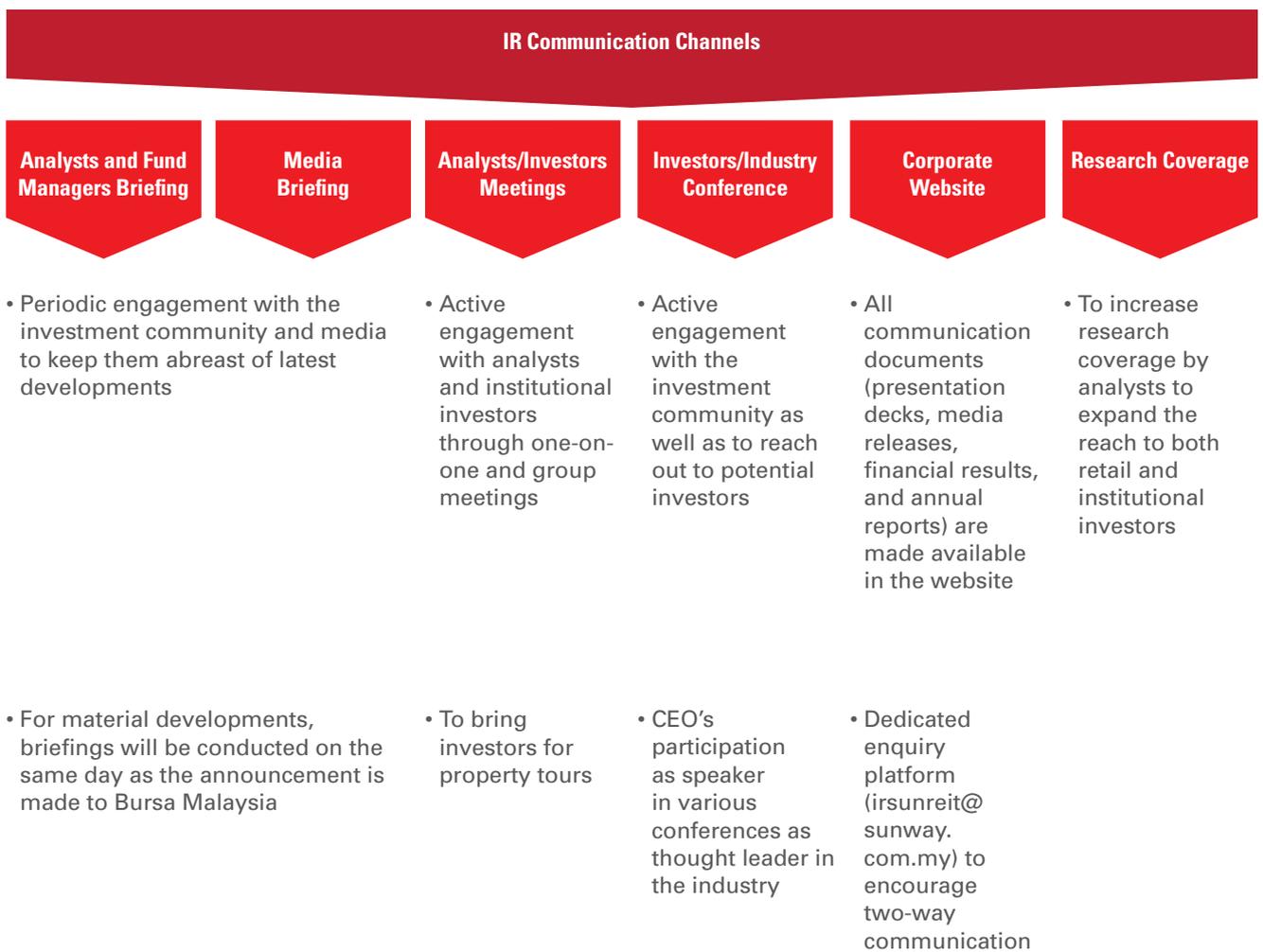
**INVESTOR AND PUBLIC RELATIONS**

**“At Sunway REIT, we recognise the importance of effective communication as a key part of building unitholders’ value through high level of transparent, relevant and timely disclosures”**

With the Investor Relations (“IR”) Management Process put in place, we will continue to engage best practices to achieve effective communications with all stakeholders, namely unitholders, media and investment community. This allows stakeholders to keep abreast of Sunway REIT’s latest developments, business strategies and future directions to make informed decisions.

**INVESTOR RELATIONS MANAGEMENT PROCESS**

Multiple communication channels have been created to systematically reach out to various target groups of stakeholders. Through systematic IR communication channels, timely and transparent information are communicated across various group of stakeholders without being selective. In addition, this acts as a platform for us to build long-term relationship with stakeholders.



## INVESTOR AND PUBLIC RELATIONS (CONT'D)

### INVESTOR RELATIONS ACTIVITIES

In FY2014, Sunway REIT's IR activities again focused on proactive communication with investors, analysts and media, whereby the strategy and the current and expected business developments were explained to the interested parties. In conjunction with the release of quarterly financial results and announcements of material developments, presentation decks and media releases will be released to the respective target group of stakeholders to provide them with more concise and

detailed information. These communication documents (presentation packs, press releases, financial results and annual reports) are available in the corporate website.

Apart from this, we actively engage with industry associations to further promote the M-REITs industry to both domestic and foreign investors. In addition, we plan to further expand our investor base via proactive engagement with new potential investors.

Stakeholders	Engagement Activities	Outcome
<ul style="list-style-type: none"> <li>Local and International Investors</li> <li>Local and Regional Analysts</li> </ul>	<ul style="list-style-type: none"> <li>Investors conferences</li> <li>Investors/analysts briefings</li> <li>One-on-one and group meetings</li> <li>Property visits</li> <li>Corporate website</li> </ul>	<p>Successfully built a good rapport with investors given our solid institutional backing, i.e. 55.8% institutional holdings in FY2014 (excluding Sunway Berhad)</p> <p>There are 14 active research coverages on Sunway REIT to-date</p>
Retail Investors	<ul style="list-style-type: none"> <li>Retail roadshows</li> <li>Annual General Meeting ("AGM")</li> <li>Corporate website</li> </ul>	Retail participation has almost doubled from 5% in FY2011 to 9.6% in FY2014
Media	<ul style="list-style-type: none"> <li>Media briefings</li> <li>Press releases</li> <li>Interviews</li> <li>Roundtable discussions</li> <li>Corporate website</li> </ul>	Main stream newspapers have been covering our quarterly results and special announcements as well as interviews with the top management since IPO to follow closely on Sunway REIT's strategies and business developments
Industry Associations	<ul style="list-style-type: none"> <li>Regular dialogues with industry associations and M-REITs players</li> </ul>	Engagement with regulators through Malaysian REIT Managers Association ("MRMA") and Asia Pacific Real Estate Association ("APREA") to discuss and resolve issues pertaining to M-REITs industry in order to remain competitive to attract more investors

**INVESTOR AND PUBLIC RELATIONS (CONT'D)**

**INVESTOR RELATIONS CALENDAR**

Period	Activities
Q1 FY2014	<ul style="list-style-type: none"> <li>• 4th Quarter FY2013 financial results conference call</li> <li>• FY2013 financial results media briefing</li> <li>• Presented on “Global REIT’s, ASIAN REIT’s, and M-REIT’s: What Do Institutional Investors See?” at the Conventional &amp; Islamic REITs Conference 2013 organised by Malaysia Institute of Corporate Governance</li> <li>• Convened 1st AGM followed by media briefing</li> </ul>
Q2 FY2014	<ul style="list-style-type: none"> <li>• Engaged retail investors via participation in Bursa Malaysia’s workshop - “Investing in REIT”</li> <li>• 1st Quarter FY2014 financial results conference call</li> <li>• Analysts/Investors briefing on Sunway Putra Place</li> </ul>
Q3 FY2014	<ul style="list-style-type: none"> <li>• Participated in Credit Suisse ASEAN Conference 2014 in Singapore</li> <li>• Participated in Nomura ASEAN All Access Conference 2014 in Singapore</li> <li>• 2nd Quarter FY2014 financial results conference call</li> <li>• Media Briefing on Sunway Putra Place: Accelerated Refurbishment Plan</li> </ul>
Q4 FY2014	<ul style="list-style-type: none"> <li>• Participated in JP Morgan Real Estate Conference 2014 in Singapore</li> <li>• 3rd Quarter FY2014 financial results conference call</li> </ul>

**MANAGEMENT MEETINGS, ONE-ON-ONE MEETINGS AND PROPERTIES TOURS SUMMARY**

Activities	Local Investors	Foreign Investors	Total
Management Meetings	5	9	14
One-on-One Meetings (Conference)	-	22	22
Properties Tours	4	4	8



Sunway REIT’s 1st AGM on 23 September 2013



Analysts/Fund Managers Briefing on Sunway Putra Place on 22 November 2013



Media Briefing on Sunway Putra Place on 14 February 2014



One-on-One Meeting at JP Morgan Real Estate Conference 2014

## INVESTOR AND PUBLIC RELATIONS (CONT'D)

### RESEARCH COVERAGE

There were 14 active research coverages on Sunway REIT for the financial year ended 30 June 2014. During the year, UOB Kay Hian Pte Ltd has initiated coverage

on Sunway REIT while Nomura Securities Malaysia Sdn Bhd ceased their coverage following departure of the analyst.

Research House	Date of Report	Recommendation	Target Price (RM)	Upside/Downside to FY2014 Closing Price (%)
Alliance Investment Bank Berhad	30 April 2014	Buy	1.44	-
CIMB Investment Bank Berhad	30 April 2014	Hold	1.40	(2.8)
Credit Suisse Securities (Malaysia) Sdn Bhd	30 April 2014	Neutral	1.30	(9.7)
Hong Leong Investment Bank Berhad	30 April 2014	Hold	1.26	(12.5)
HSBC Global Research	30 April 2014	Overweight	1.60	11.1
HwangDBS Vickers Research Sdn Bhd	30 April 2014	Buy	1.55	7.6
JP Morgan Securities (Malaysia) Sdn Bhd	30 April 2014	Neutral	1.25	(13.2)
KAF-Seagroatt & Campbell Securities Sdn Bhd	30 April 2014	Buy	1.70	18.1
Kenanga Investment Bank Berhad	30 April 2014	Outperform	1.55	7.6
Maybank Investment Bank Berhad	27 January 2014	Hold	1.24	(13.9)
MIDF Amanah Investment Bank Berhad	30 April 2014	Neutral	1.44	-
RHB Research Institute Sdn Bhd	30 April 2014	Neutral	1.39	(3.5)
TA Securities Holdings Berhad	30 April 2014	Hold	1.57	9.0
UOB Kay Hian Pte Ltd	30 April 2014	Buy	1.49	3.5
<b>Average Target Price</b>			<b>1.44</b>	<b>-</b>

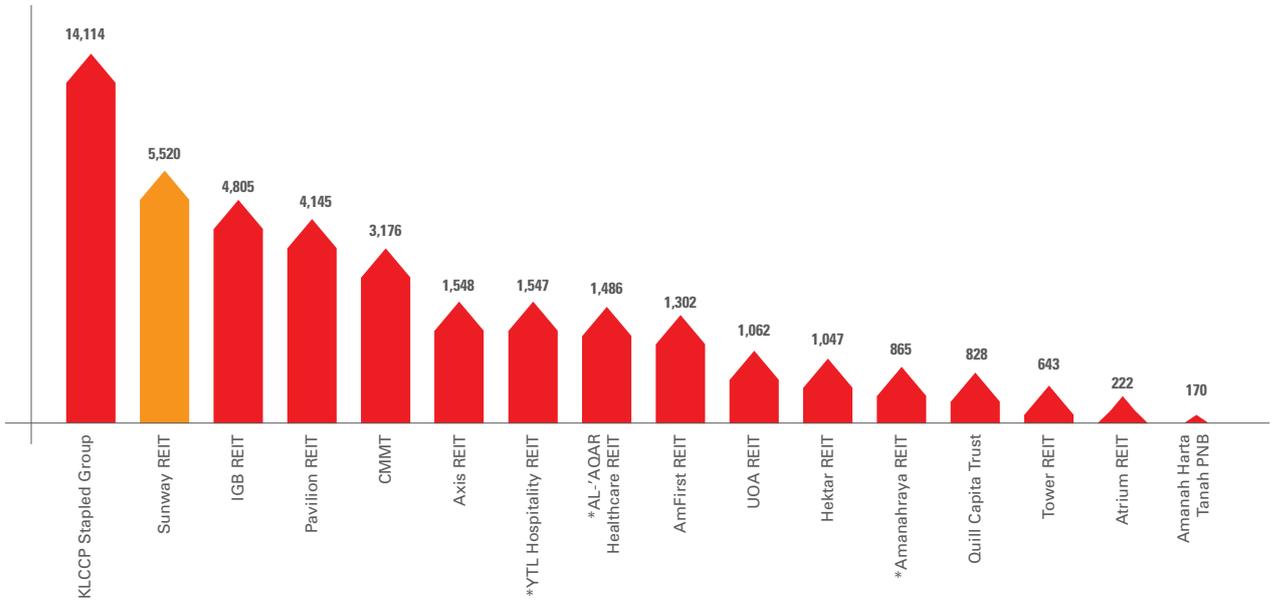
**INVESTOR AND PUBLIC RELATIONS (CONT'D)**

**INDUSTRY COMPARISON: WHERE DOES SUNWAY REIT STAND?**

M-REITs asset size and market capitalisation stood at RM42.5 billion and RM34.1 billion respectively as at 30 June 2014. Sunway REIT stands out amongst the M-REIT players, being the second largest REIT by asset size and

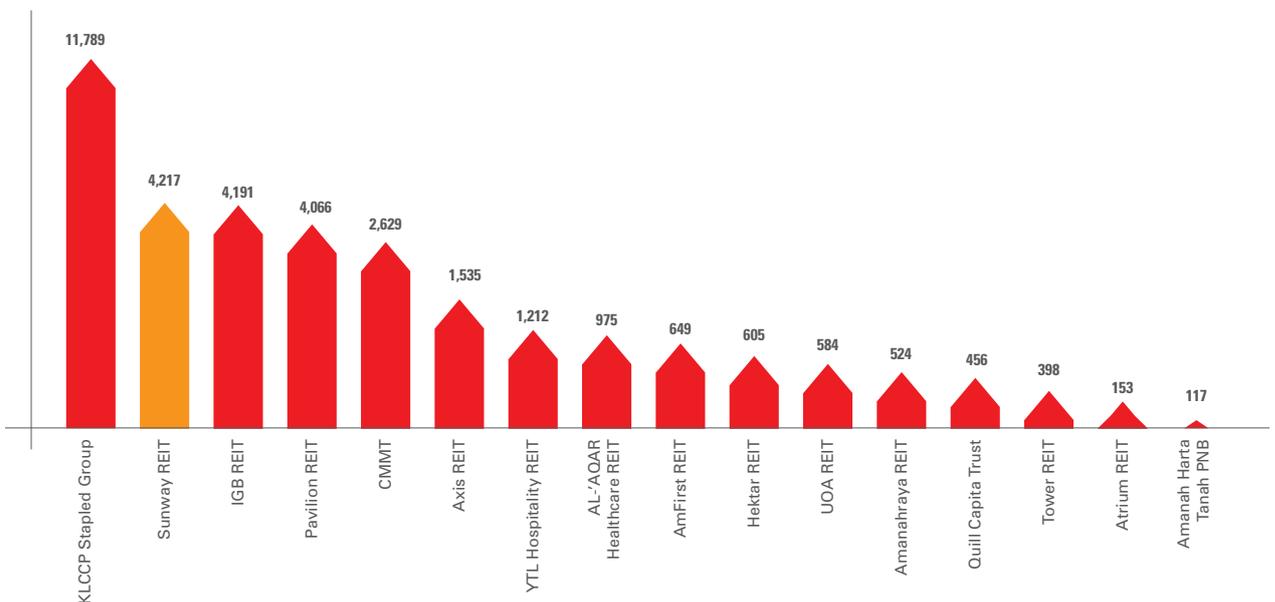
market capitalisation, accounting for 13 percent and 12.4 percent of the total assets and market capitalisation of M-REITs.

**PROPERTY VALUE AS AT 30 JUNE 2014 (RM MILLION)**



\* Information as at 31 March 2014  
Source: Various M-REITs' quarterly results, Bursa Malaysia

**MARKET CAPITALISATION AS AT 30 JUNE 2014 (RM MILLION)**



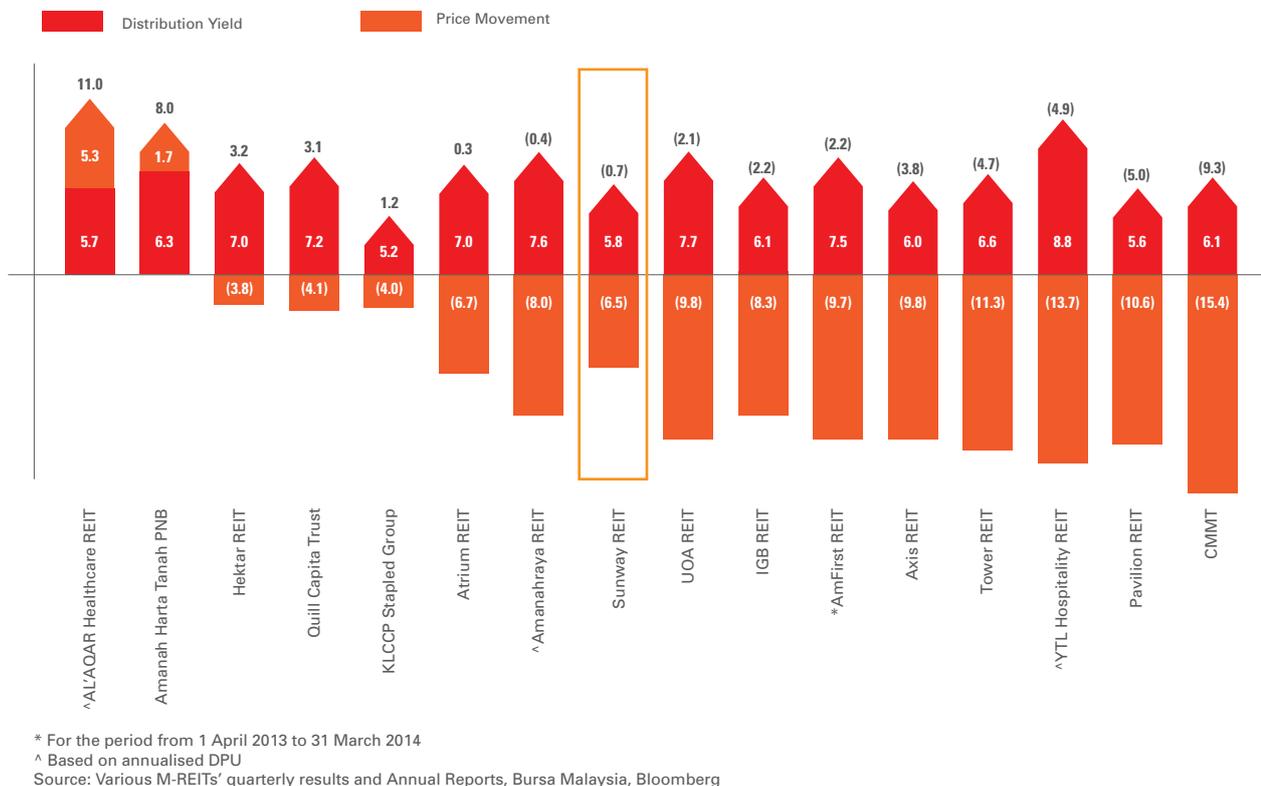
Source: Bloomberg

INVESTOR AND PUBLIC RELATIONS (CONT'D)

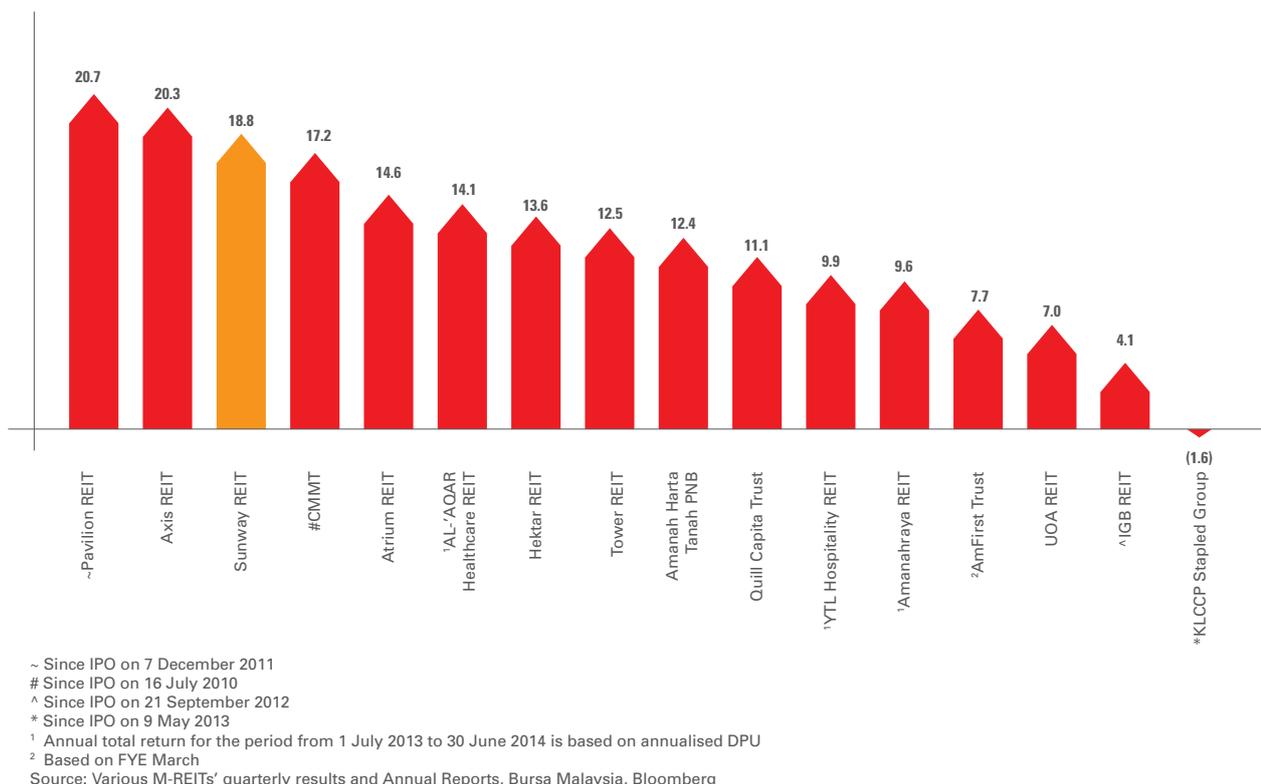
Sunway REIT recorded an annual total return of negative 0.7 percent in FY2014 with an average total return of 18.8 percent per annum since IPO in July 2010. In comparison to M-REIT players, Sunway REIT ranks 3rd and 8th in

terms of average total return (for the period from July 2010 to June 2014) and annual total return (for the period from 1 July 2013 to 30 June 2014) respectively.

ANNUAL TOTAL RETURN FOR THE PERIOD FROM 1 JULY 2013 TO 30 JUNE 2014 (%)



AVERAGE TOTAL RETURN FOR THE PERIOD FROM JULY 2010 TO JUNE 2014 (%)



INVESTOR AND PUBLIC RELATIONS (CONT'D)

### Investors may turn neutral on REITs

SunREIT braces itself as competition heats up



Investors may turn neutral on REITs as competition heats up, Sunway REIT management says. The company's 2014 financial results showed a 5.9% increase in net profit to RM850 million, driven by strong performance in its retail and office segments. However, the company also reported a 1.3% increase in rental income, which was offset by higher operating expenses. Sunway REIT management expects a similar performance in 2015, with a focus on maintaining its strong asset base and improving its operational efficiency.

### Sunway Putra Place mampu jana pendapatan RM80 juta

EMEPMI mula pengeluaran gas asli medan Damar

Sunway Putra Place has managed to generate a revenue of RM80 million for the first quarter. The company's management is optimistic about the future performance of the property, particularly in the retail and office segments. The company also reported a 5.9% increase in net profit to RM850 million, driven by strong performance in its retail and office segments. However, the company also reported a 1.3% increase in rental income, which was offset by higher operating expenses. Sunway REIT management expects a similar performance in 2015, with a focus on maintaining its strong asset base and improving its operational efficiency.

### Sunway REIT's 3Q profit up despite closure of Sunway Putra Mall



Sunway REIT's 3Q profit was up despite the closure of Sunway Putra Mall. The company's management is optimistic about the future performance of the property, particularly in the retail and office segments. The company also reported a 5.9% increase in net profit to RM850 million, driven by strong performance in its retail and office segments. However, the company also reported a 1.3% increase in rental income, which was offset by higher operating expenses. Sunway REIT management expects a similar performance in 2015, with a focus on maintaining its strong asset base and improving its operational efficiency.

### Sunway REIT proposes RM58.4m income distribution

PTM&P is Sunway REIT's first quarter net profit rise 6.2% to RM850.4 million from RM800 million a year ago due to back-to-back quarterly higher revenue of RM200.5 million from RM193.5 million the loss of income contribution from Sunway Putra Mall in Kuala Lumpur, which was closed for major refurbishment.

Sunway REIT attributed the growth in revenue to contribution from Sunway Medical Centre, which was acquired in December 2013, and healthy growth from major retail assets namely Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall.

"The performance was, however, dampened by lower contribution from the hospitality segment," said in a statement president and Managing Director Sunway REIT Management Sdn Bhd in proposing an income distribution of RM4.4 million for the three months ended Sept 30, 2014 (Q3FY14) compared with RM3.8 million a year ago, translating into a distribution per unit (DPU) of 1.44 compared with 1.40 for the same period last year.

This translates into a distribution yield of 5.6% based on closing price of RM4.40 as at Sept 30, 2014.

Sunway REIT Management CEO Danik Jeffrey Ng said it is beginning to reap the benefits of its asset management initiatives which will help to cushion the loss of income from the closure of Sunway Putra Mall.

"We observed the operating environment in the hospitality and office segments are getting much competitive. Despite the management's endeavour to maintain DPU for the financial year ending June 30, 2014 (FY14) by repositioning the closure of Sunway Putra Mall, the manager is of the view that DPU may be lower due to the outlook for the hotel and office segments," he said.

Ng said it is adopting a prudent stance in its acquisition strategy as more opportunities will prevail over the medium term in view of the soft economic environment.

"At the same time, making yield accretive acquisition is more difficult due to the decommissioning of M-REIT's yields in recent months. Our focus for this financial year is to ensure that the massive asset enhancement initiative plans are well executed in order to deliver the growth in DPU in the coming years."

The REIT posted higher net property income (NPI) growth of 2.8% year-on-year in Q3FY14 mainly due to revenue contribution from Sunway Medical Centre and lower utilities expenses arising from energy savings upon completion of the office renovation, as well as lower operating expenses at Sunway Pyramid Shopping Mall.

The retail segment posted lower revenue in Q3FY14 due to loss of income contribution from Sunway Putra Mall. Excluding Sunway Putra Mall, the other retail assets posted 4.8% growth in revenue and 12.1% growth in NPI year-on-year, with Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall both recording double digit retail revenue over a three-year period.

"The hotel segment remained soft in Q3FY14 as evidenced in the downward revision to the gross domestic product forecast for 2014 by Bank Negara Malaysia (BNM)."

"Sunway Resort Hotel & Spa and Pyramid Tower Hotel were adversely affected by the slower macro-environment in the electrical and electronics sector resulting in pressure on room rates and occupancy rate which the two hotels primarily serve," Sunway REIT said.

### 布特拉購物中心重開 雙威產托盈利催化劑

(吉隆坡 30 日訊) 雙威產業信託 (SUNREIT, 5176, 主板產業投資信託組) 第三季財報預期, 分析員相信穩定零售資產將緩沖酒店和辦公業務低迷影響, 而雙威布特拉購物中心重開將是潛在盈利催化劑。

非隆研究表示, 雙威產業信託 2014 財政年第三季淨利按年增長 5.9% 至 5 千 850 萬令吉, 而今年為止淨利 1 億 7 千 500 萬令吉也達到淨利目標的 77.8%。

"租金收入僅按年增長 1.3%, 主要由穩定的零售環節帶動, 辦公空間業務表現參差, 酒店業務則低迷不振。"

安納研究指出, 酒店和辦公空間短期疲勢, 將可獲雙威產業信託零售資產支撐, 特別是雙威金塔購物中心雙位數租金調整, 以及 Oasis Boulevard 重新改善租金回酬。

"我們放眼雙威布特拉購物中心在 2015 年重新開業, 有望帶來高租金回酬, 而雙威金塔第三期工程、雙威 VeloCity 和 The Pinnacle 等資產籌備計劃也將為產托盈利帶來支撐。"

達證券認為, 電費和吉隆坡產業門牌稅双双走勢, 導致零售和辦公產業開銷分別按年增長 5.5% 和 15.7%, 雙威產托管理人相信將高營運成本轉嫁至零售租戶比辦公租戶來得容易, 主要是辦公樓市場現面對嚴峻的供應過剩問題。

"至于門牌稅問題, 管理層已向市政局呈抗議信件, 但仍未接獲有關當局回應, 因此絕對對此作出撥備, 若上訴得逞, 整體撥備將可進行回撥, 因此暫維持 2014 至 2016 財政年盈利目標不變。"

另一方面, 肯納格研究說, 雙威產業信託管理層預期在今年第四季和 2015 財政年投放 1 億 3 千 500 萬和 2 億 8 千 7 萬令吉資本開銷, 主要用于雙威布特拉購物中心翻新工程。

"基于資本率走低至 5% 至 6%, 而管理層僅鎖定可帶來 6.5% 至 7% 回酬的資產, 令資產收購環境日趨挑戰。"

但在下調成本預期後, 該證券行上調該產托 2014 和 2015 財政年盈利目標 6% 和 13% 至 2 億 2 千 500 萬和 2 億 4 千 600 萬令吉。



證券行	評級	目標價 (今吉)
達證券	持有	1.57 ↑
肯納格研究	超越大市 ↑	1.55 ↑
安納研究	买进	1.44
非隆研究	持有	1.26

### 最新業績更勝預期 雙威產托 評級獲調高

雙威產托 (SUNREIT) 的最新業績表現優異, 評級獲調高。分析員相信, 零售資產將緩沖酒店和辦公業務低迷影響, 而雙威布特拉購物中心重開將是潛在盈利催化劑。

### Sunway REIT sure assets will exceed RM7b by 2015

PETALING JAYA: Sunway REIT, Malaysia's second largest real estate investment trust, is confident its total assets under management will exceed RM7 billion by 2015.

"There's another RM4 billion in pipeline assets and third-party acquisitions," Sunway REIT Managing Director and Chief Executive Officer (CEO) Danik Jeffrey Ng said after the company's latest meeting here yesterday.

Listed on Bursa Malaysia's Main Market in 2010, Sunway REIT manages properties in the retail and hospitality space in Penang, Perak, Selangor and Kuala Lumpur, valued at RM18 billion.

There are also the strong backing of property developer Sunway Bhd and enjoy good occupancy.

For the year ended June 2013, the trust's distribution per unit jumped 30.7 per cent to RM 1.81 from 1.39 previously, four per cent higher than consensus estimates.

For the next two years, Ng said Sunway REIT has allocated RM800 million to capital expenditure.

"We have decided to accelerate the refurbishment of Sunway Putra Mall and Sunway Putra Tower to allow a wholesale based new distribution model on Sunway Putra Place by 2015."

"That aside the upgrading works for Oasis Boulevard Phase 5, which forms part of Sunway Pyramid shopping mall, are expected to be completed by end 2014," he added.

"Upon completion, this will increase Sunway Pyramid's net leasable area by 20,000 square feet.

Ng said investors are delighted to learn that there will be a rental income ranging from 30 per cent to 50 per cent more than half of the net leasable area in the mall.

"The retail segment was the most stressed area for the next three years."

Sunway REIT remains bullish on the retail sector on the back of strong consumer, a young population and the growing affluence of the nation.

"We are optimistic of the prospects of the hospitality sector, where the tourism business will benefit from the government's promotional activities to boost tourist arrivals."

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### Sunway REIT catat kenaikan 8.1% pendapatan

SUNWAY REIT catat kenaikan 8.1% pendapatan. Untuk tempoh tiga bulan berakhir 30 September 2014, Sunway REIT mencatatkan peningkatan pendapatan sebanyak 8.1% kepada RM440.4 juta berbanding RM407.2 juta pada tempoh yang sama tahun sebelumnya.

"Perkembangan utama, Pusat Beli-Belah Sunway Pyramid berkinerja terbaik pada kadar 7.5 peratus tahun ke tahun menunjukkan, kadar sewa dan insentif peningkatan sur (ASL) ketanya dalam kenyataan di sini."

Tambahan, program hotel memartabatkan perniagaan sebanyak 0.4 peratus tahun ke tahun pada 2014 ini selalunya besarnya diarahkan oleh sumbangan pendapatan yang lebih rendah daripada Sunway Putra Mall yang terjejas teruk akibat pengebalaan Sunway Putra Mall.

"Walaupun demikian, Ng berkata, Sunway Resort Hotel dan Spa mencatatkan pertumbuhan yang signifikan berikutan aktiviti program lakidid agreed."

"Pendapatan di hotel ini melonjak 18.8 peratus tahun ke tahun pada 2014 disebabkan oleh peningkatan yang ketara dalam kadar penghunian purata dari 71.9 peratus kepada 83.01% pada 83.5 peratus," jelasnya.

### Strong rental growth, new tenancies lift Sunway REIT

Strong rental growth, new tenancies lift Sunway REIT. Sunway REIT reported a 5.9% increase in net profit to RM850 million for the third quarter of 2014. The company's management is optimistic about the future performance of the property, particularly in the retail and office segments. The company also reported a 1.3% increase in rental income, which was offset by higher operating expenses. Sunway REIT management expects a similar performance in 2015, with a focus on maintaining its strong asset base and improving its operational efficiency.

## MARKET REPORT SUMMARY

### General Market Overview

The Malaysian economy remains resilient despite facing a challenging external environment. The ongoing tapering of quantitative easing in the US has given rise to greater global economic and financial uncertainties. Due to the strong performance in the manufacturing and services sector the Malaysian economy recorded positive growth of 4.7% in 2013. The latest GDP figure released by Bank Negara Malaysia (“BNM”) for 1Q2014 is 6.2%, driven by stronger expansion in domestic demand and a turnaround in net exports. BNM expects the Malaysian economy to remain on a steady growth path in the remaining three quarters of the year, anchored by strong domestic demand, with additional support from the improvement in the external environment. BNM forecasts the economy to expand by 4.5% to 5.5% in 2014. Private investment is forecast to register robust growth, driven by the ongoing implementation of multi-year projects and the improvement in external demand.

### GDP Growth and Unemployment Rate, 4Q2010 – 1Q2014



Source: Ministry of Finance & Azmi Real Estate Management Sdn Bhd, June 2014

Private consumption will be underpinned by healthy labour market conditions and sustained income growth. Nonetheless household spending is expected to moderate towards its long-term trend growth, reflecting in part the impact of the higher inflation. Public consumption is anticipated to record lower growth, following the ongoing consolidation of the Government’s fiscal position, while public investment is projected to register a higher growth. Headline inflation was at 3.3% in June 2014 and is expected to range between 3.3% to 3.7% in 2014 due to increase in the electricity tariff, implementation of a full scale minimum wage effective from 1 January 2014 and the implementation of GST in April 2015. BNM in July 2014 has raised the overnight policy rate by 25 basis points to 3.25% the first time since May 2011 as it expects the overall economic growth momentum to be sustained.

### Retail Market

The retail sub-sector saw a slight improvement as the average occupancy rate of shopping complex increased marginally to 79.5% in 2013 (2012: 78.9%). The marginal increase in occupancy was due to the timing in completions and the take-up of these new spaces. Rentals of retail space in shopping complex were generally stable with a few exceptions. The positive consumer sentiment continues to augur well for the local retail market, it being supported by favourable employment conditions and wage growth. The 1Q2014 was a slow period for the Malaysian retail industry due to seasonality factor arising from earlier spending during the year-end sales in December 2013, with retail sales growth at 4.9% (1Q2013: 7.5%) according to Retail Group

Malaysia (“RGM”) in May 2014. RGM expects the second half retail sales to expand by 7.0% which is higher than the earlier estimates of 5% made in March this year. RGM has revised upwards the full year target from 6.0% to 6.3% in view of the higher growth expected in the second half of this year, to be supported by major festive celebrations, year-end school holidays and higher consumer spending prior to implementation of the 6% goods and services tax in April 2015.

Going forward, the impending oversupply of retail space will continue to worsen resulting in cannibalisation into each other’s catchment area. This will have a significant impact on the overall average occupancy rate and average rental rate for retail centres. Nonetheless prime retail centres will continue to perform well as their experience retail management team will take necessary steps to stay competitive by introducing new concepts and attracting new tenants. Further, consumers may turn cautious with their spending due to various government subsidy rationalisation measures, the increase electricity tariff and higher inflation going forward.

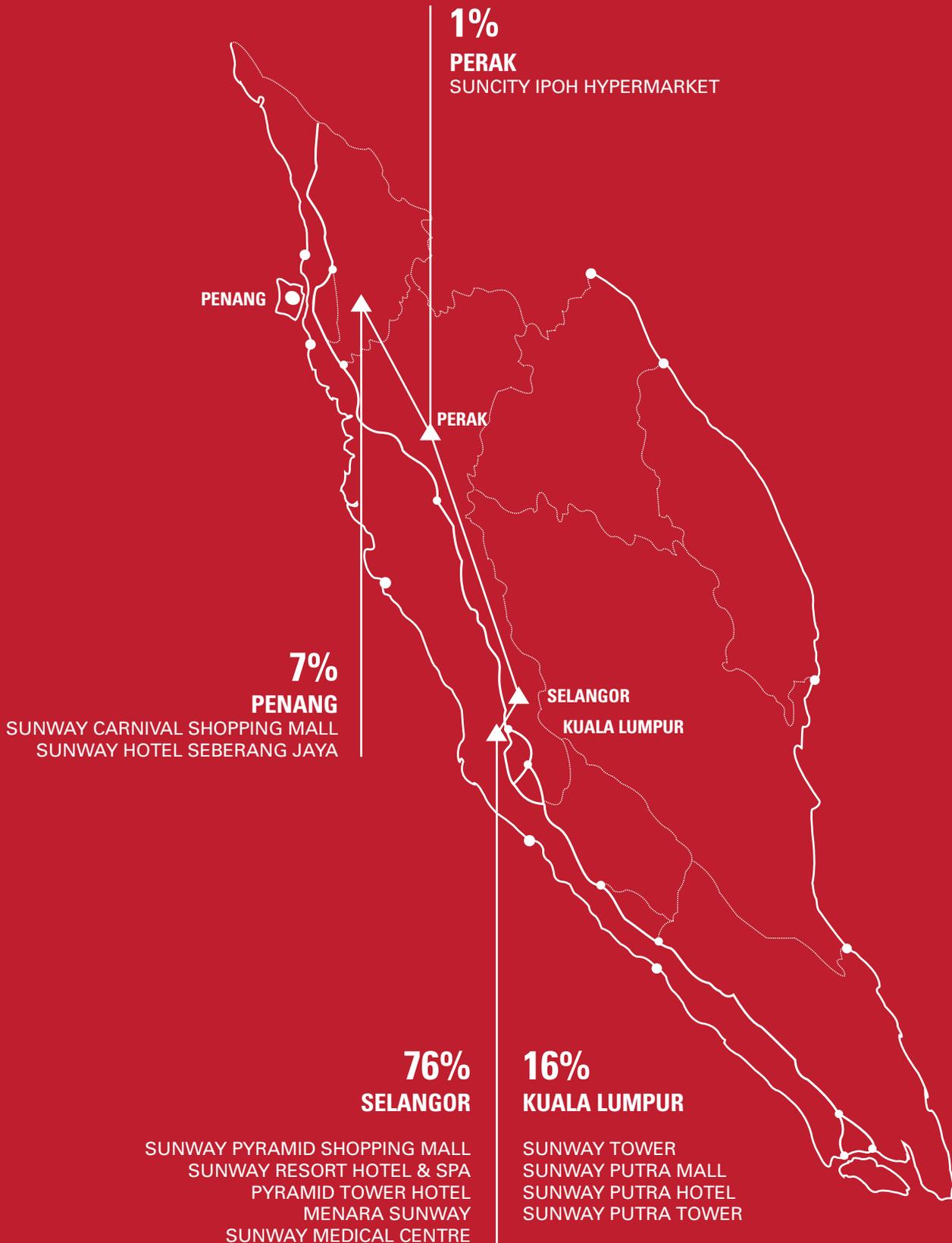
### Hospitality Market

The hospitality/leisure sub-sector further improved as the volume of tourist arrivals recorded an increment of 2.7% in 2013 as opposed to 1.3% in 2012. Tourist arrivals increased from 25.03 million to 25.72 million, comprising mainly from Singapore (51.25%). The Malaysian Institute of Economic Research (“MIER”) Tourism Index similarly showed upward trend from 125.6 points to 126.8 points in year 2013. The national average occupancy rate of five star and four star hotels improved to 59.8% (2012: 57.78%) and 56.15% (2012: 53.17%) respectively in 2013. With Visit Malaysia Year (“VMY”) 2014 and the continuous effort by the Malaysian Government to promote tourism as a priority, the hospitality sector would see better growth in tourist arrivals. This is supported by the 10% increase in tourist arrival from 6.45 million (1Q2013) to 7.09 million (1Q2014). The tourism ministry maintains its target of 28 million tourist arrivals and receipts of RM76 billion for VMY 2014.

### Office Market

The office market continued to remain stable in 2013 with the national occupancy for purpose-built office inched up marginally to 82.7% in 2013 (2012: 82.3%). Kuala Lumpur remained as the main market in terms of incoming and planned supply, accounting for 56.15% (13.38 million sq.ft.) and 26.83% (1.45 million sq.ft.) respectively. Going forward, the growing supply will contribute to slower growth in this sub-sector for the next two to three years thereby placing downward pressure on rents and occupancy. The Malaysian government initiatives to make Kuala Lumpur and Klang Valley a hub for MNC’s regional headoffices would improve the situation in the medium term. There is still good demand for good grade dual-compliant office buildings with MSC status and green certification from MNC’s tenants. Good grade office space with proper accessibility to public transportation and major highways, integrated security systems, ample parking spaces, with supporting amenities and other lifestyle factors will perform better and attract tenants. Owners and investors of old and dated office buildings may struggle to fill space or retain tenants should undertake measures such as asset enhancement initiatives, conversion or redevelopment to optimise returns from the properties.

**GEOGRAPHICAL CONTRIBUTION BY PROPERTY**  
**VALUE OF RM5.52 BILLION AS AT 30 JUNE 2014**

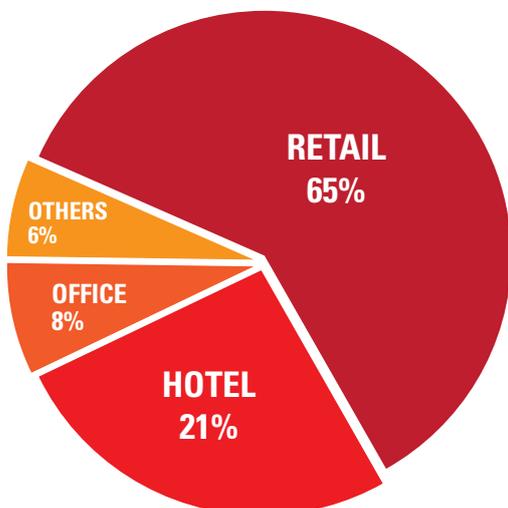


**PORTFOLIO AT A GLANCE (CONT'D)**

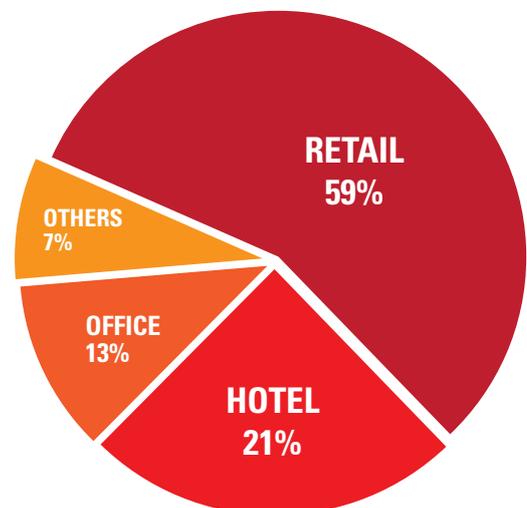
**ASSET GROWTH SINCE IPO**



**SEGMENTAL CONTRIBUTION BY PROPERTY VALUE OF RM5.52 BILLION AS AT 30 JUNE 2014**



**ASSET BREAKDOWN BY GFA OF 11.7 MILLION SQ.FT. AS AT 30 JUNE 2014**





## PORTFOLIO SUMMARY (RETAIL)



SUNWAY PYRAMID SHOPPING MALL



SUNWAY CARNIVAL SHOPPING MALL

<b>Location</b>	Selangor
<b>Date of acquisition</b>	8 Jul 2010
<b>Acquisition price (RM million)</b>	2,132
<b>Year of completion</b>	Phase 1 in 1997; Phase 2 in 2007
<b>Title details &amp; expiry date</b>	<ul style="list-style-type: none"> <li>- PN 17414 Lot No. 62059 21 February 2102 (commenced 22 February 2003, approx. 88 years remaining)</li> <li>- PN 9500 Lot No. 51175 1 April 2097 (commenced 2 April 1998, approx. 83 years remaining)</li> <li>- PN 9495 Lot No. 32 1 April 2097 (commenced 2 April 1998, approx. 83 years remaining)</li> <li>- HS(D) 259957 Lot No. PT 1312 1 April 2097 (commenced 2 April 1998, approx. 83 years remaining)</li> <li>- HS(D) 233143 Lot No. PT 891 14 August 2105 (commenced 15 August 2006, approx. 91 years remaining)</li> </ul> <p>All in Bandar Sunway, Daerah Petaling, Negeri Selangor.</p>
<b>Tenure</b>	Leasehold - 99 years
<b>Encumbrances</b>	<ul style="list-style-type: none"> <li>i) Charged to Public Investment Bank Berhad</li> <li>ii) Private Caveat by Public Bank Berhad</li> <li>iii) Charged to HSBC Amanah Malaysia Berhad</li> </ul>
<b>Appraised value (RM million)</b>	2,908
<b>Date of latest valuation*</b>	June 2014

<b>Location</b>	Penang
<b>Date of acquisition</b>	8 Jul 2010
<b>Acquisition price (RM million)</b>	232
<b>Year of completion</b>	2007
<b>Title details &amp; expiry date</b>	<ul style="list-style-type: none"> <li>- PN 1816 Lot No. 5497 21 October 2092 (commenced 22 October 1993, approx. 78 years remaining)</li> <li>- PN 1817 Lot No. 5498 21 October 2092 (commenced 22 October 1993, approx. 78 years remaining)</li> <li>- PN 1818 Lot No. 5499 21 October 2092 (commenced 22 October 1993, approx. 78 years remaining)</li> </ul> <p>All in Mukim1, Daerah Seberang Perai Tengah, Negeri Pulau Pinang.</p>
<b>Tenure</b>	Leasehold - 99 years
<b>Encumbrances</b>	<ul style="list-style-type: none"> <li>i) Charged to HwangDBS Investment Bank Berhad</li> </ul>
<b>Appraised value (RM million)</b>	296
<b>Date of latest valuation*</b>	June 2014

\* Note: All the properties are valued by Knight Frank (Proprietor: Ooi &amp; Zaharin Sdn Bhd)

## PORTFOLIO SUMMARY (RETAIL)



SUNCITY IPOH HYPERMARKET



SUNWAY PUTRA MALL

<b>Location</b>	Perak
<b>Date of acquisition</b>	8 Jul 2010
<b>Acquisition price (RM million)</b>	46
<b>Year of completion</b>	2005
<b>Title details &amp; expiry date</b>	- PN 258216 Lot No. 331232 22 February 2100 (commenced 23 February 2001, approx. 86 years remaining)  Mukim Hulu Kinta, Daerah Kinta, Negeri Perak.
<b>Tenure</b>	Leasehold - 99 years
<b>Encumbrances</b>	i) Charged to Public Investment Bank Berhad ii) Charged to HSBC Amanah Malaysia Berhad iii) Private Caveat by Public Bank Berhad
<b>Appraised value (RM million)</b>	56
<b>Date of latest valuation*</b>	June 2014

<b>Location</b>	Kuala Lumpur
<b>Date of acquisition</b>	19 Apr 2011
<b>Acquisition price (RM million)</b>	219
<b>Year of completion</b>	1988
<b>Title details &amp; expiry date</b>	- Geran 10012 Lot No. 38, Seksyen 51  Kuala Lumpur, Wilayah Persekutuan.
<b>Tenure</b>	Freehold
<b>Encumbrances</b>	i) Charged to Public Investment Bank Berhad ii) Charged to HSBC Amanah Malaysia Berhad iii) 30 years lease to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad) expiring 4 April 2017 iv) Private Caveat by Trustee
<b>Appraised value (RM million)</b>	352
<b>Date of latest valuation*</b>	June 2014

\* Note: All the properties are valued by Knight Frank (Proprietor: Ooi &amp; Zaharin Sdn Bhd)

**PORTFOLIO SUMMARY (RETAIL)**

Retail Assets	Sunway Pyramid Shopping Mall	Sunway Carnival Shopping Mall	SunCity Ipoh Hypermarket	Sunway Putra Mall <sup>1</sup>	Total
Land Area (sq.ft.)	820,070	348,428	354,994	193,621 <sup>2</sup>	<b>1,717,113</b>
Gross Floor Area (sq.ft.)	2,454,796	769,546	193,408	803,034	<b>4,220,784</b>
Gross Floor Area - Carpark (sq.ft.)	1,873,470	213,554	-	585,540 <sup>2</sup>	<b>2,672,564</b>
Net Lettable Area (sq.ft.)	1,604,337	462,627	181,216	507,171 <sup>1</sup>	<b>2,755,351</b>
Net Lettable Area - Convention Centre (sq.ft.)	143,467	32,292	-	-	<b>175,759</b>
Number of Parking Bays	> 3,900	> 1,100	400	> 1,300 <sup>2</sup>	<b>&gt; 6,700</b>
Number of Tenancies	736	193	1	-	<b>930</b>
Occupancy as at 30 June 2014 (%)	97.8	90.8	100.0	-	<b>96.5<sup>3</sup></b>
Annual Shopper Traffic (million)	> 33.0	> 8.1	N/A	-	<b>&gt; 41.1</b>
Revenue (RM million)	258.5	37.0	4.6	0.6	<b>300.7</b>
Net Property Income (RM million)	190.5	22.6	4.3	(4.7)	<b>212.7</b>
Appraised Value as at 30 June 2014 (RM million) <sup>4</sup>	2,908	296	56	352	<b>3,612</b>
Value per sq.ft. (RM)	1,664	598	309	694	<b>N/A</b>
Capitalisation Rate - Current / Reversionary (%)	6.00 to 8.00	6.50 to 8.00	7.25 to 7.50	6.25 to 6.75	<b>N/A</b>

<sup>1</sup> Closed for refurbishment since May 2013. The NLA refers to information before refurbishment

<sup>2</sup> For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

<sup>3</sup> Excluding Sunway Putra Mall

<sup>4</sup> All the properties are valued by Knight Frank (Proprietor: Ooi & Zaharin Sdn Bhd)

N/A - Not Applicable

### SUNWAY PYRAMID SHOPPING MALL

Sunway Pyramid Shopping Mall, the trophy asset of Sunway REIT is one of the largest malls in Malaysia and has won many prestigious awards. Recently, it was accredited Best Shopping Mall Award from the Ministry of Tourism and Culture and Tourism Malaysia. Also, it is the first Health Promoting Mall in Malaysia which promotes healthy living among shoppers who patronise this mall.

As the country's first thematic mall, Sunway Pyramid Shopping Mall has an Egyptian-inspired architectural design with four themed precincts each with their own unique interior designs and retail concepts; Asian Avenue, Oasis Boulevard, Fashion Central and Marrakesh.

The mall is located within the heart of an internationally renowned township known as Sunway Resort City which

is master-planned and developed by the sponsor, Sunway Berhad. It is seamlessly connected to our other assets such as Sunway Resort Hotel & Spa, Pyramid Tower Hotel, Menara Sunway and Sunway Medical Centre and enjoys convenient access to Kuala Lumpur and Klang Valley via five major expressways which include the New Pantai Expressway, North Klang Valley Expressway, KESAS Expressway, Damansara-Puchong Highway and the Federal Highway.

The mall serves as a one-stop destination featuring a wide variety dining, fashion, specialty offerings and entertainment including a 12-screen cineplex, Malaysia's first and largest in-mall ice-skating rink, a convention centre which hosted various international conferences and multi-storey parking facilities.

## MALAYSIA'S FIRST HEALTHY LIFESTYLE SHOPPING MALL



No. 3 Jalan PJS 11/15, Bandar Sunway, 47500 Selangor Darul Ehsan.

### COMPLETED INITIATIVES

#### Oasis Boulevard 5 ("OB5")

During the financial year ended 30 June 2014, Sunway REIT completed the AEI at OB5 (please refer to page 63 for further information).

#### Preferred Parking

Sunway Pyramid Shopping Mall has also introduced "Preferred Parking", a parking facility with dedicated parking spots in February 2014. Collaborating with Touch 'n Go, the Preferred Parking card also functions as a Touch 'n Go card. This is an initiative targeted at shoppers who seek to have a premium experience when patronising our mall in terms of convenience in locating parking bays.

### ONGOING INITIATIVES – IN COLLABORATION WITH THE SPONSOR

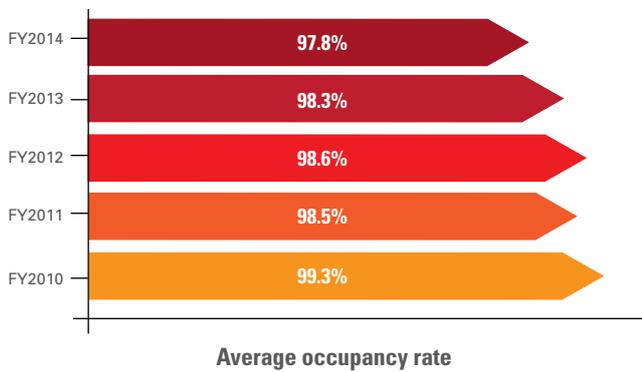
Sunway REIT's sponsor, Sunway Berhad is currently undertaking the Sunway Pyramid Shopping Mall Phase 3 project, which will feature an additional 2 levels of retail floors with NLA of approximately 63,000 sq.ft., 11 levels of car park and a hotel facility. This project will be connected to Sunway Pyramid Shopping Mall via basement car park levels and Lower Ground One ("LG1"). The Asset Manager shall collaborate with the sponsor to ensure seamless connection as well as future operations of the retail space. The retail space together with its ample carpark facility with approximately 729 bays will further complement the existing mall.

**PORTFOLIO DETAILS (CONT'D)**

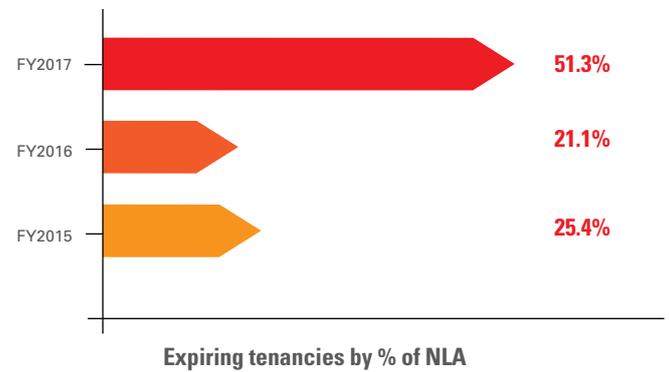
**SUNWAY PYRAMID SHOPPING MALL**

Land area (sq.ft.)	GFA (sq.ft.)	NLA (sq.ft.)	No. of parking bays	No. of tenancy	Occupancy as at 30 June 2014 (%)	Annual Shopper Traffic (million)	Revenue (RM million)	NPI (RM million)
820,070	2,454,796 (Retail & Convention Centre) 1,873,470 (Carpark)	1,604,337 (Retail) 143,467 (Convention Centre)	> 3,900	736	97.8	> 33.0	258.5	190.5

**HISTORICAL OCCUPANCY RATE**

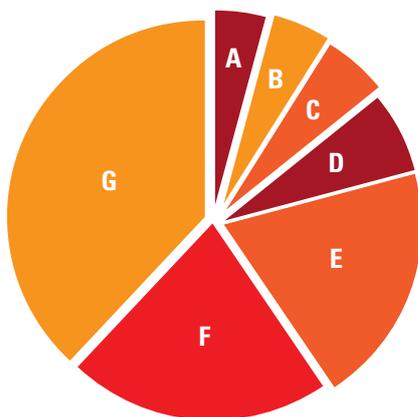


**LEASE EXPIRY SCHEDULE**



**TENANT MIX BY TRADE SECTOR**

Gross Rental Income



- A **4.3%** Electronics
- B **4.6%** Departmental Store
- C **5.3%** Leisure & Entertainment
- D **6.9%** Education & Services
- E **19.6%** Food & Beverage
- F **21.4%** Others
- G **37.9%** Fashion & Footwear

**Weighted Average Lease Expiry**

**1.69**

**Years**

**TOP 10 TENANTS**

**12.2%** of June 2014 Gross Rental Income

<b>2.3%</b> Aeon Co.(M) Berhad	<b>1.0%</b> J.V Fitness Concepts Sdn Bhd
<b>1.7%</b> Parkson Corporation Sdn Bhd	<b>0.9%</b> Peregrine Technology Sdn Bhd (Digital Centre)
<b>1.5%</b> TGV Cinemas Sdn Bhd	<b>0.9%</b> Elitetrax Marketing Sdn Bhd (Harvey Norman)
<b>1.2%</b> Sunway Resort Hotel Sdn Bhd (Convention Centre)	<b>0.9%</b> Pyramid Bowl Sdn Bhd
<b>1.0%</b> Padini Dot Com Sdn Bhd	<b>0.8%</b> H & M Retail Sdn Bhd

**SUNWAY PYRAMID SHOPPING MALL – MARKETING ACTIVITIES**

Raya Celebration - Launching Ceremony



Christmas Decoration at Blue Concourse



Deepavali Celebration



Chinese New Year Decoration

**June to September 2013 – Mega Sales**

To celebrate the season of shopping, the mall gave away an exclusive 6 days 4 nights trip to Istanbul, Turkey for 2 worth RM20,000 in a contest held during the Mega Sales period. In addition to the Grand Prize, the mall also gave away over RM100,000 worth of assorted prizes such as several iPhone 5 and Samsung Galaxy S5 units, Ogawa Foot Master, Bizzy Body Beauty Packages and exclusive arrangement of Shopping & Dining vouchers and beauty products. Eligible shoppers were rewarded with a limited edition scarf featuring 5 different designs.

**July to August 2013 – Raya Celebration**

Sunway Pyramid Shopping Mall's Realms of Raya featured Turkish delights including exquisite arts, crafts and its colourful culture. The Mini Grand Bazaar, Charming Raya Collectibles Redemption items, exclusive Hari Raya packets, Turkish Delights and the "dondurma", Turkish dances and performances and a chance to win a wonderful trip to Turkey for two were some of the main highlights of this celebration. Eligible shoppers were rewarded with a pair of exclusive Turkish-inspired hand-painted ceramic bowls and an exclusive set of Raya packets. To enhance the essence of Raya and Malay culture, Sunway Pyramid Shopping Mall featured a "Salam From the Heart" video to remind shoppers about the real meaning and significance of salam.

**October 2013 – Deepavali Celebration**

Sunway Pyramid Shopping Mall featured the Majestic Kolam, the first floating musical kolam in Malaysia with a mixture of music and lights. For shoppers' convenience, there were kiosks selling sarees, flower garland, murukku, and henna art service was available too. Shoppers stood a chance to win five gorgeous sarees by Sanjula Couture through an Instablog contest. Eligible shoppers received an exclusive set of handmade pillowcases imported from India and enjoyed free henna art service.

**November to December 2013 – Christmas Celebration**

The mall's Christmas theme was "Faerie Dreams" and featured a 40-foot contemporary Christmas tree, dressed with picture frames of multiple sizes and wings in the middle of the picturesque venue. Shoppers with a minimum spend received a Faerie's Quill Calligraphy Set and stood a chance to win RM100,000 worth of prizes including a 4 days 3 nights stay for 4 at Dreamworld, Gold Coast, Australia.

## PORTFOLIO DETAILS (CONT'D)

### SUNWAY PYRAMID SHOPPING MALL – MARKETING ACTIVITIES / AWARDS AND RECOGNITION



Malaysia Tourism Awards 2012/2013 - Best Shopping Mall

#### January to February 2014 – Chinese New Year Celebration

Sunway Pyramid Shopping Mall launched the Herald of Spring to usher in the Year of the Horse. The mall's concourses were transformed into a breath-taking set of mountains, green "field of dreams" and completed with a traditional Yurt–circular–shaped portable tent used by the nomadic Central Asian. There were traditional dances from Central Asia, "Wishes of Abundance" activities, S.O.S (Some Of uS) efforts, Spring Flower Market and many more.

Sunway Pyramid Shopping Mall created a community video entitled "Wishes of Abundance" to remind everyone about the importance of wishing their relatives and friends the traditional prosperous sayings known as "新年贺词" (xin nian he ci). The mall held a "Wishes of Abundance Word Search" Contest that challenges shoppers to guess the correct "he ci" with Grand Prizes of air tickets to Gui Lin, Guang Zhou or Shanghai. Eligible shoppers received a cute and fluffy horse-pillow and the "All Seasons Prosperity Angpow".

#### May 2014 – Fashion Month

With a backdrop featuring marshmallows, giant lollipops, macaroons and more to reflect the "sweet and succulent" fashionable choices at Sunway Pyramid Shopping Mall, shoppers had a month of Fashion Confectionery offers and promotions in May. The mall also showcased the largest dress made out of candies. Besides lucky dips, shoppers participated in beauty workshops, played virtual dress up and contributed to a charity event under a project called "Pre-Loved to New Love", where shoppers contributed their "Pre-Loved" clothes to Parents without Partners Bhd, a humanitarian organisation dedicated for poor single parents.

#### AWARDS AND RECOGNITION

##### February 2014

##### Malaysia Tourism Awards 2012/2013 Best Shopping Mall

Sunway Pyramid Shopping Mall won the Best Shopping Mall Award in the Malaysia Tourism Awards 2012/2013 from the Ministry of Tourism and Culture and Tourism Malaysia. This award honours shopping and retail outlets which provide the fullest efforts to make Malaysia an international shopping destination. The mall has received this category of awards from the Ministry for the fourth time.

##### November 2013

##### Malaysia Health Promoting Board (MySihat) Malaysia's First Health Promoting Mall

Sunway Pyramid Shopping Mall was accredited as Malaysia's first Health Promoting Mall by MySihat on 19 November 2013. This initiative demonstrated the mall's continuous effort in promoting a healthy lifestyle among the community today.

**SUNWAY CARNIVAL SHOPPING MALL**

Sunway Carnival Shopping Mall is a stylish 4-storey mall strategically located within the town centre of Seberang Jaya, Penang – a well-integrated township that had seen a rapid development over the years in the administrative, residential, industrial and commercial sector of Malaysia's northern region.

The mall hosts approximately 190 international and regional retailers, exquisite dining and entertainment outlets to ensure more passion, fun and delights for the shoppers. The mall has a mélange of novel and trendy shops that offer

variety in fashion, accessories, shoes, jewellery, timepieces, music, videos, gifts, souvenirs, leathers, books, pharmacies and electrical products. Recreational facilities include a karaoke lounge, an eight-screen cineplex, the largest in Penang mainland and an amusement centre.

Sunway Carnival Shopping Mall is only mere minutes away from the crossroads of the North-South and Kulim-Butterworth Highways, two of the nation's busiest and most widely travelled routes. The mall is also located near the Penang Bridge and North Butterworth Container Terminal.

**THE MAINLAND'S TREASURED MALL**

3068 Jalan Todak, Pusat Bandar Seberang Jaya, 13700 Seberang Jaya, Pulau Pinang.

**FUTURE INITIATIVE**

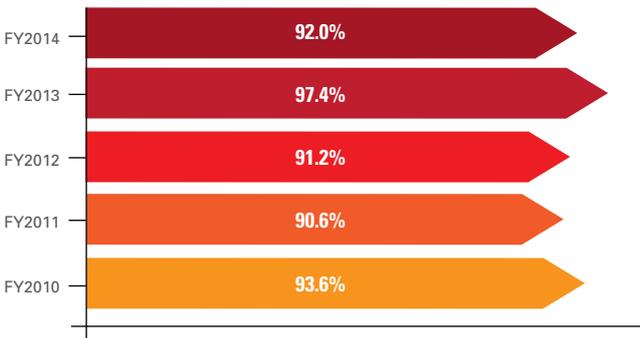
Sunway Carnival Shopping Mall is moving towards digital marketing by introducing the Sunway Carnival Shopping Mall Mobile Application, leveraging on a similar application used at Sunway Pyramid Shopping Mall. This serves as a convenient platform for shoppers to locate all the shops that are available in the mall in a faster and more efficient manner. Besides, all the promotions and latest happenings of the mall will also be displayed in this app, therefore enabling shoppers to receive all these information at a tap of their fingers.

**PORTFOLIO DETAILS (CONT'D)**

**SUNWAY CARNIVAL SHOPPING MALL**

Land area (sq.ft.)	GFA (sq.ft.)	NLA (sq.ft.)	No. of parking bays	No. of tenancy	Occupancy as at 30 June 2014 (%)	Annual Shopper Traffic (million)	Revenue (RM million)	NPI (RM million)
348,428	769,546 (Retail & Convention Centre) 213,554 (Carpark)	462,627 (Retail) 32,292 (Convention Centre)	> 1,100	193	90.8	> 8.1	37.0	22.6

**HISTORICAL OCCUPANCY RATE**



Average occupancy rate

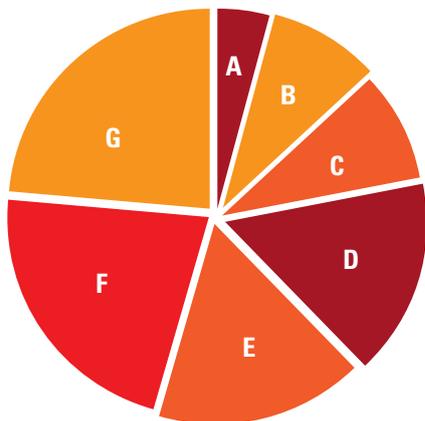
**LEASE EXPIRY SCHEDULE**



Expiring tenancies by % of NLA

**TENANT MIX BY TRADE SECTOR**

Gross Rental Income



- A **4.4%** Electronics
- B **8.8%** Departmental Store
- C **9.0%** Education & Services
- D **15.8%** Leisure & Entertainment
- E **16.5%** Food & Beverage
- F **22.0%** Others
- G **23.5%** Fashion & Footwear

**Weighted Average Lease Expiry**

**1.34**

**Years**

**TOP 10 TENANTS**

**31.4%** of June 2014 Gross Rental Income

- 11.5%** Golden Screen Cinemas Sdn Bhd
- 8.8%** Parkson Corporation Sdn Bhd
- 2.2%** Sunway Hotel Seberang Jaya Sdn Bhd (Convention Centre)
- 1.4%** Life Habitat Sdn Bhd
- 1.4%** CYC Sega Leisure World (M) Sdn Bhd
- 1.3%** Jet Line Avenue Sdn Bhd
- 1.3%** Apex Pal (M) Sdn Bhd
- 1.2%** Island Heritage Sdn Bhd
- 1.2%** Esprit De Corp (M) Sdn Bhd
- 1.1%** RSH (M) Sdn Bhd

## SUNWAY CARNIVAL SHOPPING MALL - MARKETING ACTIVITIES / AWARDS AND RECOGNITION



The Glow of Raya - A Moroccan Themed Decoration



An Enthralling Christmas



Fashion Passion - Official Launch



The Wedding Host



Winds of Fortune -  
The Sha-Chuan Junk

### July to August 2013 - The Glow of Raya

Sunway Carnival Shopping Mall provided shoppers with a unique experience during the Hari Raya Celebration with Moroccan themed decorations in addition to traditional dance and martial arts performances. Sunway Carnival Shopping Mall rewarded shoppers with Raya Glow Packets and Raya Glow Vanity Sets with a minimum spend.

### November to December 2013 - An Enthralling Christmas

Sunway Carnival Shopping Mall hosted Christmas with an artistic atmosphere inspired by the genius mosaic mastermind, Antoni Gaudi, whose art originated from Barcelona in the 18th century. A 15-metre tall Christmas tree was also decorated with sparkles and glitters besides having a Santa sleigh at the Concourse. Christmas carolers, musical performances and a special performance by Urimacha, a comedian magician to the children also enhanced the atmosphere. Eligible shoppers were rewarded with wishing cards and a limited edition travel-sized pillow.

As 1Malaysia Year End Sale season ran concurrently with the Christmas festivity, shoppers enjoyed enhanced shopping incentives, including redemption of Bonus Point as well as 4 days 3 nights Travel Package to Spain.

### January to February 2014 - Winds of Fortune

Sunway Carnival Shopping Mall marked its Chinese New Year Celebration themed "Winds of Fortune" with a Chinese junk (Sha-Chuan) docked at Upper Ground Concourse. Shoppers could cross a wooden bridge that links the harbour to the resting Sha-Chuan and enjoy a scenic view of the surrounding willow trees and red lanterns hanging from its masts. Shoppers were entertained by the art of Chinese Calligraphy in motion, DIY Coin Box Painting Workshop and performances like Modern Orchestra and Victory Drum. Shoppers were rewarded with the mall's Ang Pow packets and an exclusive treasure jewellery box with a minimum spend.

### February 2014 - The Wedding Host

For the 3rd consecutive year, Sunway Carnival Shopping Mall collaborated with Sunway Hotel Seberang Jaya to organise "The Wedding Host 2014". With a beach concept

theme, the event provided to-be-married couples a great opportunity to shop for their wedding needs. It featured 13 renowned bridal houses, hotel banquet bookings, photography and videography services, make-up and hairdo services, related services and products. The Wedding Host held another successful mass wedding at Sunway Carnival Convention Centre with a total of 31 couples exchanging their wedding vows on the auspicious day.

### April 2014 - Fashion Passion

To celebrate the various fashion offerings of the mall, Sunway Carnival Shopping Mall held a fashion campaign entitled "Fashion Passion". The campaign featured local fashion designer, Randy Goh & celebrity guest Joanne Yew, former Miss Astro Chinese International Pageant 2007 and actress from the critically acclaimed local movie "The Journey". Shoppers were treated to various fashion shows from brands within the mall and other activities.

### Other Initiatives - Cross Collaboration and Joint Promotional Activities

Sunway Carnival Shopping Mall was involved with joint promotions with tenants and this is shown by collaboration with Golden Screen Cinemas ("GSC") by organising movie promotional tours in order to boost spending at tenants' outlet. In line with that, the management also worked closely with tenant on sales driven activities such as 1Malaysia Mega Sale Carnival 2013, 1Malaysia Year End Sale 2013 and 1Malaysia GP Sale 2014. Lastly, cross promotion with other business units such as Sunway Hotel Seberang Jaya were initiated via distribution of Sunway Carnival Shopping Mall privilege cards to hotel guests.

## AWARDS AND RECOGNITION

### November 2013

#### Cleanest Toilet Award for Penang Shopping Mall Category – Consolation Prize

Awarded by the Penang State Government, Sunway Carnival Shopping Mall clinched the Consolation Prize in the annual Cleanest Toilet Competition for Penang Shopping Mall category.

**PORTFOLIO DETAILS**

**SUNCITY IPOH HYPERMARKET**

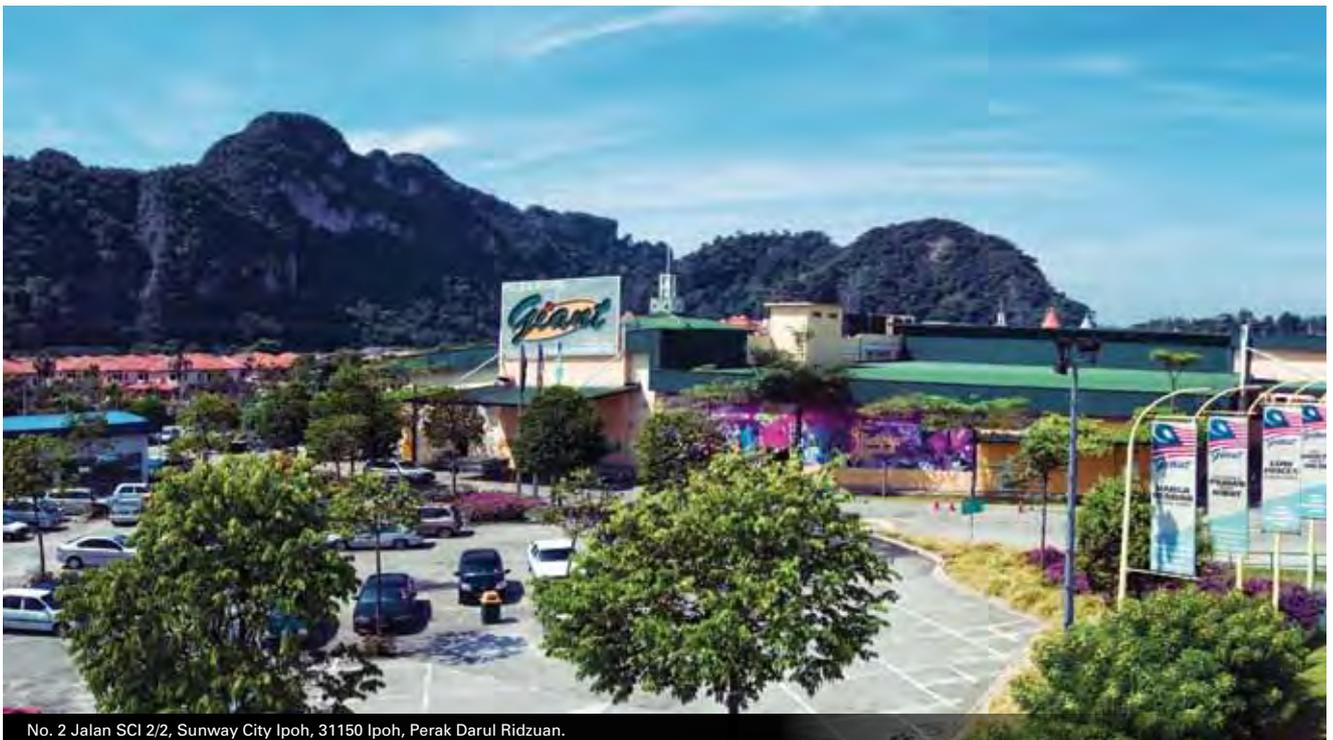
SunCity Ipoh Hypermarket is a single-storey hypermarket which is designed and purpose-built to the specifications of the original and current sole tenant, GCH Retail (Malaysia) Sdn Bhd (“GCH”). GCH is a major hypermarket and retailer chain operating under the “Giant” brand in Malaysia, Singapore, Indonesia and Brunei Darussalam. In addition to operating the Giant Hypermarket at the property, GCH also sublets floor space to a number of smaller tenants who are complementary to the hypermarket. GCH solely manages the subleasing arrangements.

Opened in 2005, the hypermarket is located in Sunway City Ipoh township, which is master-planned and developed by the sponsor, in collaboration with the Perak State government. Sunway City Ipoh was launched in 1996 and is being developed to replicate many of the key features of the Bandar Sunway township. Sunway City Ipoh is the first township in the surrounding area. It is conveniently located

near an exit point of the North-South Expressway that connects Kuala Lumpur to Penang. The township is planned to include approximately 3,000 residential and commercial properties by 2018, more than 1,500 of which have been built by the sponsor. The township offers a diverse mix of retail, office, entertainment, hospitality and residential properties, which includes the Lost World of Tambun theme park, a 174-room Lost World Hotel as well as a luxury retreat known as The Banjaran Hotsprings Retreat.

Mirroring the success of Bandar Sunway township, Sunway City Ipoh is expected to succeed through synergies and cross-promotion opportunities between various Sunway Properties that were built within Sunway City Ipoh. This will directly grow and support the customer base of SunCity Ipoh Hypermarket in a sustainable manner.

**THE SHOPPER’S HYPERMARKET**



No. 2 Jalan SCI 2/2, Sunway City Ipoh, 31150 Ipoh, Perak Darul Ridzuan.

Land area (sq.ft.)	GFA (sq.ft.)	NLA (sq.ft.)	No. of parking bays	No. of tenancy	Occupancy as at 30 June 2014 (%)	Revenue (RM million)	NPI (RM million)
354,994	193,408	181,216	400	1	100.0	4.6	4.3

**SUNWAY PUTRA MALL**

Sunway Putra Mall, which is part of the 3-in-1 mixed-use development, will be offering a refurbished eight levels of shopping space upon completion by first quarter calendar year 2015, which will provide shoppers with an elevated level of shopping experience. With an approximate RM307 million investment, the mall’s whole layout and feel will be transformed. There will be a signature drop-off entrance, dedicated escalators, increase in NLA amounting to approximately 578,000 sq.ft., amongst others. The iconic architecture inspired by the “Sundrop Diamond” on its façade will be a reflection of the transformation, breathing life and injecting changes into the Diamond Triangle and the surrounding area.

Sunway Putra Mall will contribute to the efforts in making the City Centre a more vibrant and dynamic place, enhancing and developing Kuala Lumpur as an international shopping centre. Excellent connectivity and accessibility are among Sunway Putra Mall’s strongest points, and with direct access into the Mall mainly through RapidKL Light Rail Transit (“LRT”), KTM Komuter Train, Express Bus at the Hentian Putra Bus Terminal and being connected via major highways. Sunway Putra Mall is touted to be an urban-chic lifestyle shopping mall in the heart of the city.

**ONGOING INITIATIVE**

Sunway Putra Mall is currently closed for a major refurbishment exercise. Please refer to page 63 for further information.

**THE FUTURE OF SHOPPING BECKONS**



No. 100 Jalan Putra, 50350 Kuala Lumpur.

Land area (sq.ft.)	GFA (sq.ft.)	NLA (sq.ft.)	No. of parking bays	Revenue (RM million)	NPI (RM million)
193,621 <sup>1</sup>	803,034 <sup>2</sup> (Retail) 585,540 <sup>1</sup> (Carpark)	507,171 <sup>2</sup>	>1,300 <sup>1</sup>	0.6	(4.7)

<sup>1</sup> For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

<sup>2</sup> Refers to information before the refurbishment exercise



## PORTFOLIO SUMMARY (HOTEL)



SUNWAY RESORT HOTEL &amp; SPA



PYRAMID TOWER HOTEL

<b>Location</b> Selangor
<b>Date of acquisition</b> 8 Jul 2010
<b>Acquisition price (RM million)</b> 445
<b>Year of completion</b> Sunway Resort Hotel & SPA - 1997; Three Villas - 2004
<b>Title details &amp; expiry date</b> - PN 9492 Lot No. 35 1 April 2097 (commence 2 April 1998, approx. 83 year remaining)  - PN 9498 Lot No. 51173 1 April 2097 (commenced 2 April 1998, approx. 83 years remaining)  All in Bandar Sunway, Daerah Petaling, Negeri Selangor.
<b>Tenure</b> Leasehold - 99 years
<b>Encumbrances</b> i) Charged to Public Investment Bank Berhad ii) Charged to HSBC Amanah Malaysia Berhad iii) Private Caveat by Public Bank Berhad iv) 10 years lease to Sunway Resort Hotel Sdn Bhd expiring 7 July 2020
<b>Appraised value (RM million)</b> 530
<b>Date of latest valuation*</b> June 2014

<b>Location</b> Selangor
<b>Date of acquisition</b> 8 Jul 2010
<b>Acquisition price (RM million)</b> 250
<b>Year of completion</b> 2004
<b>Title details &amp; expiry date</b> Strata title - PN 17415/M1/1/1 Lot No. 62060 21 February 2102 (commenced 22 February 2003, approx. 88 years remaining)  Bandar Sunway, Daerah Petaling, Negeri Selangor.
<b>Tenure</b> Leasehold - 99 years
<b>Encumbrances</b> i) Charged to Public Investment Bank Berhad ii) Charged to HSBC Amanah Malaysia Berhad
<b>Appraised value (RM million)</b> 295
<b>Date of latest valuation*</b> June 2014

\* Note: All the properties are valued by Knight Frank (Proprietor: Ooi &amp; Zaharin Sdn Bhd)

## PORTFOLIO SUMMARY (HOTEL)



**SUNWAY HOTEL SEBERANG JAYA**



**SUNWAY PUTRA HOTEL**

<b>Location</b> Penang
<b>Date of acquisition</b> 8 Jul 2010
<b>Acquisition price (RM million)</b> 52
<b>Year of completion</b> - 1997 <b>Refurbished</b> - 2013
<b>Title details &amp; expiry date</b> - PN 2602 Lot No. 5785 21 October 2092 (commenced 22 October 1993, approx. 78 years remaining)  Mukim 1, Daerah Seberang Perai Tengah, Negeri Pulau Pinang.
<b>Tenure</b> Leasehold - 99 years
<b>Encumbrances</b> i) Charged to HwangDBS Investment Bank Berhad ii) 10 years lease to Sunway Hotel Seberang Jaya Sdn Bhd expiring 7 July 2020 iii) 30 years lease to Tenaga Nasional Berhad expiring 15 March 2028
<b>Appraised value (RM million)</b> 75
<b>Date of latest valuation*</b> June 2014

<b>Location</b> Kuala Lumpur
<b>Date of acquisition</b> 19 Apr 2011
<b>Acquisition price (RM million)</b> 214
<b>Year of completion</b> 1993
<b>Title details &amp; expiry date</b> - Geran 10012 Lot No. 38, Seksyen 51  Kuala Lumpur, Wilayah Persekutuan.
<b>Tenure</b> Freehold
<b>Encumbrances</b> i) Charged to Public Investment Bank Berhad ii) Charged to HSBC Amanah Malaysia Berhad iii) 30 years lease to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad) expiring 4 April 2017 iv) Private Caveat by Trustee
<b>Appraised value (RM million)</b> 258
<b>Date of latest valuation*</b> June 2014

\* Note: All the properties are valued by Knight Frank (Proprietor: Ooi & Zaharin Sdn Bhd)

## PORTFOLIO SUMMARY (HOTEL)

Hotel Assets	Sunway Resort Hotel & Spa	Pyramid Tower Hotel	Sunway Hotel Seberang Jaya	Sunway Putra Hotel	Total
Land Area (sq.ft.)	376,274	-	46,220	193,621 <sup>1</sup>	<b>616,115</b>
Gross Floor Area (sq.ft.)	1,057,075	356,888	174,800	833,844	<b>2,422,607</b>
Number of Rooms	439 rooms and 3 villas	549	202	618	<b>1,811</b>
Number of Parking Bays	> 500	> 530	> 60	> 1,300 <sup>1</sup>	<b>&gt; 2,390</b>
Average FY2014 Occupancy (%)	78.8	82.4	67.8	42.6	<b>66.3</b>
Revenue (RM million) <sup>2</sup>	33.4	21.3	4.2	5.8	<b>64.7</b>
Net Property Income (RM million)	32.2	20.9	4.0	3.7	<b>60.8</b>
Appraised Value as at 30 June 2014 (RM million) <sup>3</sup>	530	295	75	258	<b>1,158</b>
Value per Room (RM)	1,199,095	537,341	371,287	417,476	<b>N/A</b>
Capitalisation / Discount Rate (%)	7.00 / 9.00	7.00 / 9.00	7.00 / 9.00	7.00 / 9.00	<b>N/A</b>

<sup>1</sup> For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

<sup>2</sup> The revenue represents the total rent under the respective hotel master leases and carpark tenancy agreements for Sunway Resort Hotel & Spa, Pyramid Tower Hotel and Sunway Hotel Seberang Jaya. For Sunway Putra Hotel, the revenue represents only the total rent under the hotel master lease agreement

<sup>3</sup> All the properties are valued by Knight Frank (Proprietor: Ooi & Zaharin Sdn Bhd)

N/A - Not Applicable

## PORTFOLIO DETAILS

### SUNWAY RESORT HOTEL & SPA

Sunway Resort Hotel & Spa is the flagship 5-star hotel located in the integrated township of Sunway Resort City. The award-winning hotel is part of a collection of hotels and serviced residences in the 800-acre vibrant destination.

As one of Kuala Lumpur's most iconic hotels, Sunway Resort Hotel & Spa offers 439 well-appointed guestrooms and suites including an impressive Presidential Suite, all with commanding view of the Sunway Lagoon or the resort city scape. The collection of guestrooms and suites which include Premier Rooms, Junior Suites, Premier Executive Suites, The Club Rooms and Suites together with conveniences and amenities make the hotel a preferred choice with business and leisure travellers.

For meetings, incentives, conventions and exhibitions, this integrated destination offers over 10,000 square metres of world-class meeting space, including 55 meeting and function rooms, a grand ballroom, specialised meeting zone and the massive Sunway Pyramid Convention Centre, making Sunway Resort Hotel & Spa one of Malaysia's most versatile conventions and exhibitions venues.

The Hotel's food and beverage offerings include a range of restaurants which serve Western, Italian, Chinese, Middle Eastern, Indian and Japanese cuisines, along with a lounge and bar for evening cocktails and a cigar lounge. These are complemented further by over 160 speciality food and beverage outlets within the resort city.

## HOSPITALITY GEM OF SUNWAY RESORT CITY ("SRC")



Persiaran Lagoon, Bandar Sunway, 47500 Selangor Darul Ehsan.

### FUTURE PLANS

Sunway Resort Hotel & Spa will be revamping the existing Italian and Chinese restaurants with a refreshed dining concept. This new concept and offering will cater to the ever-changing tastes and expectations of discerning local and international diners. The hotel's refreshed website, [www.sunwayhotels.com](http://www.sunwayhotels.com) will offer a new online experience

with features like Best Rate Guarantee and a mobile responsive design. Its online focus will incorporate an enhanced Internet Booking Engine to its website, enabling greater functionality, a simplified reservations process.

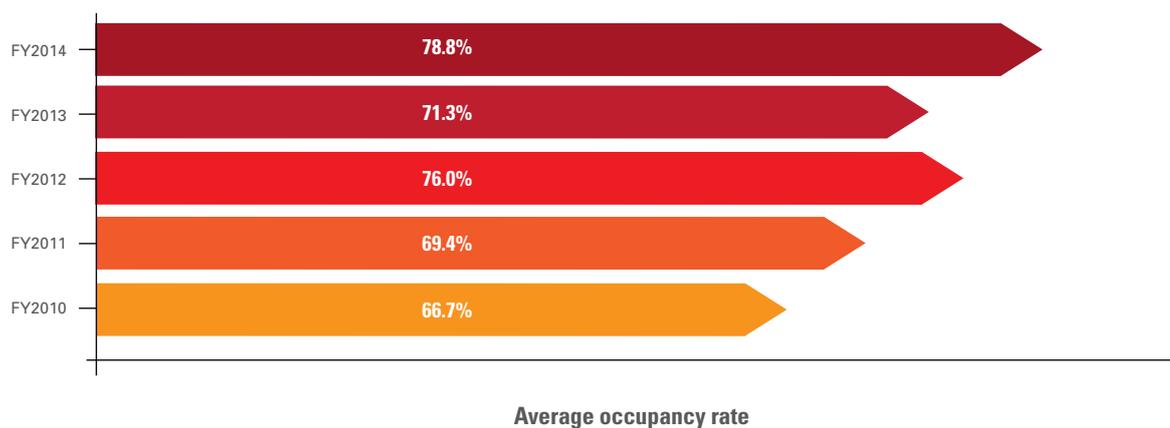
## PORTFOLIO DETAILS (CONT'D)

## SUNWAY RESORT HOTEL &amp; SPA

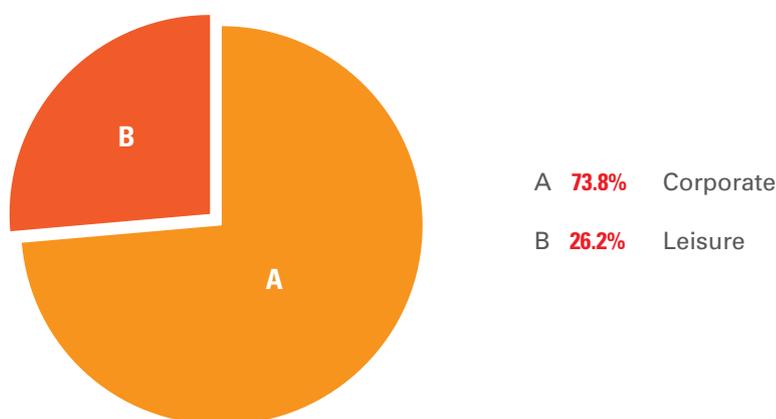
Land area (sq.ft.)	GFA (sq.ft.)	No. of rooms	No. of parking bays	Average occupancy (%)	Revenue (RM million)*	NPI (RM million)
376,274	1,057,075	439 rooms and 3 villas	> 500	78.8	33.4	32.2

\*The revenue represents the total rent under the hotel master lease and carpark tenancy agreements for Sunway Resort Hotel & Spa

## HISTORICAL OCCUPANCY RATE



## GUEST PROFILE



## MASTER LEASE DETAILS

<b>Master lessee</b>	Sunway Resort Hotel Sdn Bhd
<b>Duration</b>	10 years from 8 July 2010 with an option to renew for another 10 years
<b>Total rent</b>	The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Resort Hotel & Spa and Pyramid Tower Hotel consists of RM42.0 million for FY2011 and FY2012 and RM31.6 million for each of the financial years for the remaining 10-year term

## PORTFOLIO DETAILS (CONT'D)

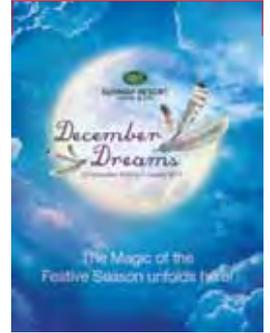
### SUNWAY RESORT HOTEL & SPA – MARKETING ACTIVITIES / AWARDS AND RECOGNITION



Diwali - Hotel Associates at the Kolam Lighting Ceremony



West Lake Garden's 100+ All Time Favourite Dim Sum



December Dreams



Chinese New Year - Greetings from the Hotel's Senior Management Team



HAPA Award 2013-2015 Series - 5-Star Resort Exceptional Experience



Booking.Com Award - Sunway Resort Hotel & Spa

#### October 2013 A Fusion of Diwali Colours

In conjunction with Diwali, Sunway Resort Hotel & Spa together with Sunway Pyramid Shopping Mall and Sunway Lagoon hosted the lighting of an elaborate 'Kuttuvellaku' at the Hotel followed by dinner for students and their parents from the Sekolah Rendah Kebangsaan Bandar Sunway.

#### December 2013 December Dreams – 2013 Festive Year End

Sunway Resort Hotel & Spa celebrated December Dreams, a festive holiday programme that featured a range of rooms, dining and celebratory packages as well as children and interactive festive workshops. December Dreams was supported by strategic partners like Parkson Holdings Berhad and Longines.

#### February 2014 Prosperity & Abundance Shine Brightly – Chinese New Year Celebration

The Year of the Horse was ushered with the auspicious Lion and Dragon dance at the Sunway Resort Hotel & Spa. An eight-lion troupe danced and performed stunts on high stilts, followed by an eight-piece Prosperity Drum performance, "Qilins" moving in unison.

#### April 2014 West Lake Garden's 100+ All Time Favourite Dim Sum

Sunway Resort Hotel & Spa's West Lake Garden unveiled a range of new dim sum selections with more than 100 Dim Sum and other home-style dishes including Teochew and claypot specialities.

### AWARDS AND RECOGNITION

#### September 2013 Holiday with Kids Australia

Sunway Resort Hotel & Spa was voted one of the Top 5 Family Resorts in Malaysia by Holidays with Kids Australia in the Top 10 Family Resorts 2013 category. Holidays with Kids is a comprehensive directory of family holiday destinations with kids in Australia, Asia Pacific and Europe. It also offers family-friendly holiday packages and great holiday deals via its website.

#### January 2014 Hospitality Asia Platinum Awards ("HAPA") 2013 - 2015 Series

Sunway Resort Hotel & Spa's The Club was awarded the 5-star Hotel – Exceptional Experience as well as the Hotel of the Year – Extraordinary Stay while The Villas, Sunway Resort Hotel & Spa was awarded the 5-star Resort – Exceptional Experience. Hospitality Asia Platinum Awards ("HAPA") recognises and rewards the crème de la crème of the hospitality industry at all levels in Malaysia and Singapore.

#### April 2014 Booking.Com Award

Sunway Resort Hotel & Spa and Pyramid Tower Hotel were both awarded the Outstanding Hotel Partner 2013 in 5-star and 4-star category respectively. Both hotels were also highly ranked in the service category with Sunway Resort Hotel & Spa scoring 8.9 and Pyramid Tower Hotel scoring 8.3 out of 10 points for services rendered.

**PYRAMID TOWER HOTEL**

Pyramid Tower Hotel is a 4-star hotel located next to the flagship Sunway Resort Hotel & Spa. The 549-room hotel provides a selection of Superior and Superior Executive guestrooms and are equipped with conveniences for the modern business and leisure travellers, which include complimentary Wi-Fi, wired internet access, satellite and movie channels and numerous other facilities and amenities. Most guestrooms have a splendid view of Sunway Lagoon or the resort's skyline.

The towering 31-storey edifice features a spacious main lobby, an all-day dining restaurant, a lounge and these are complemented by the diverse leisure attractions, facilities and offerings from the 5-star Sunway Resort Hotel & Spa, Sunway Pyramid Shopping Mall, Sunway Lagoon and Sunway Pyramid Convention Centre, all located adjacent to the hotel and within walking distance.

**CORPORATE HOSPITALITY PREFERENCE**

Persiaran Lagoon, Bandar Sunway, 47500 Selangor Darul Ehsan.

**FUTURE PLANS**

In continuing to provide a refreshing experience for guests and staying relevant to the fast changing consumer tastes, the future plans will include upgrading the Pyramid Tower Hotel's guestrooms, public area facilities and introducing refreshed food and beverage concept.

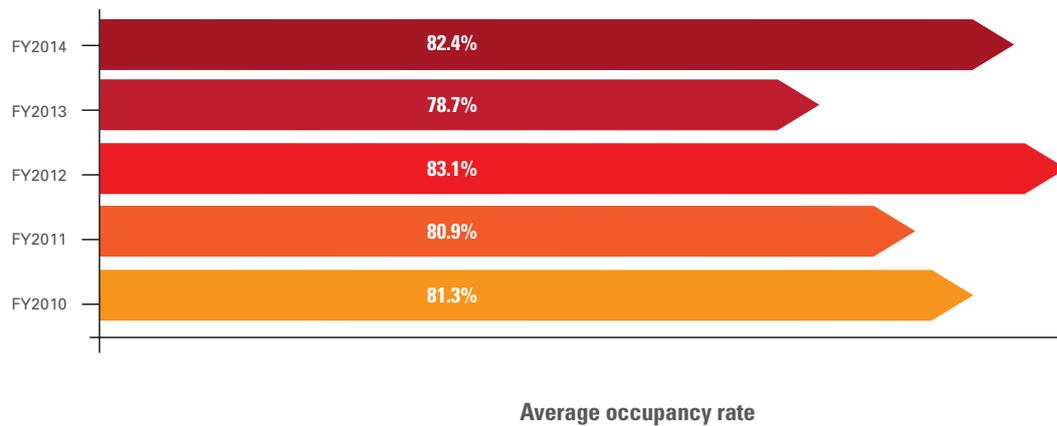
## PORTFOLIO DETAILS (CONT'D)

### PYRAMID TOWER HOTEL

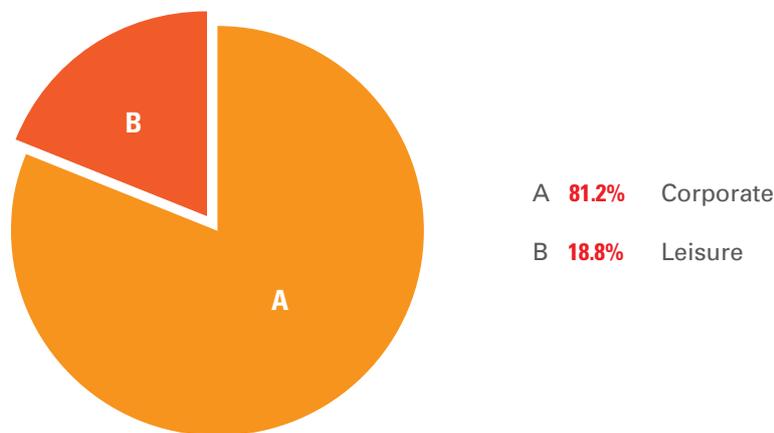
GFA (sq.ft.)	No. of rooms	No. of parking bays	Average occupancy (%)	Revenue (RM million)*	NPI (RM million)
356,888 strata floor area (level 1 to 9)	549	> 530	82.4	21.3	20.9

\*The revenue represents the total rent under the hotel master lease and carpark tenancy agreements for Pyramid Tower Hotel

### HISTORICAL OCCUPANCY RATE



### GUEST PROFILE



### MASTER LEASE DETAILS

<b>Master lessee</b>	Sunway Resort Hotel Sdn Bhd
<b>Duration</b>	10 years from 8 July 2010 with an option to renew for another 10 years
<b>Total rent</b>	The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Resort Hotel & Spa and Pyramid Tower Hotel consists of RM42.0 million for FY2011 and FY2012 and RM31.6 million for each of the financial years for the remaining 10-year term

**SUNWAY HOTEL SEBERANG JAYA**

Sunway Hotel Seberang Jaya, a prominent business hotel strategically located near the intersection of the North-South and East-West highway, is a convenient 30 minute drive from the Penang International Airport. The hotel is situated in the centre of a vibrant hub which offers entertainment, leisure and shopping which is perfect for holiday makers and corporate travellers seeking an easy access to the highly developed industrial links and commercial zones on Penang's mainland.

Sunway Hotel Seberang Jaya has completed a thorough refurbishment exercise in May 2013 with a brand new look with contemporary design, bright colours and clean lines to create spaciousness and a welcome respite for its guests.

The hotel can accommodate events and meetings at its function rooms, the Grand Ballroom and the Sunway Carnival Convention Centre from classroom style set up for 18 persons to theatre style seating capacity of up to 1,500.

**REJUVENATED COMFORT**

No. 11 Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Seberang Jaya, Pulau Pinang.

**COMPLETED INITIATIVE**

Sunway Hotel Seberang Jaya is pleased to offer the hotel guests the world's most eco-friendly newspaper and magazine amenity which is known as PressReader. All guests of the hotel or hotel facilities will have complimentary access to over 2,000 local and international titles from their laptops, tablets and smartphones. It was launched on 23 May 2014.

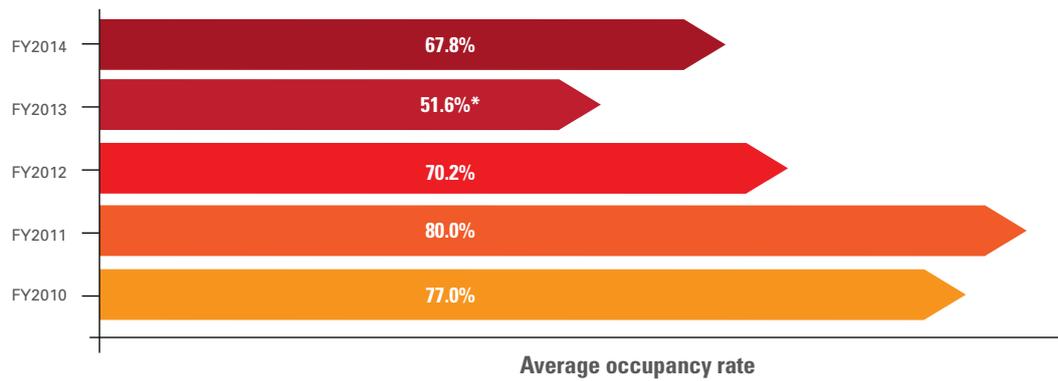
## PORTFOLIO DETAILS (CONT'D)

### SUNWAY HOTEL SEBERANG JAYA

Land area (sq.ft.)	GFA (sq.ft.)	No. of rooms	No. of parking bays	Average occupancy (%)	Revenue (RM million)*	NPI (RM million)
46,220	174,800	202	> 60	67.8	4.2	4.0

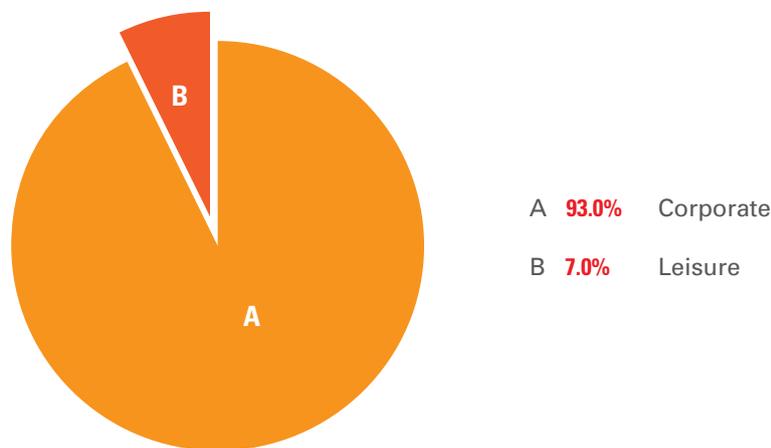
\*The revenue represents the total rent under the hotel master lease and carpark tenancy agreements for Sunway Hotel Seberang Jaya

### HISTORICAL OCCUPANCY RATE



\*Lower occupancy due to refurbishment of the hotel

### GUEST PROFILE



### MASTER LEASE DETAILS

<b>Master lessee</b>	Sunway Hotel (Seberang Jaya) Sdn Bhd
<b>Duration</b>	10 years from 8 July 2010 with an option to renew for another 10 years
<b>Total rent</b>	The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Hotel Seberang Jaya consists of RM4.5 million for FY2011 and FY2012 and RM3.4 million for each of the financial years for the remaining 10-year term

## SUNWAY HOTEL SEBERANG JAYA – MARKETING ACTIVITIES / AWARDS AND RECOGNITION



Ramadhan Buffet Dinner



Thank You Party



HAPA Housekeeping Excellence Award



1st Halal Battle of The Chef



The Most Creative Decorated Hotel Stall and  
The Most Creative Fruit Carving & Decoration

### July to August 2013

#### Ramadhan Buffet Dinner

In conjunction with the fasting month of Ramadhan, a buffet themed “Jom! Pi Buka Puasa” was held nightly at Sunway Carnival Convention Centre. 30,000 flyers were made to selected residential and business areas while banners and posters were hung at strategic locations to promote this offering. Furthermore, food reviews for the local press was organised and favourable ratings were obtained. In line with the month of giving, there were also daily, weekly and grand lucky draw prizes given away to the lucky diners who dined at the Ramadhan Buffet Dinner throughout the 24 days.

### October 2013

#### Thank You Party

A Thank You Party themed “Hat’s Night” was held on 24 October 2013 with the objective to thank loyal clientele from the government and corporate sectors for their tremendous support throughout the year of 2013. Apart from the tantalising buffet spread, the guests were also entertained with interesting games, dance performances and door gifts. Besides that, there were also 30 lucky draws sponsored by Sunway Hospitality including first prize Cathay Pacific flight ticket to Hong Kong.

## AWARDS AND RECOGNITION

### January 2014

#### Hospitality Asia Platinum Award (“HAPA”) Housekeeping Excellence Award for HAPA Malaysia 2013 – 2015 series

The accolade was in recognition of the highly performing department that provides efficient and exceptional housekeeping standards while maintaining personalised guest practices.

### January 2014

#### 1st Halal Battle of The Chef by Chefs Association of Malaysia, Penang Chapter

Sunway Hotel Seberang Jaya bagged one Silver medal and two Bronze medals in the 1st Halal Battle of The Chef which was held in conjunction with the 5th Penang International Halal Expo & Conference 2014.

### February 2014

#### The Most Creative Decorated Hotel Stall and The Most Creative Fruit Carving & Decoration

The event entitled “Chinese New Year Cultural and Heritage Celebration” was organised by the Penang State Government, Penang Chinese Clan Council & Clan Associations Youth Committee of Penang. Sunway Hotel Seberang Jaya was elated with the double award, each carrying a cash prize of RM250 and trophy for each individual category.

## PORTFOLIO DETAILS

### SUNWAY PUTRA HOTEL

Sunway Putra Hotel is a 25-storey 5-star hotel which forms part of a 3-in-1 mixed-use development comprising retail, hotel and office. Located across the Putra World Trade Centre ("PWTC") at the fringe of central business district, the hotel is easily accessible via several key transportation systems in the city centre.

Facilities of the hotel include restaurants, a ballroom and banquet facilities, swimming pool and recreational facilities with a spectacular view of Kuala Lumpur City Centre ("KLCC").

All rooms, suites and apartments are elegantly furnished and equipped with Wi-Fi access. Complementing the rooms are exciting food and beverage outlets, from all-day dining to contemporary Japanese fare, lounge and a fun pub.

### 5-STAR GEM IN THE MAKING



### ONGOING INITIATIVE

Sunway Putra Hotel is currently undergoing a refurbishment exercise. Please refer to page 64 for further information.

## PORTFOLIO DETAILS (CONT'D)

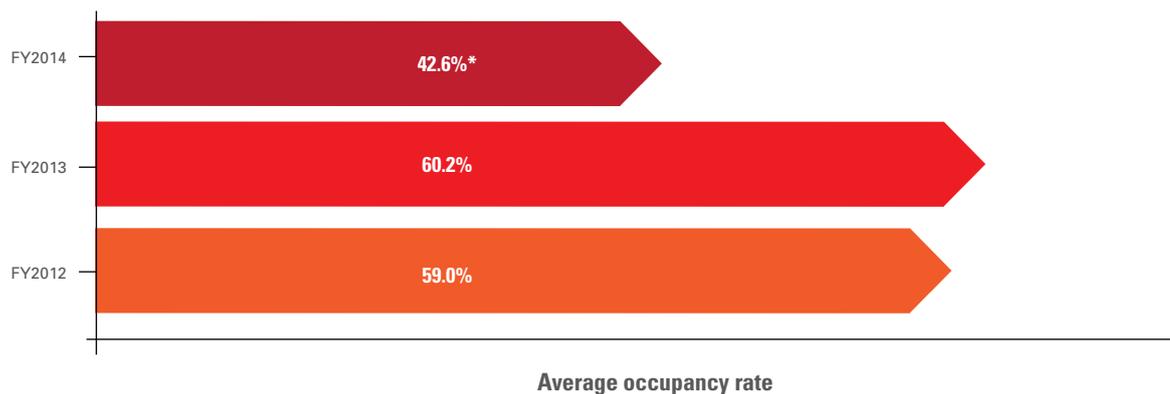
## SUNWAY PUTRA HOTEL

Land area (sq.ft.)	GFA (sq.ft.)	No. of rooms	No. of parking bays	Average occupancy (%)	Revenue (RM million)*	NPI (RM million)
193,621 <sup>1</sup>	833,844	618	> 1,300 <sup>1</sup>	42.6	5.8	3.7

<sup>1</sup>For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

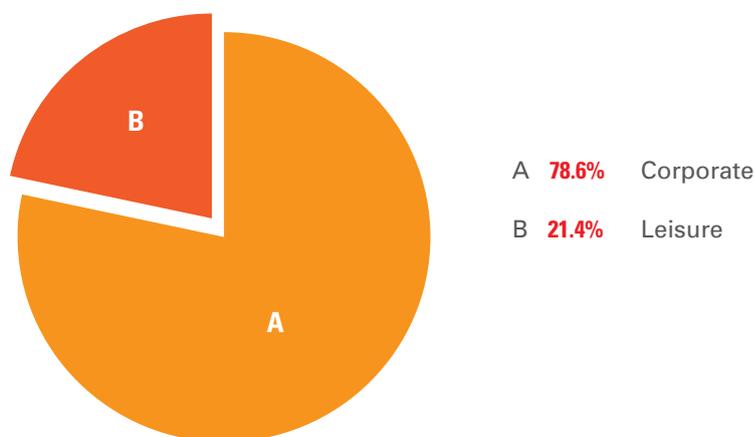
\*The revenue represents the total rent under the hotel master lease agreement for Sunway Putra Hotel

## HISTORICAL OCCUPANCY RATE



\*Lower occupancy rate due to the adverse impact of the on-going refurbishment of the adjoining Sunway Putra Mall and the hotel's own refurbishment

## GUEST PROFILE



## MASTER LEASE DETAILS

<b>Master lessee</b>	Sunway Putra Hotel Sdn Bhd
<b>Duration</b>	10 years from 28 September 2011 with an option to renew for another 10 years
<b>Total rent</b>	The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Putra Hotel consists of RM9.1 million for FY2012, RM12.1 million for FY2013, RM9.8 million for FY2014, RM9.1 million for FY2015 to FY2021 and RM2.3 million for FY2022
<b>Variation to Master Lease<sup>^</sup></b>	<ul style="list-style-type: none"> <li>The total rent payable by the Lessee shall be the amount calculated in accordance with the variable rent formula for the period between 1 July 2013 to 30 June 2014 ("3rd Fiscal Year") and further extended for another financial year commencing 1 July 2014 to 30 June 2015 ("4th Fiscal Year"). As such, guaranteed rent stated in the Master Lease shall not apply to both the 3rd and 4th Fiscal Years</li> <li>If the variable rent calculated is less than the Guaranteed Rent for the 3rd and 4th Fiscal Years, the difference between the guaranteed rent and the variable rent ("differential sum") shall be adjusted in agreed proportions and added to the guaranteed rent from the 5th Fiscal Year until the 11th Fiscal Year</li> </ul>

<sup>^</sup> The variations to the Master Lease were announced on 3 July 2013 and 19 May 2014 for the 3rd and 4th Fiscal Year respectively and were made in light of the major refurbishment of the adjoining Sunway Putra Mall which was expected to adversely affect the business of Sunway Putra Hotel. The construction works is expected to be completed by early 2015. The differential sum for the 3rd Fiscal Year was RM4.0 million whilst the estimated differential sum for the 4th Fiscal Year is RM2.0 million and as such, there is no material impact to the earnings of Sunway REIT

## PORTFOLIO SUMMARY (OFFICE)



MENARA SUNWAY

**Location**

Selangor

**Date of acquisition**

8 Jul 2010

**Acquisition price (RM million)**

128

**Year of completion**

1993

**Title details & expiry date**

- PN 17105 Lot No. 61760  
 1 April 2097 (commenced 2 April 1998, approx.  
 83 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor.

**Tenure**

Leasehold - 99 years

**Encumbrances**

- i) Charged to Public Investment Bank Berhad
- ii) Charged to HSBC Amanah Malaysia Berhad
- iii) Private Caveat by Public Bank Berhad

**Appraised value (RM million)**

160

**Date of latest valuation\***

June 2014

\* Note: The property is valued by Knight Frank (Proprietor: Ooi &amp; Zaharin Sdn Bhd)

## PORTFOLIO SUMMARY (OFFICE)



SUNWAY TOWER



SUNWAY PUTRA TOWER

<b>Location</b> Kuala Lumpur
<b>Date of acquisition</b> 8 Jul 2010
<b>Acquisition price (RM million)</b> 171
<b>Year of completion</b> 1996
<b>Title details &amp; expiry date</b> - Geran 45110 Lot No. 55, Seksyen 45  Kuala Lumpur, Wilayah Persekutuan.
<b>Tenure</b> Freehold
<b>Encumbrances</b> i) Charged to Public Investment Bank Berhad ii) Charged to HSBC Amanah Malaysia Berhad iii) 30 years lease to Tenaga Nasional Berhad Expiring 14 January 2023
<b>Appraised value (RM million)</b> 180
<b>Date of latest valuation*</b> June 2014

<b>Location</b> Kuala Lumpur
<b>Date of acquisition</b> 19 Apr 2011
<b>Acquisition price (RM million)</b> 80
<b>Year of completion</b> 1993
<b>Title details &amp; expiry date</b> - Geran 10012 Lot No. 38, Seksyen 51  Kuala Lumpur, Wilayah Persekutuan.
<b>Tenure</b> Freehold
<b>Encumbrances</b> i) Charged to Public Investment Bank Berhad ii) Charged to HSBC Amanah Malaysia Berhad iii) 30 years lease to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad) expiring 4 April 2017 iv) Private Caveat by Trustee
<b>Appraised value (RM million)</b> 93
<b>Date of latest valuation*</b> June 2014

\* Note: All the properties are valued by Knight Frank (Proprietor: Ooi &amp; Zaharin Sdn Bhd)

**PORTFOLIO SUMMARY (OFFICE)**

Office Assets	Menara Sunway	Sunway Tower	Sunway Putra Tower	Total
Land Area (sq.ft.)	193,395	25,898	193,621 <sup>1</sup>	<b>412,914</b>
Gross Floor Area (sq.ft.)	399,446	348,998	453,842	<b>1,202,286</b>
Gross Floor Area - Carpark (sq.ft.)	266,696	107,606	585,540 <sup>1</sup>	<b>959,842</b>
Net Lettable Area (sq.ft.)	290,805	268,306	317,051	<b>876,162</b>
Number of Parking Bays	> 650	> 290	> 1,300 <sup>1</sup>	<b>&gt; 2,240</b>
Number of Tenancies	46	12	12	<b>70</b>
Occupancy as at 30 June 2014 (%)	99.1	76.1	78.4	<b>84.6</b>
Revenue (RM million)	17.8	15.9	9.4	<b>43.1</b>
Net Property Income (RM million)	12.9	10.3	5.0	<b>28.2</b>
Appraised Value as at 30 June 2014 (RM million) <sup>2</sup>	160	180	93	<b>433</b>
Value per sq.ft. (RM)	550	671	293	<b>N/A</b>
Capitalisation Rate - Current / Reversionary (%)	6.50 to 7.25	6.00 to 7.00	6.25 to 6.75	<b>N/A</b>

<sup>1</sup> For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

<sup>2</sup> All the properties are valued by Knight Frank (Proprietor: Ooi & Zaharin Sdn Bhd)

N/A - Not Applicable

**MENARA SUNWAY**

Menara Sunway is a 19-storey office building in Bandar Sunway consisting of a main tower and an annex. Unlike a standalone office building, Menara Sunway offers a unique office environment where its tenants can take advantage of the convention centre and the surrounding hospitality, leisure and retail options offered by the Sunway Resort City. With its headquarters based in Menara Sunway, Sunway Group is the main tenant occupying 72.4% of the NLA.

It is easily accessible via 5 major expressways namely the New Pantai Expressway, North Klang Valley Expressway, KESAS Expressway, Damansara-Puchong Highway, and the Federal Highway. Surrounded by highly populated suburbs such as Subang Jaya, Puchong and Petaling Jaya, Menara Sunway is a preferred office location for office workers due to shorter travel time as compared to commuting to the city centre.

**SUNWAY GROUP'S HOMEPLACE**

Jalan Lagoon Timur, Bandar Sunway, 47500 Selangor Darul Ehsan.

**ONGOING INITIATIVE**

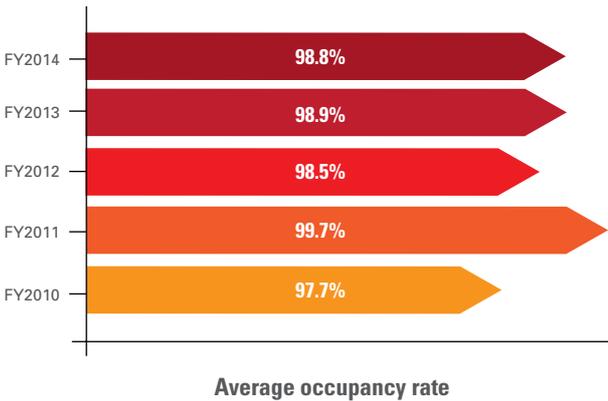
The front entrance of Menara Sunway will be given a refreshed appearance with the ongoing landscaping initiative. With this new landscape design, it will also blend well with the new office building owned by our sponsor namely The Pinnacle, Sunway.

**PORTFOLIO DETAILS (CONT'D)**

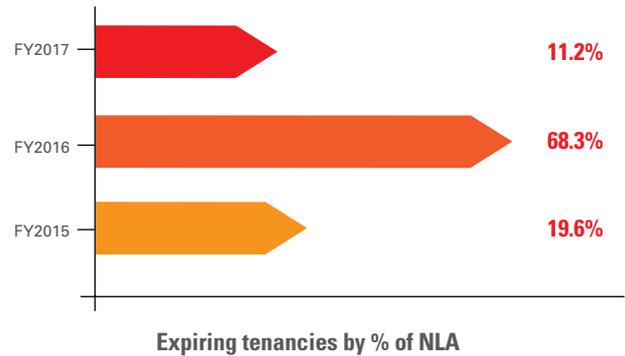
**MENARA SUNWAY**

Land area (sq.ft.)	GFA (sq.ft.) (Office)	NLA (sq.ft.)	No. of parking bays	No. of tenancy	Occupancy as at 30 June 2014 (%)	Revenue (RM million)	NPI (RM million)
193,395	399,446 266,696 (Carpark)	290,805	> 650	46	99.1	17.8	12.9

**HISTORICAL OCCUPANCY RATE**

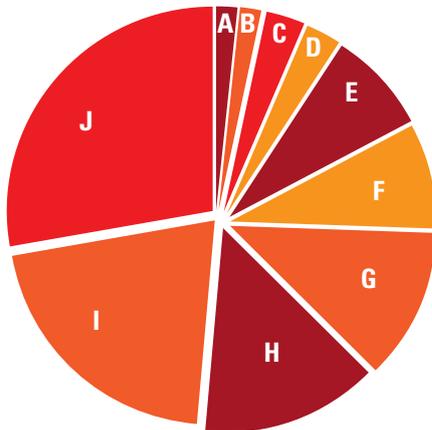


**LEASE EXPIRY SCHEDULE**



**TENANT MIX BY TRADE SECTOR**

Gross Rental Income



- A 1.8% Leasing
- B 1.8% Advertising & Agency
- C 2.9% Trading
- D 2.9% Technology
- E 7.9% Others
- F 8.3% Medical
- G 12.1% Construction
- H 13.8% Communication
- I 20.8% Property
- J 27.7% Management services

**Weighted Average Lease Expiry**

**1.46**  
Years

**TOP 10 TENANTS**

79.9% of June 2014 Gross Rental Income

15.3%	Sunway Management Sdn Bhd	6.5%	Merck Sdn Bhd
14.8%	Sunway Intergrated Properties Sdn Bhd	3.4%	Sunway Berhad
13.5%	Maxis Mobile Sdn Bhd	2.9%	Sunway Quarry Industries Sdn Bhd
9.3%	Sunway Construction Sdn Bhd	2.9%	Sunway Computer Services Sdn Bhd
8.4%	Sunway Shared Services Sdn Bhd	2.9%	Sunway Marketing Sdn Bhd

**SUNWAY TOWER**

Sunway Tower is a 33-storey prime office building that is 5 minutes drive to Petronas Twin Tower and Kuala Lumpur Convention Centre (“KLCC”). It is strategically located near the intersection of Jalan Sultan Ismail and Jalan Ampang in Kuala Lumpur. The property’s location is in an area commonly referred to as the Golden Triangle and adjacent

to the entry and exit points of the Ampang-Kuala Lumpur Elevated Highway which links to major highways within and around the Klang Valley as well as Dang Wangi LRT station and Bukit Nanas monorail station. This provides an ever convenient platform for office workers to gain access to the heart of Kuala Lumpur City Centre.

**CHANGING DYNAMICS**

No. 86 Jalan Ampang, 50450 Kuala Lumpur.

**FUTURE INITIATIVE**

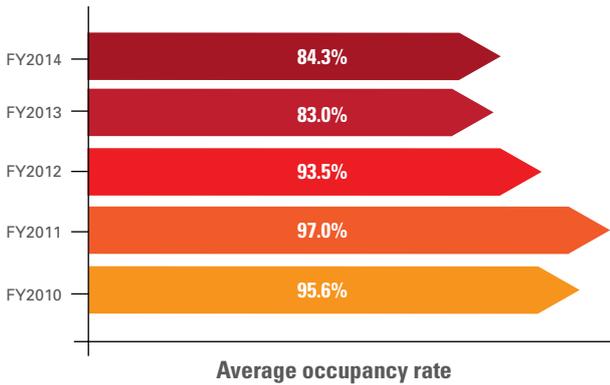
Going forward, the Asset Manager will replace all of its lift systems within the building to achieve better energy efficiency as well as to better serve the tenants.

**PORTFOLIO DETAILS (CONT'D)**

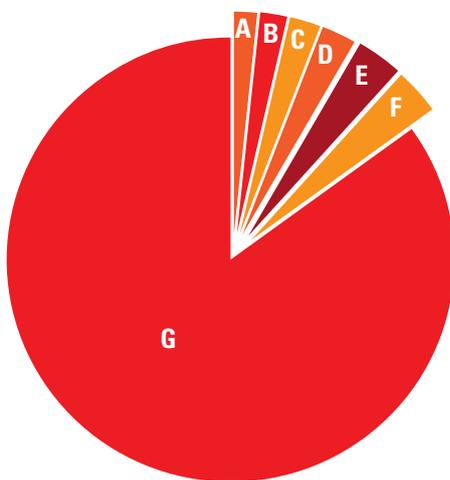
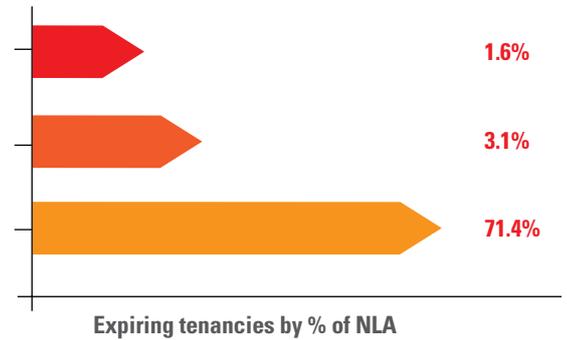
**SUNWAY TOWER**

Land area (sq.ft.)	GFA (sq.ft.)	NLA (sq.ft.)	No. of parking bays	No. of tenancy	Occupancy as at 30 June 2014 (%)	Revenue (RM million)	NPI (RM million)
25,898	348,998 (Office) 107,606 (Carpark)	268,306	> 290	12	76.1	15.9	10.3

**HISTORICAL OCCUPANCY RATE**



**LEASE EXPIRY SCHEDULE**



- A 1.8% Consultancy (Rubber)
- B 1.9% Consultancy (Finance)
- C 2.3% Glove manufacturer
- D 2.6% Others
- E 3.2% Accounting
- F 3.3% Embassy
- G 84.9% Consultancy (Oil & Gas)

**TOP 10 TENANTS**

99.4% of June 2014 Gross Rental Income

79.6%	Ranhill Worley Parsons Sdn Bhd	1.9%	Zhuojian Associates Sdn Bhd
5.4%	Intecsea Sdn Bhd	1.8%	R1 International Sdn Bhd
3.3%	Royal Danish Embassy	0.8%	San Francisco Coffee Sdn Bhd
3.2%	ACCA Malaysia Sdn Bhd	0.6%	Poliklinik Cahaya Sdn Bhd
2.3%	WRP Asia Pacific Sdn Bhd	0.5%	Sunway Leisure Services Sdn Bhd

**SUNWAY PUTRA TOWER**

Sunway Putra Tower is an office tower which forms part of a 3-in-1 mixed-use development comprising retail, hotel and office.

It is mainly occupied by Government agencies and is currently home to Malaysia's consumer tribunal for Kuala Lumpur which operates under the Ministry of Domestic, Trade, Co-operatives and Consumerism. Sunway Putra Tower is strategically located in Kuala Lumpur's commercial

district across the Putra World Trade Centre ("PWTC"). It is easily accessible via major highways and well served by public transportation such as the STAR Light Rail Transit ("LRT"), KTM Komuter Train with the respective train stations located close by. The Hentian Putra Bus Station that caters to coaches plying the East Coast routes is within walking distance. All these infrastructures and facilities will provide value add to this already well-established office asset.

**STRATEGICALLY LOCATED**

No. 100 Jalan Putra, 50350 Kuala Lumpur.

**ONGOING INITIATIVE**

Sunway Putra Tower will be refurbished as part of the repositioning exercise for the 3-in-1 mixed-use development. Please refer to page 64 for further information.

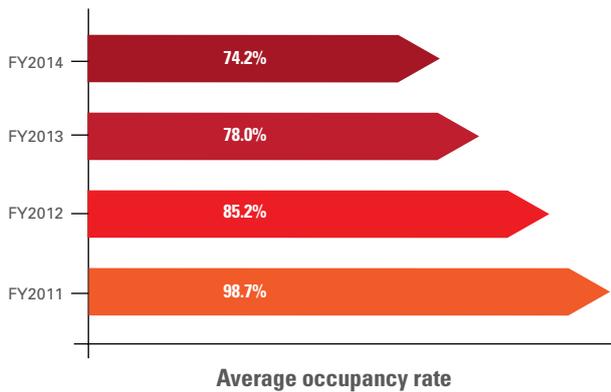
**PORTFOLIO DETAILS (CONT'D)**

**SUNWAY PUTRA TOWER**

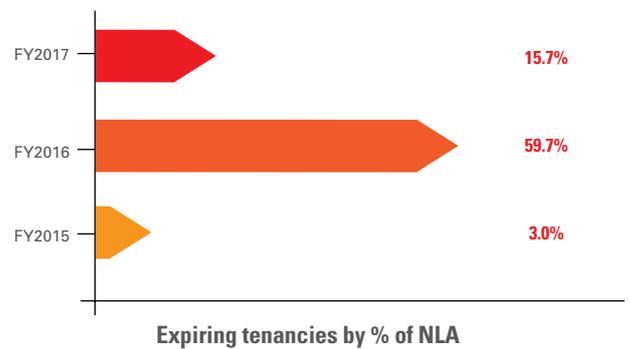
Land area (sq.ft.)	GFA (sq.ft.)	NLA (sq.ft.)	No. of parking bays	No. of tenancy	Occupancy as at 30 June 2014 (%)	Revenue (RM million)	NPI (RM million)
193,621 <sup>1</sup>	453,842 (Office)	317,051	> 1,300 <sup>1</sup>	12	78.4	9.4	5.0
	585,540 <sup>1</sup> (Carpark)						

<sup>1</sup>For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

**HISTORICAL OCCUPANCY RATE**

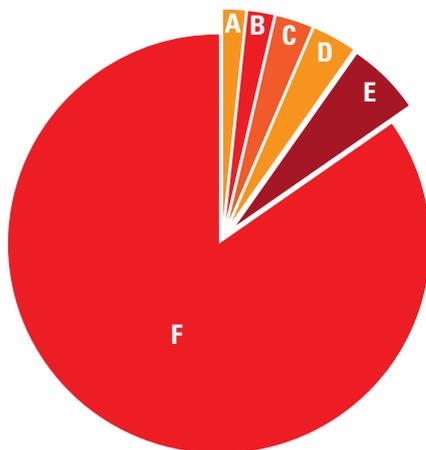


**LEASE EXPIRY SCHEDULE**



**TENANT MIX BY TRADE SECTOR**

Gross Rental Income



A	0.7%	Consultancy
B	0.7%	Marketing
C	1.1%	Leisure & Entertainment
D	1.7%	Medical
E	3.2%	Communication
F	92.6%	Government Agency

**Weighted Average Lease Expiry**

**2.07**

**Years**

**TOP 10 TENANTS**

97.9% of June 2014 Gross Rental Income

57.8%	Suruhanjaya Koperasi Malaysia	1.8%	Raffcomm Sdn Bhd
20.0%	Kementerian Perdagangan Dalam Negeri Koperasi Dan Kepenggunaan Malaysia	1.7%	Chini Enterprise (M) Sdn Bhd
4.8%	Jabatan Perdana Menteri (I.C.U)	1.1%	Lexis Hotel & Resort Sdn Bhd
4.8%	Jabatan Pengairan & Saliran Malaysia (JPS)	0.7%	C&I Corporate Advisory Sdn Bhd
4.5%	Suruhanjaya Syarikat Malaysia	0.7%	PKB Business Sdn Bhd

## PORTFOLIO SUMMARY (OTHERS)



SUNWAY MEDICAL CENTRE

OTHERS

<b>Location</b>	Selangor
<b>Date of acquisition</b>	31 Dec 2012
<b>Acquisition price (RM million)</b>	310
<b>Year of completion</b>	Phase 1 - 2001      Phase 2 - 2009
<b>Title details &amp; expiry date</b>	<ul style="list-style-type: none"> <li>- PN 12549 Lot No. 38160 1 April 2097 (commenced 2 April 1998, approx. 83 years remaining)</li> <li>- PN 12550 Lot 45 1 April 2097 (commenced 2 April 1998, approx. 83 years remaining)</li> </ul> <p>Bandar Sunway, Daerah Petaling, Negeri Selangor.</p>
<b>Tenure</b>	Leasehold - 99 years
<b>Encumbrances</b>	10 years lease to Sunway Medical Centre Berhad (now known as Sunway Medical Centre Sdn Bhd) expiring 30 December 2022
<b>Appraised value (RM million)</b>	317
<b>Value per bed (RM)</b>	885,475
<b>Capitalisation Rate - Current / Reversionary (%)</b>	6.25 to 6.75
<b>Date of latest valuation*</b>	June 2014

\* Note: The property is valued by Knight Frank (Proprietor: Ooi & Zaharin Sdn Bhd)

## PORTFOLIO DETAILS

### SUNWAY MEDICAL CENTRE

Sunway Medical Centre (“SMC”) is one of Malaysia’s leading private hospitals strategically located within Sunway Resort City, Bandar Sunway, Selangor which is master-planned and developed by the sponsor. It enjoys easy access to Kuala Lumpur and the Klang Valley via five major expressways, namely the New Pantai Expressway, North Klang Valley Expressway, KESAS Expressway, Damansara-Puchong Highway and the Federal Highway.

SMC is a seven-storey purpose built hospital building which includes a multi-storey car park block and a multi-purpose

convention centre. The convention centre is known as the “Swan Convention Centre” and can accommodate up to 500 guests. Facilities at SMC include 358 beds, 12 operating theatres and 119 consultation suites.

Sunway Medical Centre has become the first hospital in Southeast Asia to be awarded international accreditation by the Australian Council on Healthcare Standards (“ACHS”), in recognition of SMC’s commitment to deliver world-class medical care based on international evidence based standards of healthcare assessment.



No. 5 Jalan Lagoon Selatan, Bandar Sunway, 47500 Selangor Darul Ehsan.

Land area (sq.ft.)	GFA (sq.ft.)	No. of parking bays	Revenue (RM million)*	NPI (RM million)
195,839	571,611 (Medical Centre) 217,083 (Carpark)	675	19.3	19.3

\* The revenue represents rent under a master lease agreement

### MASTER LEASE DETAILS

<b>Master lessee</b>	Sunway Medical Centre Sdn Bhd
<b>Duration</b>	10 years from 31 December 2012 with an option to renew for another 10 years
<b>Rental</b>	RM19 million per annum for the 1st year
<b>Rental uplift</b>	3.5% per annum for each subsequent year for initial 10-year term
<b>Rental basis</b>	Triple net lease

No. 5 Jalan Lagoon Selatan,  
Bandar Sunway, 47500  
Selangor Darul Ehsan.  
Tel: (603)7491 9191  
Fax: (603) 7491 8181



## **ASCENDING CLIMB**

A mountain is a large landform that stretches above the surrounding land in a limited area, usually in the form of a peak. Mountains are steeper than hills and are mostly isolated summits, but most occur in huge mountain ranges.



## **CORPORATE RESPONSIBILITY**

**120** Marketplace

**121** Workplace

**122** Environment

**126** Community

Sunway REIT is one of the most committed  
M-REIT players in corporate responsibility  
and sustainable practices.

**“ We are committed to corporate responsibility and sustainable excellence that encompass four pillars - Marketplace, Workplace, Environment and Community”**

“Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs” and “CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

(World Business Council for Sustainable Development, 1999)

### PILLAR 1: MARKETPLACE

Sunway REIT has always placed significant emphasis in continuous stakeholders’ engagement as they play an important role in driving Sunway REIT’s continued success and contribute to the sustainability of the business. Our key stakeholders include employees of the Manager, tenants, customers, regulators, media, investors/financial community as well as local community.

### Stakeholders’ Engagement

Sunway REIT is a strong advocate of high standards of best practices in the conducts and dealings with all stakeholders through high level of disclosures, transparency and fair dealing. Sunway REIT is convinced that proactive, honest, transparent, responsible and continuous dialogues and engagements is the fundamental to creating a conducive marketplace for all stakeholders.

## PROACTIVE ENGAGEMENT ACTIVITIES WITH OUR VALUED STAKEHOLDERS

Stakeholders	Engagement Activities	Outcome
Tenants	<ul style="list-style-type: none"> <li>• Annual business partner meeting</li> <li>• Appreciation dinner</li> </ul>	Managed to share updates, views and opinions on current progress and future developments
Retail Customers	<ul style="list-style-type: none"> <li>• Mystery Shopper Survey</li> </ul>	Gained invaluable insights on customers’ expectations and feedback on our malls and service level for our continuous improvement to the standard of service level
Hotel Guests	<ul style="list-style-type: none"> <li>• Survey</li> </ul>	Gained invaluable insights on guests’ expectations and feedback on our hotels and service level for our continuous improvement to the standard of service level
Industry Associations	<ul style="list-style-type: none"> <li>• Regular dialogues sessions with Asia Pacific Real Estate Association (“APREA”) and Malaysia REIT Managers Association (“MRMA”)</li> </ul>	Successfully set a platform for both regulators and M-REIT players in setting higher standards of practices that is at par with the region and to resolve issues affecting the industry
Media	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Interviews</li> <li>• Roundtable discussions</li> <li>• Media briefings</li> </ul>	<p>Successfully developed good rapport with members of the media to keep them abreast with the developments of Sunway REIT</p> <p>Media coverage of our quarterly results and announcements and interviews with top management to follow closely on Sunway REIT’s strategy and business operations</p>
Investors	<ul style="list-style-type: none"> <li>• Stock exchange announcements including financial results announcements</li> <li>• Presentation decks which are made available on the website</li> <li>• Conference call session upon release of financial results</li> <li>• Analysts and fund managers briefings</li> <li>• Local and overseas conferences</li> <li>• Seminars</li> </ul>	<p>Managed to provide timely, concise and transparent information to investors and analysts through various communication channels</p> <p>The Manager also participates in conferences and seminars to share insights and industry knowledge as well as to promote M-REITs to investors and the public</p>

**CORPORATE RESPONSIBILITY (CONT'D)**

Stakeholders	Engagement Activities	Outcome
Students	<ul style="list-style-type: none"> <li>• CFA Institute Research Challenge 2013/2014 as a subject company</li> </ul>	<p>This formed part of our corporate social responsibility effort through engagement with the students. This is performed by sharing our experiences and also facilitating the learning process</p>



CFA Institute Research Challenge 2013/2014 Briefing by CEO of Sunway REIT - Dato' Jeffrey Ng

**PILLAR 2: WORKPLACE**

As part of Sunway Group, Sunway REIT subscribes to the Group's corporate slogan "Our People, Our Strength" as we believe the success of an organisation and sustainable business growth depends largely on its employees.

At Sunway REIT, we recognise the value and importance of our people. Thus, it is our priority to attract and retain

talented individuals and encourage their growth and development within the company. We are committed to ensure that the working environment embraces diversity, offer fairness and equality of opportunity, training and career development, emphasis on work-life balance and occupational health and safety management.

**PROACTIVE DEVELOPMENT AND ENGAGEMENT ACTIVITIES WITH OUR VALUED EMPLOYEES**

Employees	Development/Engagement Activities	Outcome
Women Employees	<ul style="list-style-type: none"> <li>• Mother's room</li> <li>• Designated car parking bay for expectant mothers</li> <li>• Introduced flexible working arrangements</li> <li>• Extended maternity leave</li> <li>• Partnership with REAL kids in setting up a kindergarten and child-care centre</li> </ul>	<p>New initiatives undertaken by Sunway to address women and their multiple roles to attract, retain and develop more women employees to take up senior management positions</p>
All Employees	<ul style="list-style-type: none"> <li>• Continuous in-house and external training and development programmes</li> <li>• Talent Development Programme</li> <li>• Encourage and provide sponsorship for high performing employees who wish to pursue professional qualifications</li> <li>• "Managing for Excellence" performance management system</li> <li>• Annual Talent Reviews</li> <li>• Benchmarking of remuneration packages</li> </ul>	<p>All employees are given equal opportunities to enhance their relevant knowledge, skills and experience</p> <p>High potential employees will be nurtured for an accelerated career progression path</p> <p>Also, employees' performance are recognised and rewarded fairly based on their contribution and value adding activities under the performance-based culture</p>

**CORPORATE RESPONSIBILITY (CONT'D)**

Employees	Development/ Engagement Activities	Outcome
All Employees	<ul style="list-style-type: none"> <li>• Informal chats with superiors</li> <li>• Festive, birthday and welcome celebrations</li> <li>• Managers' conference</li> <li>• Team building activities</li> <li>• Family day</li> <li>• Employees Engagement Survey</li> </ul>	Successfully created a conducive environment for our people via effective communication channels



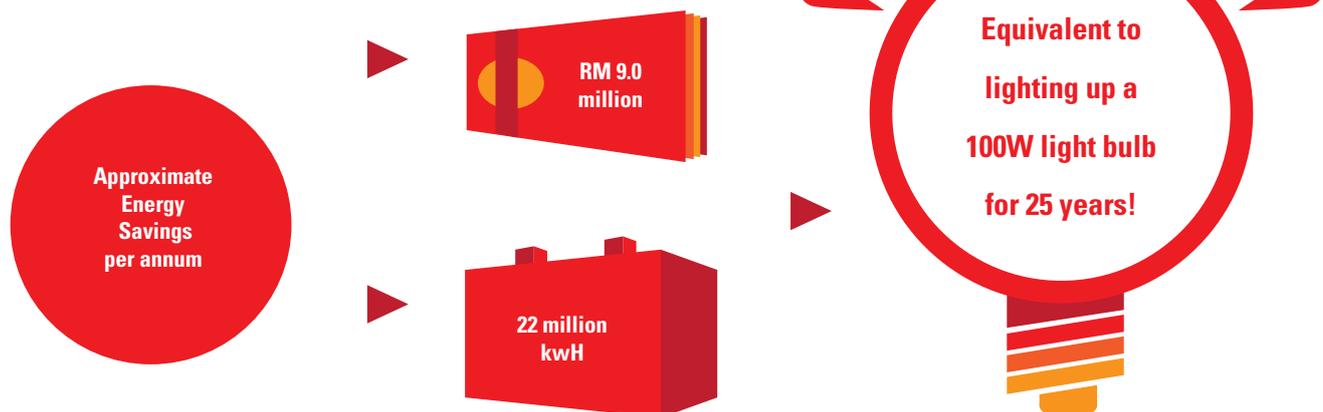
Team Building Activities - Sunway REIT Management Team in Action

**PILLAR 3: ENVIRONMENT**

Sunway Resort City's ("SRC") vision is to be recognised as a green township and this vision is in-line with the sustainability agenda that Sunway REIT strives to achieve for in the long run. Currently, SRC has been accredited the Green Building Index ("GBI") as the township has approximately 30% of the development being green which exceeds the minimum requirement of 15%. SRC alongside with assets of Sunway REIT located within the SRC which include Sunway Pyramid Shopping Mall, Sunway Resort Hotel & Spa, Pyramid Tower Hotel and Menara Sunway were evaluated based on 6 broad criteria:

Sunway REIT fully supports initiatives that are oriented towards environmental conservation and preservation. We are mindful of how our respective assets' business operations may impact our mother nature. Since our IPO on 8 July 2010, we had continually taken conscious effort in every possible manner to contribute positively to the environment be it in the form of energy and water savings or through spreading awareness about the significance of taking the right environmental action now.

- 1) Climate, Energy and Water
- 2) Environmental and Ecology
- 3) Community Planning and Design
- 4) Transportation and Connectivity
- 5) Building and Resources
- 6) Business and Innovation



## CORPORATE RESPONSIBILITY (CONT'D)

## GREEN INITIATIVES - ENERGY

Property/Initiative	Project Descriptions and Outcome
Sunway Pyramid Shopping Mall - Chiller Retrofit	<p>A savings of approximately RM4.3 million or 10.5 million kWh was immediately realised in financial year 2014</p> <p>We contributed positively back to the environment through the reduction in energy usage on a long term basis, which translated to the reduction of 6,400 tonnes on CO<sub>2</sub> emission</p> <p>Our effort was recognised through our nomination as Top 5 Best Performer in Energy Saving under SAVE Program by SEDA Malaysia in 2014</p>
Sunway Putra Place - New Centralised Chiller	<p>The installation of a new centralised chiller will cater for the mall, hotel and office assets</p> <p>Cost savings can certainly be achieved as prior to the installation of this centralised chiller, three separate chillers were found present in the respective assets and this led to high energy consumption</p> <p>There will be an expected savings in energy consumption of the three assets by approximately 10.0 million kWh per annum (savings of RM4.0 million) which translated into a reduction of 6,100 tonnes of CO<sub>2</sub> emission</p>
Sunway Resort Hotel & Spa - Upgrading and Relocation of Cooling Tower	<p>Sunway Resort Hotel &amp; Spa is in the process of upgrading and relocation of cooling tower due to the poor performance and inefficiency in terms of cooling capacity and power consumption</p> <p>Energy savings of RM352,000 per year is expected, which translates into a reduction of approximately 850,000 kWh/year in energy consumption and 520 tonnes of CO<sub>2</sub> emissions</p>
Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall - Entry Point Air-Lock (Double door)	<p>Both malls have installed double door at entrances to reduce outflow of air-conditioning which helped to reduce the central chiller plant load</p> <p>Consequently, Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall managed to achieve a reduction of energy consumption by approximately 400,000 kWh/year and 180,000 kWh/year and reduction of 245 tonnes and 110 tonnes on CO<sub>2</sub> emission respectively</p> <p>This led to a total cost reduction amounting to approximately RM200,000 per year</p>
Sunway Pyramid Shopping Mall - CCTV System for traffic condition	<p>Shoppers can check traffic conditions before leaving Sunway Pyramid Shopping Mall with up-to-date traffic snapshots</p> <p>This helped to reduce traffic congestion problem and consequently provide positive contribution to the environment in the form of reduced production of carbon monoxide and fuel consumption level</p> <p>This complements the existing Car Park Guiding System which significantly improves shoppers' convenience in looking for vacant parking bays and directly reducing traffic congestion and carbon monoxide emission within the car park. Moreover, the lightings of the car park are dimmed during the mall's non-operating hours to conserve energy</p>

## CORPORATE RESPONSIBILITY (CONT'D)

Property/Initiative	Project Descriptions and Outcome
Sunway Pyramid Shopping Mall - The Proposed Use of Bio-Degradable Enzyme Cooling Coil	<p>Sunway Pyramid Shopping Mall has embarked on a green initiative by introducing Bio-Degradable Enzyme Cooling Coil cleaning on its existing air-conditioning system</p> <p>This enzyme cleaning method is environmental friendly and serves to maintain the equipments' optimum operating efficiency at all times</p> <p>Therefore, energy wastage from the equipments could be minimised and this will directly benefit the environment through optimised energy utilisation</p>
All Sunway REIT's Assets - Other Initiatives	<p>General good practices were embedded into the daily operational activities of all our assets such as setting of power save mode for computers, usage of energy saving fittings such as energy efficient T5 and LED lights, switching off appliances and lights when not in use, installing light sensor for all toilets (office towers), amongst others</p> <p>Annual electricity savings amounting to 300,000 kWh or approximately RM100,000 were achieved by Sunway Resort Hotel &amp; Spa and Pyramid Tower Hotel with the conversion to energy efficient LED lights at guestroom corridors</p>

## GREEN INITIATIVES – WATER

Property/Initiative	Project Descriptions and Outcome
Sunway Pyramid Shopping Mall - Installation of Waterless Urinals System	<p>Sunway Pyramid Shopping Mall is one of the first movers in introducing waterless urinals which do not require flushing after usage as the urinal is coated with special chemicals (cost RM72,000 per annum) that breakdown the urine into environmental-friendly components</p>

## OTHER ENVIRONMENTAL-FRIENDLY INITIATIVES

Property/Initiative	Project Descriptions and Outcome
Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Menara Sunway - The 3R Practice of Reduce, Reuse & Recycle	<p>The recycled materials collected will be given to buy back centers directly for recycling purposes</p> <p>Through this project, all the waste materials from the shoppers, tenants, employees as well as public can be pooled together and recycled in a large scale amount</p> <p>In FY2014, a total of 621 tonnes of recyclables were collected (73% of cardboard, 11% newspapers, magazines &amp; papers, 10% plastic with the remaining 6% includes steel/tin, aluminium and glass)</p>
Sunway Resort Hotel & Spa - A La Minute Concept	<p>Sunway Resort Hotel &amp; Spa prepared buffets based on <i>a la minute</i> concept where food that is offered as part of the buffet is prepared in front of guests and as per the portion requested</p> <p>As for the unsold food such as bread, Sunway Resort Hotel &amp; Spa is a participant of the Roti 1Malaysia programme where leftover pastries, breads, and rolls would be sent to the homes and shelters in Klang Valley</p>

## CORPORATE RESPONSIBILITY (CONT'D)

Property/Initiative	Project Descriptions and Outcome
Sunway Pyramid Shopping Mall, Sunway Resort Hotel & Spa and Menara Sunway - Covered Walkways Connecting the Assets within Sunway Resort City ("SRC")	<p>In order to promote a healthy lifestyle among the public and to eliminate the necessity to drive from one asset to another, covered walkways were constructed within SRC</p> <p>These included the construction on the above and below ground car park linkage connecting Menara Sunway to Sunway Resort Hotel &amp; Spa and Sunway Pyramid Shopping Mall</p> <p>Also, the 'Canopy Walk' was constructed to connect Sunway Pyramid Shopping Mall to Sunway University and to Monash University Sunway Campus. The walkways are equipped with basic security features such as CCTV systems and patrolled by security guards</p> <p>These helped to promote walking culture among citizens of SRC and more importantly protecting the environment through the reduction of carbon emission into the air</p>
Sunway Carnival Shopping Mall - BEST (Bridge Express Shuttle Transit) Park and Ride Programme	<p>The mall had supported the Penang state government's initiative of reducing the use of motor vehicles among Penang citizens through the introduction of this programme</p> <p>The emission of hazardous gas to the environment such as carbon monoxide could be effectively reduced and this act also promotes the use of public transportation in the state</p> <p>Since the inception of this programme back in March 2011, Sunway Carnival Shopping Mall has continued to allow the public to park at the open area of the mall which they will then take free public transportation (Rapid Penang buses) provided by the state government to the Free Trade Zone of Bayan Lepas in Penang Island</p> <p>This initiative had been proven successful as there were more than 50,000 cars per annum that were found parking in the mall's open area to utilise this service</p>
Sunway Pyramid Shopping Mall - Widening of North Pantai Expressway ("NPE")	<p>Sunway REIT collaborates with Sunway Berhad in its community project involving the widening of the road along the New Pantai Expressway which spans from Sunway Pyramid Shopping Mall all the way to Persiaran Kewajipan junction</p> <p>This upgrading is expected to significantly alleviate the existing traffic congestion at Sunway Pyramid Shopping Mall</p> <p>The community is expected to benefit from this initiative via time saving, reduction in fuel consumption and reduction in air pollution when they patronise our trophy asset</p>
Sunway Pyramid Shopping Mall and Sunway Resort Hotel & Spa - WWF Malaysia's Earth Hour	<p>Through this event, thousands of shoppers, hotel guests and public were reached and a clear message about the importance of acting now on protecting the environment was articulated to them</p> <p>This initiative was aimed to encourage one another to reduce electricity consumptions by switching off all non-essential lights for one hour</p> <p>The hotel went beyond by extending the timing for lights-off until 12.00 midnight to all of its dining outlets</p> <p>This can be a huge stepping-stone towards long-term energy savings as the participants were more appreciative of the environment post this event, thereby they will be more mindful and encouraged to use energy efficiently in the future</p> <p>Approximately 55 kWh of energy were saved for the one hour</p>

## CORPORATE RESPONSIBILITY (CONT'D)

Property/Initiative	Project Descriptions and Outcome
Sunway Hotel Seberang Jaya - The Use of PressReader	<p>The hotel introduced the eco-friendly newspaper and magazine namely PressReader in an initiative to protect the environment</p> <p>This is a paperless initiative whereby hotel guests access to over 2,000 local and international titles from their laptops, tablets and smartphones and hence directly contributing to the environment through lesser deforestation besides leading to cost savings enjoyed by the hotel</p>
Sunway REIT – The Introduction of E-Boardroom System	<p>Sunway REIT has begun to embrace the concept of paper-free in its working environment. This is made possible through the proposed use of E-Boardroom System in all the board meetings going forward</p> <p>The projected savings from the existing use of board documents, printing and stationery and courier amount to about RM115,000 per annum. More importantly, there will be a significant reduction in the use of paper and hence it contributes positively to the current deforestation issue</p>

**PILLAR 4: COMMUNITY**

In Sunway REIT, we believe that community is one of our key stakeholders as an organisation would only exist if the society allows them to do so. We are committed in the concept of “giving back” to the society as we would like to promote human values such as love and compassion in which to us, is the fundamental values that we must prioritise at the highest level.

Be it a simple act of organising a charity dinner to the underprivileged community or transforming our entire trophy asset into a healthy lifestyle place, we are always devoted in “walking the talk” and delivering our promises towards improving our community that we live in.

Property/Initiative	Project Descriptions and Outcome
Sunway Pyramid Shopping Mall - Malaysia's First Health Promoting Mall	<p>Sunway Pyramid Shopping Mall became Malaysia's first Health Promoting Mall (“HPM”) as accredited by MySihat or the Malaysian Health Promoting Board (under the Ministry of Health)</p> <p>The launch of Sunway Pyramid Shopping Mall – Healthy Living: Health Promoting Mall was officiated by the Minister of Health, Datuk Seri Dr. S. Subramaniam on 19 November 2013</p> <p>The launch also revealed the 3 main icons for the mall's HPM: The “Beat It”, “Pump It” and “Ease It” characters. Aptly named so, “Beat It” focuses on being fit and active – getting your heart rates beating healthily, “Pump It” is all about keeping your lungs clean from smoking and “Ease It” relates to choosing your food wisely in making your stomach healthy</p> <p>Activities introduced to-date include the Pedometer Challenge and Ultimate Pedometer Challenge which requires shoppers to complete 10,000 steps within 90 minutes and 60 minutes respectively. There were a total of 250 participants during this challenge which took place from January to March 2014</p> <p>Another initiative taken is the introduction of “Fit for Thought” Booklet which emphasises on the tips of eating right, combating health issues and ways to snack healthily. Certain tenants who provide this healthy eating such as Simple Life and Beyond Veggie by Secret Recipe were also mentioned in the booklet and this serves as an indirect platform for them to enhance sales, therefore benefitting both parties</p> <p>The mall is also advocating the use of staircases instead of elevators at the Blue Zone area. The flights of stairs were re-decorated to create a more inviting ambience to shoppers. The mall also introduced a mall walk programme, where shoppers can follow a map that guides them on a trail in and out of the mall for some walking exercise</p>

## CORPORATE RESPONSIBILITY (CONT'D)

Property/Initiative	Project Descriptions and Outcome
All Sunway REIT Assets within Sunway Resort City - Smoke-free Initiative	<p>Through these, it helped to promote healthy living to all shoppers that patronise the mall on a long-term basis. Malls today have become more than just shopping but also a recreational place for lifestyles and entertainments and hence, people spend majority of their leisure time there</p> <p>In line with the objective of transforming all Sunway-owned assets within Sunway Resort City into smoke-free status by year 2018, some of the Sunway REIT's assets are currently moving towards smoke free establishments, i.e. Sunway Pyramid Shopping Mall and Menara Sunway whereas Sunway Medical Centre has already been declared a smoke-free building by receiving the Blue Ribbon Certificate Award by the Ministry of Health Malaysia</p> <p>Specific action plans have been crafted out in the medium term for Sunway Pyramid Shopping Mall to be truly classified as a smoke free area and this includes the proposal to provide a designated smoking place which is located outside the shopping mall</p>
Sunway Pyramid Shopping Mall - Safety Rangers Workshop	<p>The workshop has been organised for 3 consecutive years and tailored to provide some safety aspects and tips that young children can practice while they are in the mall</p> <p>The activities include learning about escalator and lift safety, knowing the steps to take if they got separated with their parents in the mall and being safe in the car</p> <p>A total number of 1,000 children who graduated from the workshop had basic and practical knowledge about safety measures in which they can practice in the mall</p> <p>This campaign successfully created a feeling of security and trust among parents and young families where their children can exercise independence on a gradual stage and to avoid untoward incidences</p>
Sunway Pyramid Shopping Mall - S.O.S. (Some Of uS) "Wings of Hope"	<p>In order to create an impactful CSR for Christmas, Sunway Pyramid Shopping Mall's S.O.S. (Some Of uS) "Wings of Hope" was initiated through collaboration with Children's Wish Society</p> <p>The public donated more than RM60,000 to be channelled to the Children's Wish Society of Malaysia to help fulfill terminally ill children's last wishes</p> <p>Through this event, the public learnt about how not to take their lives and the lives of others for granted. For what they have, they learnt to give so that others who are less fortunate can benefit from this simple act of giving</p>



Malaysia's First Health Promoting Mall - Official Launch



Safety Rangers Workshop

## CORPORATE RESPONSIBILITY (CONT'D)

**Festive Celebrations**

On a yearly basis, our asset management team has been embarking on festive celebrations to share the nation's various festive joys with the under-privileged community. This is important as Sunway REIT do recognise the importance of addressing and solving community issues

through collaborations with respective Asset Managers. Furthermore, it is hoped that employees from different business units can gather together and foster good working relationships which ultimately help in realising Sunway's corporate credo of "Leading with Passion".

**SHARING FESTIVE JOYS WITH THE UNDER-PRIVILEGED COMMUNITY**

Event	Participant	Beneficiary
Buka Puasa charity event - 300 Reasons to Appreciate, 300 international and local delicacies were prepared for the event	Sunway Resort Hotel & Spa supported by Nestlé (Malaysia) Berhad and Parkson Holdings	100 children and guests from Rumah Yatim Limpahan Kasih and Rumah Yatim Nur Jannah
Christmas celebration - A Fun Outing with Orphans	Sunway Carnival Shopping Mall	20 underprivileged children from Shammah Children's Home were invited for a fun outing. The children were also given a story book each and a chance to make personal sand art greeting cards
Chinese New Year celebration - A Toss for Prosperity	Sunway Resort Hotel & Spa, Sunway Pyramid Shopping Mall and Sunway Lagoon	130 people from three homes in the Klang Valley Joyhaven Home, Pusat Jagaan Insan Istimewa Semenyih and Pertubuhan Kebajikan Wanita Ikhlas Selangor were invited to a dinner at the hotel's West Lake Garden Chinese Restaurant
Chinese New Year celebration - Annual Visit to Rumah Sejahtera Permatang Tinggi (Old Folks Home)	Sunway Carnival Shopping Mall and Sunway Hotel Seberang Jaya	70 elderly residents of Rumah Sejahtera Permatang Tinggi were treated with a reunion lunch and entertaining performances such as mask-changing and Chinese orchestra. They were also given goodie bags and "ang pows" (red packets)
Year end community project - December Dreams Come True	Sunway Resort Hotel & Spa	120 orphanages namely from Pertubuhan Kebajikan Agathians Malaysia, House of Joy, Rumah Shalom and Rumah Kanak-Kanak Impian were treated to a festive dinner at The Atrium, followed by a performance by "Snow White & The Seven Dwarfs – The Musical" at Sunway Lagoon's amphitheatre

**CORPORATE RESPONSIBILITY (CONT'D)**



300 Reasons to Appreciate - Buka Puasa charity event



Christmas celebration with orphans



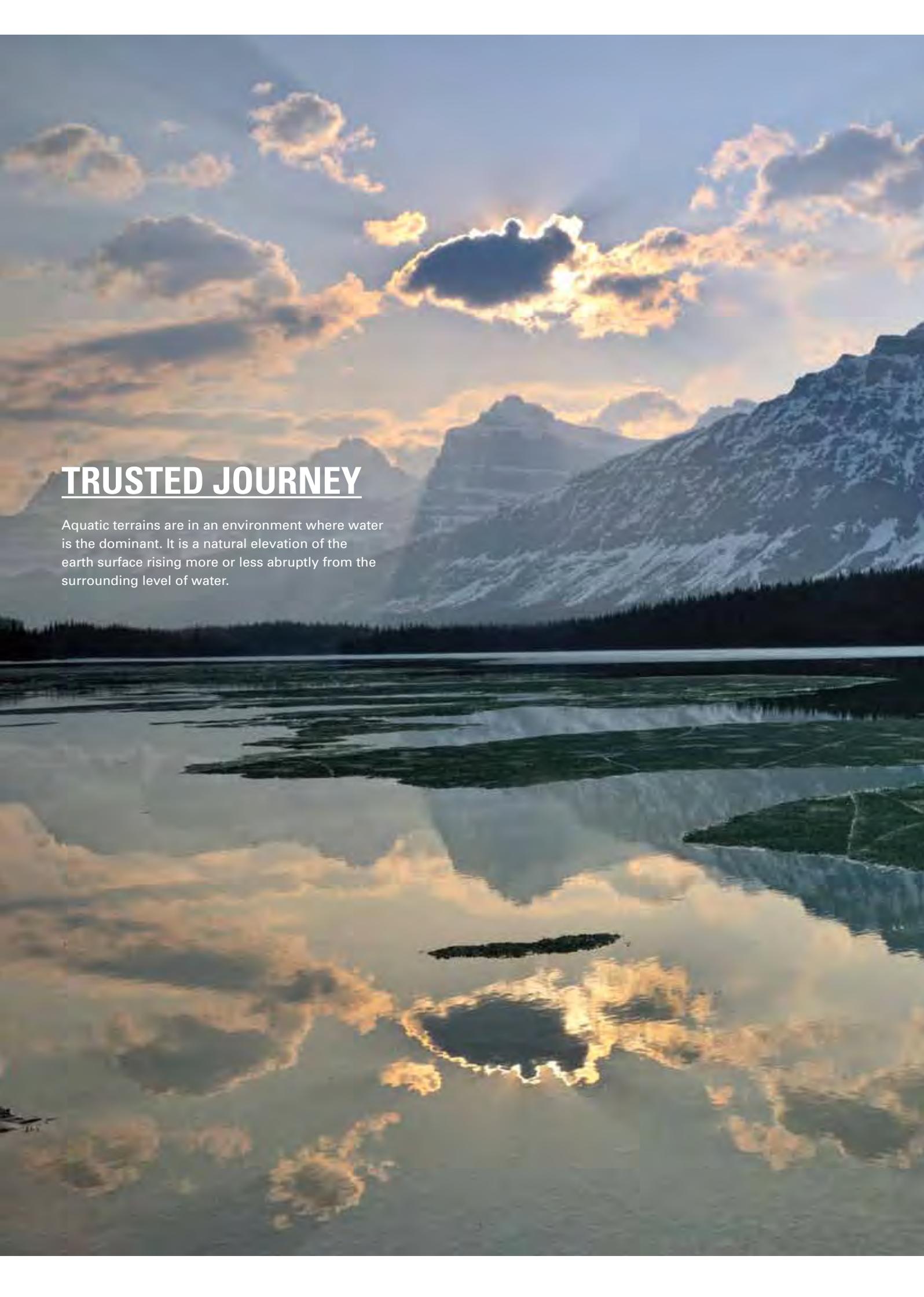
A Toss For Prosperity - Chinese New Year celebration



Annual visit to Rumah Sejahtera Permatang Tinggi (Old Folks Home)



December Dreams Come True



## TRUSTED JOURNEY

Aquatic terrains are in an environment where water is the dominant. It is a natural elevation of the earth surface rising more or less abruptly from the surrounding level of water.



## **EFFECTIVE TRANSPARENCY**

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Sunway REIT is committed to maintain the practice of good corporate governance to keep the trust of our stakeholders.

## 1. INTRODUCTION

The Board of Directors (“the Board”) of Sunway REIT Management Sdn Bhd (“Manager”) regards corporate governance as vitally important to the success of Sunway Real Estate Investment Trust’s (“Sunway REIT”) business and is unreservedly committed to applying the principles necessary to ensure that the following principles of good governance is practised in all of its business dealings in respect of its unitholders and relevant stakeholders:

- The Board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and affairs of Sunway REIT.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible for achieving a high level of good governance.
- This Board Charter shall constitute, and form, an integral part of each Director’s duties and responsibilities.

## 2. OBJECTIVES

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Manager are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to ensure that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of Sunway REIT.

In pursuit of the ideals in this Board Charter, the intention is to exceed “minimum legal requirements” with due consideration to recognised standards of best practices locally and internationally.

## 3. THE BOARD

### 3.1 Role

- 3.1.1 The Board is in charge of leading and managing the Manager and Sunway REIT in an effective and responsible manner. Each Director has a legal duty to act in the best interest of Sunway REIT. The Directors, collectively and individually, are aware of their responsibilities to unitholders and stakeholders for the manner in which the affairs of Sunway REIT are managed. The Board sets the values and standards and ensures that its obligations to its unitholders and stakeholders are understood and met.
- 3.1.2 The Board meets at least once every quarter to facilitate the discharge of their responsibilities. Members of the Management who are not Directors may be invited to attend and speak at meetings on matters relating to their sphere of responsibility.
- 3.1.3 Duties of the Board include establishing the corporate vision and mission as well as the philosophy of Sunway REIT, providing leadership to the Manager, setting the strategic directions and overseeing the management of Sunway REIT.
- 3.1.4 The main functions and roles of the Board are as follows:
- A) Setting the objectives, goals and strategic plans for the Manager and Sunway REIT with a view to maximising unitholders’ value.
  - B) Adopting and monitoring progress of the strategies, budgets, plans and policies of the Manager and Sunway REIT.
  - C) Overseeing the conduct of Sunway REIT’s properties to evaluate whether they are properly managed.
  - D) Identifying principal risks of the Manager and Sunway REIT and ensuring the implementation of appropriate systems to mitigate and manage these risks. The Board through the Risk Management Working Group, sets, where appropriate, objectives, performance targets and policies to manage the key risks faced by the Manager and Sunway REIT.
  - E) Considering Management’s recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure.
  - F) Reviewing the adequacy and integrity of the internal control systems and management information systems of the Manager and Sunway REIT, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
  - G) The Board ensures that proper and effective controls are in place to comply with applicable laws. It also sets the disclosure and transparency standards for the Manager and Sunway REIT and ensures that obligations to unitholders are understood and met.
  - H) Changes to regulations, policies, guidelines and accounting policies are monitored closely. The Board is briefed on any changes to current practices at regular Board meetings or circulated board papers.
  - I) Succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing senior management.
  - J) Developing and implementing an investor relations programme or unitholder communications policy for the Manager.

**BOARD CHARTER (CONT'D)****3.2 Composition and Board Balance**

- 3.2.1 The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.
- 3.2.2 At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members are Independent Directors.
- 3.2.3 The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations.
- 3.2.4 The Independent Directors help to ensure that the interests of all unitholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.
- 3.2.5 The views of the Independent Directors should carry significant weight in the Board's decision-making process.

**3.3 Appointments**

- 3.3.1 The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination Committee.
- 3.3.2 New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of Sunway REIT.
- 3.3.3 The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

**3.4 Directors' Training**

- 3.4.1 In addition to the Mandatory Accredited Programme (MAP) as required by Bursa Malaysia Securities Berhad ("Bursa Securities"), Board members are also encouraged to attend seminars and training programmes organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Board will assess the training needs of the Directors and disclose in the Annual Report the trainings attended by the Directors.
- 3.4.2 The Board is also constantly updated by the

Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

**3.5 Re-election**

- 3.5.1 The Manager's Articles of Association provides that one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are those who have been longest in office since their last election or appointment.

**3.6 Board Meetings and Supply of Information**

- 3.6.1 The Board meets regularly at least once every quarter to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, annual budget, capital expenditure requirements, property reports, investor relations reports, performance of the Manager and Sunway REIT against the approved budget. When necessary, the Board meets to review and approve acquisitions or disposals for recommendation to the trustee of Sunway REIT ("Trustee") or any other issues requiring the immediate attention of the Board.
- 3.6.2 Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed.
- 3.6.3 The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties' developments, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

**4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")**

There is a balance of power and authority between the Chairman and the CEO with a clear division of responsibility between the running of the Board and the business of Sunway REIT respectively. The positions of Chairman (ie. Non-Executive Chairman) and CEO are separated and clearly defined.

**4.1 Chairman**

- 4.1.1 The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:
- A) leading the Board in setting the values and standards of Sunway REIT;
- B) maintaining a relationship of trust with and between the Executive and Non-Executive Directors;

C) ensuring the provision of accurate, timely and clear information to Directors;

D) ensuring effective communication with unitholders and relevant stakeholders; and

E) ensuring that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

4.1.2 The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board.

4.1.3 The Chairman ensures that the Board members are properly briefed on issues arising at board meetings and that available information on an issue is presented to the Board.

4.1.4 The Chairman will act as the facilitator at board meetings to ensure that no Board member, whether executive or non-executive, dominates discussions, that appropriate discussion takes place and that relevant opinions among Board members is forthcoming.

4.1.5 Questions arising at any board meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, except that where two (2) Directors form a quorum and only two (2) Directors are present, or where there are only two (2) Directors who are competent to vote on the question at issue, the Chairman shall not have a casting vote.

#### 4.2 Chief Executive Officer ("CEO")

4.2.1 The CEO is the conduit between the Board and the Management in ensuring the success of the governance and management functions of Sunway REIT.

4.2.2 The CEO has the executive responsibility for the day-to-day operation of business, and the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Sunway REIT.

4.2.3 All Board authorities conferred on the Management is delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

- Audit Committee
- Remuneration Committee
- Nomination Committee

Independent and Non-Executive Directors play a leading role in these Committees.

#### 5.1 Audit Committee

5.1.1 The Audit Committee comprises three (3) members, all of whom are Independent Directors.

5.1.2 No alternate Director can be appointed as a member of the Audit Committee.

5.1.3 The Audit Committee will elect an Independent Director from amongst them as its Chairman.

5.1.4 The functions and duties of the Audit Committee are as follows:-

A) To review the following and report the same to the Board:

(a) With the External Auditors:

- (i) the audit plan and audit report and the extent of assistance rendered by employees;
- (ii) their evaluation of the system of internal controls;
- (iii) the audit fee and on matters concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as External Auditors;

(iv) the management letter and management's response; and

(v) issues and reservations arising from audits.

(b) With the Internal Auditors:

(i) the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function;

(ii) the adequacy and relevance of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;

(iii) the audit plan of work programme and results of internal audit processes including recommendations and actions taken;

#### 5. BOARD COMMITTEES

The Board appoints the following Board Committees with specific terms of reference:

**BOARD CHARTER (CONT'D)**

- (iv) the extent of cooperation and assistance rendered by employees;
  - (v) the appraisal of the performance of the internal audit function including that of the senior staff and any matter concerning their appointment and termination; and
  - (vi) the internal audit reports pertaining to the effectiveness of internal control, risk management and governance processes including compliance with the operational manuals and regulatory requirements, as well as ensuring that the audit recommendations are promptly implemented by the management.
- (c) The quarterly results and year end financial statements prior to the approval by the Board, focusing particularly on:
- (i) changes in and implementation of major accounting policies and practices;
  - (ii) significant and unusual issues;
  - (iii) going concern assumption; and
  - (iv) compliance with accounting standards, regulatory and other legal requirements.
- (d) The major findings of investigations and management's response.
- (e) The propriety of any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity as set out in the Securities Commission's Guidelines on Real Estate Investment Trusts and the Deed.
- B) To report any breach of the Listing Requirements of Bursa Securities which has not been satisfactorily resolved, to Bursa Securities.
- C) To prepare the Audit Committee Report for inclusion in the Sunway REIT's Annual Report.
- D) To review the disclosure statements of the Board and other disclosures forming the contents of annual report spelt out in the Securities Commission's Guidelines on Real Estate Investment Trusts.
- E) To review the procedures for detecting fraud and whistleblowing, and ensuring that arrangements are in place whereby employees may, in confidence, raise concerns or any possible improprieties in the matters of financial reporting, financial control or any other matters.
- 5.1.5 The Audit Committee meets on a quarterly basis to carry out its functions. However, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene additional meeting to consider the matters brought to its attention.
- 5.1.6 The CEO, Chief Financial Officer, Internal Auditors and External Auditors attend the meetings at the invitation of the Audit Committee.
- 5.1.7 The Board will review the performance of the Audit Committee once in every three (3) years.

**5.2 Remuneration Committee**

- 5.2.1 The Remuneration Committee comprises Non-Executive Directors and a majority of the Committee members are appointed from amongst the Independent Non-Executive Directors.
- 5.2.2 The Remuneration Committee will elect an Independent Non-Executive Director from amongst them as its Chairman.
- 5.2.3 The Remuneration Committee's primary responsibilities include establishing, reviewing and recommending to the Board, the remuneration packages of the Executive Director(s) and Chief Financial Officer.

**5.3 Nomination Committee**

- 5.3.1 The Nomination Committee shall be appointed by the Board of Directors from among their members and shall comprise not fewer than three (3) members.
- 5.3.2 The Nomination Committee comprise entirely of Non-Executive Directors, the majority of whom, including the Chairman, must be independent.
- 5.3.3 The members of the Nomination Committee shall elect a Chairman from among their members who is not an Executive Director of the Company.

5.3.4 In the event of any vacancy in the Nomination Committee resulting in the number of members being reduced to below three (3), the Board shall, within three (3) months fill the vacancy.

5.3.5 The functions of the Nomination Committee are as follows:-

- (a) To determine the core competencies and skills required of Directors to best serve the business and operations of the Company as a whole and the optimum size of the Board to reflect the desired skills and competencies.
- (b) To review the size of Non-Executive Directors, Board balance and determine if additional Directors are required and also to ensure that at least one-third (1/3) of the Board is independent.
- (c) To consider in making its recommendations, candidates for directorships proposed by the Chairman and/or the Chief Executive Officer and within the bounds of practicability, by any other senior executive or any Director or shareholder.
- (d) To review and assess nominations for appointment or re-appointment of members of the Board of Directors, the key executives of the Company, and members of the various Board committees, for the purpose of proposing such nominations to the Board for approval.
- (e) To undertake a review of the required mixed of skill, independence, experience, diversity and other qualities of directors, including core competencies which Non-Executive Directors should bring to the Board and to disclose this in the Annual Report.
- (f) To review the Board structure, its size and composition annually having regard to the scope and nature of the operations and the core competencies of the Directors.
- (g) To review and determine on an annual basis, the independence of Independent Directors.
- (h) To assist the Board to implement a procedure to be carried out by the Committee for assessing the effectiveness of the Board as a whole and the Board Committees, as well as for assessing the contributions and performance of individual Directors and Board Committee members.

(i) To introduce such regulations, guidelines, policies and/or procedures to function effectively and fulfil the Committee's objectives.

(j) To determine appropriate training for Directors and review the fulfilment of such training, where appropriate.

## 6. REMUNERATION LEVELS OF DIRECTORS

6.1 The remuneration of the CEO is structured on the basis of linking rewards to corporate and individual performance. Each Independent Non-Executive Director receive a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committee meetings. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account.

6.2 Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages for Executive and Non-Executive Directors.

## 7. FINANCIAL REPORTING

### 7.1 Transparency

7.1.1 In presenting the annual financial statements, Annual Report and quarterly results to unitholders, the Board aims to provide a balanced and understandable assessment of Sunway REIT's financial position, performance and prospects.

7.1.2 The Board ensures that the financial statements are prepared so as to give a true and fair view of the current financial status of Sunway REIT in accordance with the approved accounting standards. The Board is assisted by the Audit Committee to oversee Sunway REIT's financial reporting processes and the quality of its financial reporting.

7.1.3 The quarterly financial results are announced to Bursa Securities as early as possible within two (2) months after the end of each quarterly financial period.

### 7.2 External Auditors

7.2.1 The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through its Audit Committee.

**BOARD CHARTER (CONT'D)**

7.2.2 The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors. The Board ensures that the External Auditors do not supply a substantial volume of non-audit services.

7.2.3 The appointment of External Auditors, who may be nominated by the Manager, must be approved by the Trustee. The External Auditors appointed must be independent of the Manager and the Trustee. The remuneration of the External Auditors must be approved by the Trustee.

**7.3 Internal Controls and Risk Management**

7.3.1 Sunway REIT has an outsourced internal audit function, which critically reviews all aspects of the activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls are undertaken on a regular basis. The Head of Internal Audit has direct access to the Board through the Chairman of the Audit Committee.

7.3.2 The Board ensures the system of internal controls is reviewed on a regular basis.

7.3.3 The Audit Committee receives reports regarding the outcome of such reviews on a regular basis.

**7.4 Compliance Officer**

7.4.1 The Manager has a designated compliance officer working towards ensuring the compliance with all legislations, rules and guidelines issued by the Securities Commission and Bursa Securities as well as Sunway REIT's Deed.

**8. ANNUAL GENERAL MEETING ("AGM")**

8.1 The Board regards the AGM as an important event in the corporate calendar of which all Directors and key personnel should attend.

8.2 The Board regards the AGM as the principal forum for dialogue with unitholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from the unitholders.

8.3 The Chairman encourages active participation by the unitholders during the AGM.

8.4 The Chairman and where appropriate, the Chief Executive Officer responds to unitholders' queries during the AGM.

**9. INVESTOR RELATIONS AND UNITHOLDER COMMUNICATION**

9.1 The Board values constant dialogue and is committed to clear communication with unitholders and investors. In this respect, as part of Sunway REIT's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Sunway REIT's performance, corporate strategy and other matters affecting unitholders' interests.

9.2 The Manager communicates information on Sunway REIT to unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to Sunway REIT requiring disclosure under the Listing Requirements of Bursa Securities. Communication channels with unitholders are also made accessible via:-

- Press and analysts' briefings
- One-on-one/group meetings, conference calls, investor luncheons, domestic/overseas roadshows and conferences
- Annual Reports
- Press releases on major developments of Sunway REIT
- Sunway REIT's website at [www.sunwayreit.com](http://www.sunwayreit.com)

9.3 With the majority of units in Sunway REIT held by institutional investors, the Manager considers meetings with local and foreign fund managers an integral part of investor relations. These meetings and roadshows with investors enabled the Manager to update potential and current unitholders on Sunway REIT's significant developments and its medium to long term strategies. Sunway REIT also participates in various local and overseas conferences as part of its efforts to build interest in the Malaysia's real estate investment trust market.

9.4 In addition to ensuring that the published Annual Report is available to all unitholders and quarterly results announced to Bursa Securities, Sunway REIT has established a website at [www.sunwayreit.com](http://www.sunwayreit.com) from which investors and unitholders can access for information.

9.5 While the Manager endeavours to provide as much information as possible to unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

**10. RELATIONSHIP WITH OTHER STAKEHOLDERS**

In the course of pursuing the vision and mission of Sunway REIT, the Board recognises that no company can exist by maximising unitholders value alone. In this regard, the needs and interests of other stakeholders are also taken into consideration.

**10.1 Employees**

- 10.1.1 The Board acknowledges that the employees are invaluable assets of Sunway REIT and play a vital role in achieving its vision and mission.
- 10.1.2 The Manager adopts comprehensive and documented policies and procedures with respect to occupational safety and health with the objective of providing a safe and healthy working environment for all employees.

**10.2 Environment**

- 10.2.1 The Board acknowledges the need to safeguard and minimise the impact to the environment in the course of achieving the vision and mission of Sunway REIT.
- 10.2.2 The Manager adopts comprehensive and documented policies and procedures as part of its commitment to protect the environment and contribute towards sustainable development.
- 10.2.3 The Manager supports initiatives on environmental issues.

**10.3 Corporate Responsibility**

- 10.3.1 The Board acknowledges that Sunway REIT should play a vital role in contributing towards the welfare of the community in which it operates.
- 10.3.2 The Manager supports charitable causes and initiatives on community development projects.

**11. COMPANY SECRETARY**

- 11.1 The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.
- 11.2 The Company Secretary is accountable to the Board on all governance matters.
- 11.3 The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting Sunway REIT and/or the Manager.
- 11.4 The Company Secretary must keep abreast of, and inform the Board of current governance practices.
- 11.5 The Board members have unlimited access to the professional advice and services of the Company Secretary.

## CODE OF CONDUCT & BUSINESS ETHICS

### 1. INTRODUCTION

Sunway REIT Management Sdn Bhd's ("Manager") Code of Conduct and Business Ethics ("Code") provides the ethical framework to guide actions and behaviour of all Directors and Employees of the Manager while at work.

This Code reflects the increasing need for effective corporate governance compliance measures in the conduct of Sunway Real Estate Investment Trust's ("Sunway REIT") operations. It emphasizes and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Manager and Sunway REIT.

### 2. OBJECTIVE

The objective of the Code is to provide guidance on the standards of behaviour expected of all Directors and Employees of the Manager, and where applicable, Counterparts and Business Partners. The standards of behaviour are derived from the Manager's Core Values and Business Principles. For all intent and purposes, all Directors and Employees of the Manager shall always observe and ensure compliance with all applicable laws and regulations to which they are bound to observe in the discharge of their duties.

### 3. SCOPE

The Code is applicable to Directors and Employees (including full time, probationary, contract and temporary staff) ("Employees") of the Manager. Each Employee has a duty to read and understand the Code. Violation of any of the Code's provisions can result in disciplinary action, including termination of employment. The Code applies to all businesses and countries in which Sunway REIT operates.

### 4. CORE SECTIONS OF CONDUCT

#### A. Act with Integrity & Ethics

##### I. Avoid Conflict of Interest

A conflict between an Employee's personal interests and the interests of Sunway REIT is a conflict of interest. All Employees must avoid such conflicts and situations that may be perceived as creating a conflict of interest that may influence their judgment in the discharge of responsibilities. Directors and Employees of the Manager must not use their positions or knowledge gained directly or indirectly in the course of their duties or employment for private or personal advantage (directly or indirectly).

##### II. Corrupt Practices are Strictly Prohibited

Corrupt practices are operationally defined as the misuse of entrusted power for private gain. Directors and Employees of the Manager must comply strictly all provisions of the Malaysian Anti-Corruption Commission Act (MACC) 2009 accordingly.

##### III. Acceptance and Provision of Gifts and Entertainment

It is important not to accept or provide inappropriate gifts or entertainment as it may create conflict of interest and influence business decisions. Generally, acceptance of inexpensive "token" non-cash gifts which are occasional, customary gifts during festive or special occasions and gifts from social events

attended by the Directors or Employees of the Manager is permissible. In addition, infrequent and moderate business meals and entertainment with clients and infrequent invitations to attend local social events and celebratory meals with clients can be appropriate aspects of promoting good business relationships, provided that they are not excessive and do not create the appearance of impropriety.

#### IV. Solicitation of Sponsorship

The Manager discourages its Employees, whether directly or indirectly, from soliciting, accepting or agreeing to accept, from any party any form of sponsorship or gifts and hospitality from business partners. Sponsorship gifts and hospitality may be in the form of cash or cash equivalent, personal services, loans, events or meals where the business partner is absent or during periods when important business decisions are being made. Sponsorship gifts and hospitality must never influence business decisions and must not place the Employee or the Manager under any obligation.

#### V. Insider Trading

An Employee should not buy or sell and should not recommend and suggest anyone else buy or sell the units of Sunway REIT either directly or indirectly when he/she is aware of insider information about Sunway REIT, for personal benefit. A violation of this policy can result in civil and criminal penalties.

#### VI. Fraud

An Employee must not engage in any forms of fraudulent acts or any dishonest conducts involving property or assets, or on the financial reporting and accounting of Sunway REIT or third party. This may not only entail sanctions but also result in criminal charges.

#### B. Comply with Laws & Regulations

##### I. Ensure Compliance with Applicable Laws & Regulations

The Manager and Sunway REIT will comply with all applicable laws, rules and regulations of the governments, commissions and exchanges in jurisdictions and countries within which Sunway REIT operates. Each of the Employees is responsible for taking appropriate actions to understand and comply with the laws, rules and regulations that are applicable to their positions and/or work.

#### C. Working with One Another

##### I. Health & Safety

The Manager strives to provide a safe, secure and conducive workplace environment. Every Employee must diligently observe and comply with all Occupational Safety and Health laws and regulations of any country and the Manager's environmental safety rules and regulations.

##### II. Sexual Harassment & Violence

The Manager will not tolerate and condone any form of harassment and violence. Any Employee of the

## CODE OF CONDUCT & BUSINESS ETHICS (CONT'D)

Manager who believes that he/she has been subjected to harassment can lodge a report to Group Human Resource who will be responsible to review the case and consider the appropriate course of action where applicable.

### III. Respect, Equal and Non-Discrimination

The Employees will be treated with respect and dignity. The Manager endeavours to provide equal opportunity to ensure that employment decisions are based on merits and performance without regard to race, religion, gender, age, nationality or disability, and shall not create any form of discrimination or prejudice in the workplace.

### D. Protect Sunway's Assets & Intellectual Property

#### I. Protect Sunway REIT's Information & Assets

The Manager values and protects all proprietary and confidential information of Sunway REIT and is committed to protecting its assets and resources. Directors and employees of the Manager are expected to exercise reasonable care to safeguard Sunway REIT's assets to avoid any loss, damage, misuse or theft. In addition, we must safeguard proprietary, confidential information, plus personally identifiable information at all time to prevent harm to Sunway REIT, our unitholders, and individuals or other third parties that have trusted us with their information.

#### II. Confidential Information

All Directors and Employees of the Manager must exercise caution and due care to safeguard any information of a confidential and sensitive nature relating to Sunway REIT which is acquired in the course of their employment, and are strictly prohibited to disclose to any party, unless the disclosure is duly authorized or legally mandated. In the event that a Director or an Employee of the Manager know of material information affecting Sunway REIT which has not yet been publicly released, the material information must be held in the strictest confidence by the Director or Employee of the Manager involved until it is publicly released.

#### III. Records Management & Control

All books, records and accounts must be controlled and maintained so that they are prepared timely and conform to generally accepted and applicable accounting principles and to all applicable laws and regulations.

### E. Ensure Financial and Non-Financial Integrity & Controllorship

#### I. Maintain Books & Records

The Manager is responsible for ensuring that the Manager and Sunway REIT's books and records are recorded accurately, fairly and reasonably reflect the substance of transactions. They must comply with company accounting policies and internal control requirements.

Purposely misrepresenting information or activities on the Manager and Sunway REIT's documents and reports may be considered falsification of documentation, which is a serious offence. The Manager reserves the right to report any act of misrepresentation suspected of being criminal in nature to the police or other relevant authorities.

#### II. Comply with Internal Controls & Procedures

Maintain and adhere to sound internal controls and procedures to ensure critical risks are managed to the best of ability and that financial and operational information accurately reflects all business transactions timely and unbiased, financial forecasts and assessments are genuine and assets are safeguarded.

### F. Environment

#### I. Sustainable Development

The Manager strives to achieve sustainable development by focusing on safeguarding people's health, operating the business responsibly, protecting the environment, and fostering good relationships with the communities in which the Manager operates.

## 5. ADMINISTRATION

### 5.1 Reporting of violations of the Code

The Employee should seek advice when unsure of an appropriate legal or ethical course of action. Employees are encouraged to report concerns of violation of the Code through the Manager's existing Whistleblowing Policy. No individual will be discriminated or suffer any act of retaliation for reporting in good faith.

### 5.2 Review of the Code

The Manager will monitor compliance with the Code and review the Code regularly to ensure it remains relevant and appropriate.

## AUDIT COMMITTEE REPORT

### FORMATION

The Audit Committee was formed by the Board of Directors of the Manager on 22 September 2010.

The objective of the Audit Committee is to assist the Board of Directors of the Manager in fulfilling its fiduciary responsibilities relating to internal controls, financial and accounting records and policies as well as financial reporting practices of Sunway REIT.

### COMPOSITION

The members of the Audit Committee since its establishment and during the financial year ended 30 June 2014 were as follows:-

1. Tan Sri Ahmad Bin Mohd Don - Chairman  
(Senior Independent Non-Executive Director)
2. Willy Shee Ping Yah @ Shee Ping Yan  
(Independent Non-Executive Director)
3. Elvin A/L Bertly Luke Fernandez  
(Independent Non-Executive Director)

### MEETINGS AND ATTENDANCE

All or any members of the Committee may participate in a meeting of the Audit Committee by means of teleconference or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote as well as be taken into account in ascertaining the presence of a quorum at the meeting.

The Audit Committee held 4 meetings during the financial year and the details of attendance of the Committee Members are as follows:-

Name of Committee Members	Number of meetings attended
Tan Sri Ahmad Bin Mohd Don	4/4
Willy Shee Ping Yah @ Shee Ping Yan	4/4
Elvin A/L Bertly Luke Fernandez	4/4

The Chief Executive Officer, Chief Financial Officer, Internal Auditors and External Auditors were invited to the meetings held. The External Auditors were present at 2 of the total meetings held.

### TERMS OF REFERENCE

#### 1. MEMBERSHIP

- 1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than 3 members.

- 1.2 All members of the Committee must be non-executive Directors, a majority of whom are Independent Directors as defined in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 1.3 The members of the Committee should be financially literate and shall include at least 1 person:-
  - (a) who is a member of the Malaysian Institute of Accountants; or
  - (b) who must have at least 3 years' working experience and:
    - (i) have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - (ii) is a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - (c) who must have at least 3 years' post qualification experience in accounting or finance and:
    - (i) has a degree/ masters/ doctorate in accounting or finance; or
    - (ii) is a member of one of the professional accountancy organisations which has been admitted as a full member of the International Federation of Accountants; or
  - (d) who must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 1.4 No Alternate Director shall be appointed as a member of the Committee.
- 1.5 The members of the Committee shall elect a Chairman from amongst their number, who shall be an Independent Director.
- 1.6 If a member of the Committee resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraphs 1.1, 1.2 or 1.3 above, the Board of Directors must fill the vacancy within 3 months.
- 1.7 The terms of office and performance of the Committee and each of its members shall be reviewed by the Board of Directors no less than once every 3 years. However, the appointment terminates when a member ceases to be a Director.

**AUDIT COMMITTEE REPORT (CONT'D)****2. MEETINGS**

- 2.1 The quorum for a Committee Meeting shall be at least 2 members, who must be Independent Directors.
- 2.2 The Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide.
- 2.3 Notwithstanding paragraph 2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 2.5 The non-member Directors and employees of the Company shall normally attend the meetings at the Committee's invitation, to assist in its deliberations and resolutions of matters raised. However, at least twice a year, the Committee should meet with the External Auditors without the presence of the executive board members.
- 2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters as well as the recommendations relating thereto and to follow-up on all relevant decisions made.
- 2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.9 In addition to the availability of detailed minutes of the Committee Meetings to the Board of Directors, the Committee at each Board Meeting, will report a summary of significant matters and resolutions.

**3. RIGHTS AND AUTHORITY**

The Committee is authorised to:-

- 3.1 Investigate any matter within its terms of reference.
- 3.2 Have adequate resources required to perform its duties.
- 3.3 Have full and unrestricted access to information, records and documents relevant to its activities.

- 3.4 Have direct communication channels with the External and Internal Auditors.
- 3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.
- 3.6 Convene meetings with the External Auditors, Internal Auditors, Property Manager or its service providers or all of them, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

**4. FUNCTIONS AND DUTIES**

- 4.1 To review the following and report to the Board of Directors:-
  - (a) With the External Auditors:
    - (i) the audit plan and audit report and the extent of assistance rendered by employees of the Auditee, Property Manager or its service providers;
    - (ii) their evaluation of the system of internal controls;
    - (iii) the audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as External Auditors;
    - (iv) the management letter and management's response; and
    - (v) issues and reservations arising from audits.
  - (b) With the Internal Auditors:
    - (i) the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company;
    - (ii) the adequacy and relevance of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;
    - (iii) the audit plan of work programme and results of internal audit processes including recommendations and actions taken;
    - (iv) the extent of cooperation and assistance rendered by employees of Auditee, the Property Manager or its service providers;
    - (v) the appraisal of the performance of the internal audit function including that of the senior staff and any matter concerning their appointment and termination; and

**AUDIT COMMITTEE REPORT (CONT'D)**

- (vi) the internal audit reports pertaining to the effectiveness of internal control, risk management and governance processes including compliance with the operational manuals, Securities Commission's Guidelines on Real Estate Investment Trusts and Listing Requirements of Bursa Malaysia Securities Berhad and ensuring that the audit recommendations are promptly implemented by the management.
  - (c) The quarterly results and year end financial statements prior to the approval by the Board of Directors, focusing particularly on:-
    - (i) changes and implementation of major accounting policies and practices;
    - (ii) significant and unusual issues;
    - (iii) going concern assumption; and
    - (iv) compliance with accounting standards, regulatory and other legal requirements.
  - (d) The major findings of investigations and management response.
  - (e) The propriety of any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity as set out in the Securities Commission's Guidelines on Real Estate Investment Trusts and the Deed.
- 4.2 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to Bursa Malaysia Securities Berhad.
- 4.3 To prepare the Audit Committee Report for inclusion in the Sunway REIT's Annual Report covering:-
- (a) the composition of the Committee including the name, designation and directorship of the members;
  - (b) the terms of reference of the Committee;
  - (c) the number of meetings held and details of attendance of each member of the Committee;
  - (d) a summary of the activities of the Committee in the discharge of its functions and duties; and
  - (e) a summary of the activities of the internal audit function.
- 4.4 To review the following for publication in the Sunway REIT's Annual Report:-
- (a) the disclosure statement of the Board of Directors on:
    - (i) the applications of the principles set out in the Malaysian Code on Corporate Governance 2012; and
    - (ii) the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance 2012, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas.
  - (b) the statement on the Board of Directors' responsibility for the preparation of the annual audited financial statements.
  - (c) the disclosure statement on the state of the risk management and internal controls system of the Company.
  - (d) other disclosures forming the contents of annual report spelt out in the Securities Commission's Guidelines on Real Estate Investment Trusts.
- 4.5 To carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors which would be beneficial to the Company and Sunway REIT and to ensure the effective discharge of the Committee's duties and responsibilities.
- 4.6 To review the procedures for detecting fraud and whistleblowing, and ensuring that arrangements are in place whereby employees may, in confidence, raise concerns or any possible improprieties in the matters of financial reporting, financial control or any other matters.

**SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE**

The activities of the Audit Committee for the financial year ended 30 June 2014 included the following:-

- (a) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes with the Internal Auditors.
- (b) Reviewed the audit activities carried out by the Internal Auditors and the audit reports to ensure corrective actions were taken in addressing the risk issues reported.
- (c) Reviewed with the assistance of the Internal Auditors and management, the adequacy, appropriateness and compliance of the procedures established to monitor recurrent related party transactions.
- (d) Reviewed with the External Auditors, the audit plan for the year (inclusive of risk and audit approach, system evaluation, audit fees, issues raised and management responses) prior to the commencement of the annual audit.

## AUDIT COMMITTEE REPORT (CONT'D)

- (e) Reviewed the extent of assistance rendered by management and issues and reservations arising from audits with the External Auditors without the presence of management staff and the executive board members.
- (f) Reviewed the financial statements, the audit report, issues and reservations arising from statutory audit with the External Auditors.
- (g) Reviewed and discussed the Management Accounts with management.
- (h) Reviewed the quarterly results and financial statements with management and the External Auditors for recommendation to the Board of Directors for approval and release to Bursa Malaysia Securities Berhad.
- (i) Reviewed and endorsed all related party transactions entered into by Sunway REIT as well as the statements by the Audit Committee in respect of the related party transactions announced to Bursa Malaysia Securities Berhad.
- (j) Reviewed any conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
- (k) Discussed the implications that may arise or affect Sunway REIT and/or the Manager pursuant to any latest changes and pronouncements issued by the statutory and regulatory bodies.
- (l) Reported to the Board on significant issues and concerns discussed during the Committee's meetings together with appropriate recommendations. Minutes of meetings were tabled, discussed and noted by all Board members.
- (m) Recommended to the Board and endorsed by Trustee on the appointment and remuneration of external auditors.
- (n) Reviewed and recommended for the Board's approval, the Audit Committee Report and Statement on Risk Management & Internal Control for inclusion into the Annual Report of Sunway REIT.
- (o) Assessed and evaluated on the performance, independence and suitability of the External Auditors for its re-appointment as Auditors of the Company and Sunway REIT.

### AUDIT COMMITTEE'S TRAINING

The details of training programmes and seminars attended by each Committee Member during the financial year ended 30 June 2014 are set out in the Corporate Governance Statement under "Directors' Training".

### INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The internal audit function is outsourced and undertaken by the Internal Audit Department of the Manager's holding company. During the financial year ended 30 June 2014, the Internal Audit Department carried out the following activities:-

- (a) Prepared the annual audit plan for the approval of the Committee.
- (b) Regularly performed risk based audits, which covered reviews of the internal control system, accounting and management information system and risk management.
- (c) Issued audit reports to the Committee and management identifying weaknesses and issues as well as highlighting recommendations for improvements.
- (d) Acted on suggestions made by the Committee and/or senior management on concerns over operations or controls and significant issues.
- (e) Followed up on management corrective actions on audit issues raised by the External Auditors.
- (f) Reported to the Committee on review of the adequacy, appropriateness and compliance with the procedures established to monitor recurrent related party transactions.
- (g) Performed independent evaluation on the operation of risk management framework focusing primarily on the adequacy and effectiveness of the said framework.

The costs incurred by the Manager for the internal audit function in respect of the financial year ended 30 June 2014 amounted to RM300,000.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 1. INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of public listed companies should establish a sound risk management framework and internal controls system to safeguard shareholders' investment and assets. Set out below is the Statement on Risk Management and Internal Control of Sunway REIT made by the Board of Directors ("the Board") of Sunway REIT in compliance with Chapter 15, Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

### 2. THE BOARD'S RESPONSIBILITY

The Board places importance on, and is committed to maintaining a sound system of internal control and effective risk management practices in the Manager to ensure good corporate governance. The Board affirms its responsibility for continuously reviewing the adequacy and integrity of the Manager's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines and risk management.

Notwithstanding that, as with any risk management and internal control system, the Manager's system of risk management and internal control are designed to manage rather than eliminate the risk threatening the achievement of business objectives. It follows, therefore, that the system of risk management and internal control can only provide reasonable but not absolute assurance against material misstatement of financial and management information and records, or against financial losses or fraud.

The Manager has in place an on-going process of identifying, evaluating, monitoring and managing the key risks affecting the achievement of its business objectives and strategies throughout the period. The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying the risks and assessing the potential impacts of the risks, monitors and manages the risk through suitable internal controls and mitigating action plans. The Board reviews this process on a quarterly basis and is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement, is adequate and effective.

The Board has received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Manager.

### 3. THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

#### 3.1 Monitoring Mechanisms and Management Style

Scheduled periodic meetings of the Board, Board Committees and management represent the main platform by which the Manager's performance and conduct are monitored. The daily running of the

business is entrusted to the CEO and his respective management teams. Under the purview of the Non-Executive Chairman and CEO, the Asset Managers of the respective properties of Sunway REIT are empowered with the responsibility of managing their respective operations.

The CEO actively communicates the Board's expectations to management at the management meetings. At these meetings, risks relating to strategy, operational, financial and external environment are discussed and dealt with action plans.

The Board is responsible for setting the business direction and for overseeing the conduct of the Manager's operations through its various Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to governance, risks, internal controls and regulatory compliance.

#### 3.2 Risk Management Framework

The Manager adopts a robust risk management framework that enables it to continuously identify, evaluate, mitigate and monitor risks that affect Sunway REIT in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk management scorecard to facilitate systematic review and monitoring.

The risk management process is integrated with the business processes, enabling proper risk management at operation level of each property, as well as at Sunway REIT's level. Risks identified are systematically evaluated with proper mitigating action in place, developed to manage the risks to an acceptable level and monitored on continuous basis.

This framework is designed to identify, quantify and control various risks encountered in Sunway REIT's business operations. The Manager can only mitigate but not completely eliminate all risks, in particular systemic risks.

The framework basically:

- establishes clear functional responsibilities and accountabilities for the management of risk;
- determines risk appetite and risk tolerance based on measurable parameters related to critical risks that may impact the strategy, performance and reputation of Sunway REIT;
- sets risk policies and limits consistent with the risk appetite and risk tolerance of the Manager; and
- ensures appropriate skills and resources are applied to risk management.

#### 3.3 Whistleblowing Policy

The Audit Committee has embarked on the implementation of whistleblowing policy and procedures. This whistleblowing policy has been established to promote fraud awareness. The objective of whistleblowing policy is to encourage the employees of the managers and other stakeholders, to

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

report on suspected fraud, corrupt practices, abuses, or other similar matters relating to Sunway REIT. The employees are encouraged to report such matters in good faith, with the confidence that they will be treated fairly and shall be protected from reprisal.

The procedures provide employees of the Manager, the unitholders and other stakeholders, accessible channels to whistle-blow on the concerns relating to Sunway REIT, and for independent investigation of these reports and appropriate follow-up action.

### 3.4 Key Elements of the Manager's System of Internal Control

The current system of internal control has within it, the following key elements:-

- Clear vision, mission, corporate philosophy and strategic direction which are communicated to employees at all levels.
- The Board with appropriate management reporting mechanisms which enable the Board to review the performance of Sunway REIT.
- Board approved annual budgets and business plans prepared by each property during the Business Plan exercise to consider the relevant strengths, weaknesses, opportunities and threats including competitor, market and broader environmental analysis.
- Investment strategies and criteria which are agreed and formulated by the Investment Appraisal Working Group and recommendation on any acquisition or divestment would be presented to the Board for approval before escalating to the Trustee for approval.
- The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operating, financial, human resources and health and safety matters.
- The use of the intranet as an effective means of communication and knowledge sharing.
- Regular management meetings involving the review of the operations and financial performance of each property.
- Communication of policies and guidelines in relation to human resources matters to all employees through a staff handbook which is also available on the intranet.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to personnel across all functions to maintain a high level of competency and capability.
- The outsourced internal audit function which carries out internal audits based on an annual risk-based audit plan approved by the Audit Committee.

### 3.5 Assurance Mechanisms

The Audit Committee, with the assistance of the Internal Auditors is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the system of internal control. In carrying out

its responsibilities, the Audit Committee relies significantly on the support of the internal audit function, which carries out internal audits based on a risk-based audit plan approved annually by the Audit Committee.

Based on these audits, the Audit Committee is provided with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control. In addition, the Audit Committee also reviews and deliberates on any matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

The Manager has a designated compliance officer to ensure the compliance with all legislations, rules and guidelines issued by the Securities Commission ("SC") and Bursa Malaysia Securities Berhad as well as Sunway REIT's Deed. The compliance officer ensures that the proper framework with compliance manuals, procedures, guidance and assessment questionnaires are in place for compliance of the REIT Deed, SC REIT Guidelines, SC Licensing Handbook, the Capital Markets and Services Act 2007 and the Main Market Listing Requirements.

In addition, the Manager has formed a Risk Management Working Group which has the responsibility for overseeing the risk management activities of Sunway REIT, approving appropriate risk management procedures and measurement methodologies as well as identification and management of strategic business risks of Sunway REIT.

### 4. THE BOARD'S COMMITMENT

The Board recognises that Sunway REIT operates in a dynamic business environment in which the internal control system must be responsive in order to be able to support its business objectives. To this end, the Board remains committed towards maintaining a sound system of internal control and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

### 5. THE BOARD'S CONCLUSION

The Board is pleased to report that the state of the internal control system and risk management practices are able to meet the objective of the Manager and Sunway REIT to ensure good corporate governance. There was no material control failure or weakness that would have material adverse effect on the results of Sunway REIT for the period under review.

This Statement on Risk Management and Internal Control was approved by the Board on 11 August 2014.



**Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO**  
Chairman

## ADDITIONAL INFORMATION

### ADDITIONAL INFORMATION

The information set out below is disclosed in compliance with the Securities Commission's Guidelines on Real Estate Investment Trusts:-

#### 1. SANCTIONS AND/OR PENALTIES

There was no public sanction and/or penalty imposed on Sunway REIT, Directors or Management of the Manager by the relevant regulatory bodies during the financial year ended 30 June 2014.

#### 2. NON-AUDIT FEES

There was no non-audit fee paid to the External Auditors of Sunway REIT for the financial year ended 30 June 2014.

#### 3. SOFT COMMISSION

There was no soft commission received by the Manager during the financial year ended 30 June 2014.

#### 4. VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 30 June 2014 and the unaudited results previously announced by Sunway REIT. Sunway REIT did not release any profit estimate, forecast or projection for the financial year.

#### 5. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF THE DIRECTORS AND MAJOR UNITHOLDERS

Save as disclosed, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by Sunway REIT involving the interests of the Directors and major unitholders during the financial year ended 30 June 2014:-

- (a) the second supplemental agreement dated 3 July 2013 between the Trustee, the Manager and Sunway Putra Hotel Sdn Bhd ("SPHSB") ("SPH Second Supplemental Agreement") of the hotel master lease dated 29 June 2011 made between the Trustee, the Manager and SPHSB ("SPH HMLA"), to vary the guaranteed rent to be paid to the Trustee under the first supplemental agreement to the SPH HMLA dated 5 January 2012 for the period from 1 July 2013 to 30 June 2014. The guaranteed rent shall be paid in the manner as reasonably directed by the Trustee.
- (b) the supplemental letter dated 7 August 2013 between Trustee, the Manager and Sunway Medical Centre Sdn Bhd ("SMCSB") to vary Clause 22.7 of the Master Lease Agreement dated 9 October 2012 ("SMC MLA") to reflect the new terms and conditions in relation to the proposed renovation works to Level 4 (Tower Block A) and Level 5 (Tower Block B) of the 7-storey purpose-built hospital building (with the lower ground floor annexed with a multi-storey car park block and a convention centre) situated on all those parcels of leasehold lands held under PN12549 Lot 38160 and PN12550 Lot 45 of Bandar Sunway, Daerah Petaling, Negeri Selangor.

Additional rent shall be added to the existing rent paid by SMCSB to the Trustee, payable in the manner as reasonably directed by the Trustee.

- (c) the second car park tenancy agreements dated 25 September 2013 respectively, between the Trustee and Sunway Leisure Sdn Bhd ("SLSB") as the tenant, to renew the respective tenancies for a further term of three (3) years commencing from 8 July 2013 in relation to the following properties:-

- (i) Sunway Tower;
- (ii) Menara Sunway;
- (iii) Sunway Pyramid Shopping Mall;
- (iv) Sunway Carnival Shopping Mall;
- (v) Sunway Resort Hotel & Spa;
- (vi) Pyramid Tower Hotel; and
- (vii) Sunway Hotel Seberang Jaya.

The rent payable to the Trustee is an amount equivalent to the base rent and 95% of the gross operating profit payable monthly to the Trustee by way of cheque, direct bank transfer or as reasonably directed by the Trustee.

- (d) the letter of variation dated 14 May 2014 between RHB Trustees Berhad (as Trustee for Sunway REIT), the Manager and Sunway Putra Hotel Sdn Bhd to vary the guaranteed rent for the period from 1 July 2014 to 30 June 2015 in the same manner as agreed and stated in the SPH Second Supplemental Agreement. The guaranteed rent shall be paid in the manner as reasonably directed by the Trustee.
- (e) the letter of award dated 21 May 2014 totalling approximately RM21.7 million ("Provisional Contract Sum") to Deco Style Sdn Bhd ("Deco Style") in relation to the proposed refurbishment of Sunway Putra Tower. The Provisional Contract Sum shall be paid in stages as and when invoiced, via cheque, direct bank transfer or as reasonably directed by the Trustee.

#### Relationship of Related Parties for item (a) & (d) above

SPHSB, a wholly-owned subsidiary of Sunway is deemed related party to the Manager by virtue of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih are Directors of Sunway and the Manager. They are also substantial shareholders of Sunway, the ultimate holding company of SPHSB. Dato' Ngeow Voon Yean is a Director of SPHSB and the Manager.

#### Relationship of Related Parties for item (b) above

SMCSB, a wholly-owned subsidiary of Sunway is deemed related party to the Manager by virtue of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih are Directors of Sunway and the Manager. Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih are Directors and Alternate Director respectively of SMCSB. They are also substantial shareholders of Sunway, the ultimate holding company of SMCSB.

#### Relationship of Related Parties for item (c) above

SLSB, a wholly-owned subsidiary of Sunway is deemed related party to Sunway REIT by virtue of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih are Directors of Sunway and the Manager. They are also substantial unitholders of Sunway REIT and substantial shareholders of Sunway. Dato' Ngeow Voon Yean is a Director of SLSB and the Manager.

#### Relationship of Related Parties for item (e) above

Deco Style, a wholly-owned subsidiary of Sunway is deemed related party to Sunway REIT by virtue of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih are Directors of Sunway and the Manager. They are also substantial unitholders of Sunway REIT and substantial shareholders of Sunway.



## OPPORTUNITIES ABOUND

Fold mountains are mountains formed mainly by the effects of folding on layers within the upper part of the Earth's crust. They are created through a process called orogeny that takes millions of years to create a mountain range because tectonic plates move only centimeters every year.



## **FINANCIAL INSIGHT**

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- 238** Notice of 2<sup>nd</sup> Annual General Meeting
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Sunway REIT has strategic plans to ensure consistent growth in their financial returns. Opportunities are reaped through persistence and resilience.

**MANAGER'S REPORT**

The Manager of Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund"), Sunway REIT Management Sdn. Bhd., has pleasure in presenting its report together with the audited financial statements of the Group and of the Fund for the financial year ended 30 June 2014.

Sunway REIT is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed") between Sunway REIT Management Sdn. Bhd. (the "Manager") and RHBTrustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010.

Sunway REIT's key objective is to provide unitholders with exposure to a diverse portfolio of authorised investments (pursuant to provisions of the Deed) that will provide stable cash distributions with the potential for sustainable growth in net asset value ("NAV") per Unit.

Sunway REIT seeks to achieve its investment objective via the following broad strategies:

- a) active asset management strategy;
- b) acquisition growth strategy; and
- c) capital and risk management strategy.

The Manager is of the view that it has achieved the investment objective for the financial year ended 30 June 2014. There was no change in the strategies and policies employed during the financial year.

**Other information**

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Fund 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Manager is not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Fund inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Fund 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 Group and of the Fund 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 financial statements of the Group and of the Fund which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and of the Fund 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 Group or of the Fund which has arisen since the end of the financial year.

**FINANCIAL STATEMENTS (CONT'D)**

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**MANAGER'S REPORT (CONT'D)****Other information (cont'd)**

(f) In the opinion of the Manager:

- (i) no contingent or other liability 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 Group or of the Fund to meet their 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 Group or of the Fund for the financial year in which this report is made.

**Significant events during the financial year**

Significant events during the financial year are disclosed in Note 36 to the financial statements.

**Material litigations**

Material litigations are disclosed in Note 37 to the financial statements.

**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 11 August 2014.



Dato' Ng Tiong Lip



Sarena Cheah Yean Tih

**STATEMENT BY THE MANAGER**

The Manager acknowledges its responsibilities for the preparation and fair presentation of the financial statements of Sunway Real Estate Investment Trust. In the opinion of the Manager, the financial statements set out on pages 156 to 223 are drawn up in accordance with the provisions of the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2014 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 on page 224 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 11 August 2014.



Dato' Ng Tiong Lip



Sarena Cheah Yean Tih

**STATUTORY DECLARATION**

I, Wai Sow Fun, being the officer primarily responsible for the financial management of Sunway Real Estate Investment Trust, do solemnly and sincerely declare that the accompanying financial statements set out on pages 156 to 224 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 Wai Sow Fun  
at Petaling Jaya in the State of Selangor  
Darul Ehsan on 11 August 2014



Wai Sow Fun

Before me,



No. 69A, Jalan SS21/37  
Damansara Utama (Up Town)  
47400 Petaling Jaya, Selangor D.E

**FINANCIAL STATEMENTS (CONT'D)**

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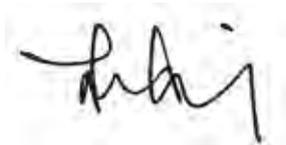
**TRUSTEE'S REPORT TO THE UNITHOLDERS OF  
SUNWAY REAL ESTATE INVESTMENT TRUST**

We have acted as Trustee of Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund") for the financial year ended 30 June 2014. In our opinion and to the best of our knowledge, Sunway REIT Management Sdn. Bhd. (the "Manager") has managed Sunway REIT during the period covered by these financial statements, set out on pages 156 to 223 in accordance with the limitations imposed on the investment powers of the Manager, the provisions of the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia and the applicable securities laws.

We have ensured that the procedures and processes employed by the Manager to value/price the units of Sunway REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 30 June 2014 are in line with and are reflective of the objective of Sunway REIT.

For and on behalf of the Trustee,  
RHB Trustees Berhad



Tony Chieng Siong Ung  
Director

Kuala Lumpur, Malaysia  
11 August 2014

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
SUNWAY REAL ESTATE INVESTMENT TRUST****Report on the financial statements**

We have audited the financial statements of Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund"), which comprise the statements of financial position as at 30 June 2014 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 156 to 223.

*Manager's and Trustee's responsibility for the financial statements*

The Manager of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements 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.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view 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 Fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

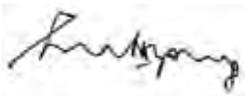
In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia so as to give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2014 and of their financial performance and cash flows for the year then ended.

**FINANCIAL STATEMENTS (CONT'D)****INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
SUNWAY REAL ESTATE INVESTMENT TRUST (CONT'D)****Other reporting responsibilities**

The supplementary information set out in Note 38 on page 224 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Manager is responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (the "MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

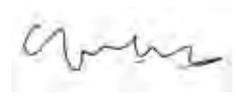
**Other matters**

This report is made solely to the Unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
11 August 2014



Yap Seng Chong  
No. 2190/12/15(J)  
Chartered Accountant

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group		Fund	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Gross revenue	4	427,788	415,946	427,788	415,946
Property operating expenses	5	(106,811)	(106,750)	(106,811)	(106,750)
Net property income		320,977	309,196	320,977	309,196
Other income	6	2,278	1,402	2,278	1,402
Changes in fair value of investment properties	13	179,122	173,487	179,122	173,487
Net investment income		502,377	484,085	502,377	484,085
Manager's fees	7	(25,834)	(24,271)	(25,834)	(24,271)
Trustee's fees		(1,103)	(991)	(1,063)	(951)
Auditors' remuneration:					
Statutory audits		(164)	(153)	(161)	(150)
Underprovision in prior years		(5)	-	(7)	-
Other services		-	(80)	-	(80)
Tax agent's fee		(22)	(25)	(21)	(23)
Valuation fees		(159)	(825)	(159)	(825)
Other trust expenses		(935)	(1,814)	(977)	(1,859)
Finance costs	8	(63,031)	(63,604)	(63,031)	(63,604)
Total expenses		(91,253)	(91,763)	(91,253)	(91,763)
Profit before tax		411,124	392,322	411,124	392,322
Income tax expense	9	-	-	-	-
<b>Profit for the year</b>		<b>411,124</b>	<b>392,322</b>	<b>411,124</b>	<b>392,322</b>
Profit for the year comprises the following:					
Realised		231,931	218,785	231,931	218,785
Unrealised		179,193	173,537	179,193	173,537
		411,124	392,322	411,124	392,322
Basic earnings per Unit (sen):	10				
Realised		7.93	7.87	7.93	7.87
Unrealised		6.13	6.24	6.13	6.24
		14.06	14.11	14.06	14.11
Distribution per Unit (sen)	11	8.36	8.30	8.36	8.30

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Profit for the year</b>	<b>411,124</b>	<b>392,322</b>	<b>411,124</b>	<b>392,322</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods*:</b>				
Cash flow hedge - fair value of derivative	4,944	(915)	4,944	(915)
Cash flow hedge reserve recycled to profit or loss	(3,200)	1,100	(3,200)	1,100
<b>Total comprehensive income for the year</b>	<b>412,868</b>	<b>392,507</b>	<b>412,868</b>	<b>392,507</b>

Realised profit for the year is arrived at as follows:

Profit for the year	411,124	392,322	411,124	392,322
Less: Changes in fair value of investment properties	(179,122)	(173,487)	(179,122)	(173,487)
Less: Unrealised foreign exchange gain	-	(2)	-	(2)
Add/(Less): Unrealised foreign exchange loss/(gain) (hedged item)	3,200	(1,100)	3,200	(1,100)
(Less)/Add: Cash flow hedge reserve recycled to profit or loss	(3,200)	1,100	(3,200)	1,100
Less: Others	(71)	(48)	(71)	(48)
<b>Realised profit for the year</b>	<b>231,931</b>	<b>218,785</b>	<b>231,931</b>	<b>218,785</b>

\* There is no tax effect arising from the component of the other comprehensive income

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## Income Distribution

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Realised profit for the year	231,931	218,785	231,931	218,785
Add: Surplus cash arising from 50%				
Manager's fees paid/payable in units	12,917	12,135	12,917	12,135
Total available for income distribution for the year	244,848	230,920	244,848	230,920
Brought forward undistributed income				
available for distribution	169	142	169	142
Total available for income distribution	245,017	231,062	245,017	231,062
Distribution to Unitholders during the year:				
Distribution of 2.03 sen per unit for period from 1 July 2012 to 30 September 2012	-	(54,782)	-	(54,782)
Distribution of 2.19 sen per unit for period from 1 October 2012 to 31 December 2012	-	(59,144)	-	(59,144)
Distribution of 0.97 sen per unit for period from 1 January 2013 to 13 February 2013	-	(26,196)	-	(26,196)
Distribution of 1.09 sen per unit for period from 14 February 2013 to 31 March 2013	-	(31,799)	-	(31,799)
Proposed final income distribution of 2.02 sen per unit for period from 1 April 2013 to 30 June 2013 <sup>1</sup>	-	(58,972)	-	(58,972)
Distribution of 2.00 sen per unit for period from 1 July 2013 to 30 September 2013	(58,429)	-	(58,429)	-
Distribution of 2.23 sen per unit for period from 1 October 2013 to 31 December 2013	(65,198)	-	(65,198)	-
Distribution of 2.10 sen per unit for period from 1 January 2014 to 31 March 2014	(61,453)	-	(61,453)	-
Proposed final income distribution of 2.03 sen per unit for period from 1 April 2014 to 30 June 2014 <sup>1</sup>	(59,453)	-	(59,453)	-
Balance undistributed arising from rounding difference	484	169	484	169

<sup>1</sup> The proposed final income distribution will be recognised and paid in the immediate subsequent financial year

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2014

	Note	Group	
		2014 RM'000	2013 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	12	3,039	1,283
Investment properties	13	5,520,000	5,184,000
Derivative	19	-	7,540
		<b>5,523,039</b>	<b>5,192,823</b>
<b>Current assets</b>			
Trade receivables	15	12,135	13,238
Other receivables	16	4,226	4,952
Cash and bank balances	18	54,607	58,519
Derivative	19	12,484	-
		<b>83,452</b>	<b>76,709</b>
<b>Total assets</b>		<b>5,606,491</b>	<b>5,269,532</b>
<b>Equity and liabilities</b>			
<b>Unitholders' funds</b>			
Unitholders' capital	20	2,702,788	2,690,002
Undistributed income		985,283	816,467
		<b>3,688,071</b>	<b>3,506,469</b>
<b>Non-current liabilities</b>			
Borrowings	21	1,000,000	1,317,850
Long term liabilities	22	60,279	41,956
		<b>1,060,279</b>	<b>1,359,806</b>
<b>Current liabilities</b>			
Trade payables	23	3,305	3,383
Other payables	24	112,794	85,105
Borrowings	21	742,042	314,769
		<b>858,141</b>	<b>403,257</b>
<b>Total equity and liabilities</b>		<b>5,606,491</b>	<b>5,269,532</b>
Units in circulation ('000)		<b>2,928,715</b>	2,919,423
Net asset value ("NAV") per Unit (RM):			
Before income distribution <sup>1</sup>		<b>1.2593</b>	1.2011
After income distribution <sup>2</sup>		<b>1.2390</b>	1.1809

<sup>1</sup> Before the proposed final income distribution of 2.03 sen per unit (2013: 2.02 sen per unit)

<sup>2</sup> After the proposed final income distribution of 2.03 sen per unit (2013: 2.02 sen per unit)

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF FINANCIAL POSITION (CONT'D)  
AS AT 30 JUNE 2014

	Note	Fund	
		2014 RM'000	2013 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	12	3,039	1,283
Investment properties	13	5,520,000	5,184,000
Investments in subsidiaries	14	- <sup>1</sup>	- <sup>1</sup>
Derivative	19	-	7,540
		<b>5,523,039</b>	<b>5,192,823</b>
<b>Current assets</b>			
Trade receivables	15	12,135	13,238
Other receivables	16	4,226	4,952
Cash and bank balances	18	54,607	58,519
Derivative	19	12,484	-
		<b>83,452</b>	<b>76,709</b>
<b>Total assets</b>		<b>5,606,491</b>	<b>5,269,532</b>
<b>Equity and liabilities</b>			
<b>Unitholders' funds</b>			
Unitholders' capital	20	2,702,788	2,690,002
Undistributed income		985,286	816,470
		<b>3,688,074</b>	<b>3,506,472</b>
<b>Non-current liabilities</b>			
Amount due to a subsidiary	17	1,000,000	1,000,000
Borrowings	21	-	317,850
Long term liabilities	22	60,279	41,956
		<b>1,060,279</b>	<b>1,359,806</b>
<b>Current liabilities</b>			
Trade payables	23	3,305	3,383
Other payables	24	105,274	77,605
Amounts due to subsidiaries	17	19,509	322,266
Borrowings	21	730,050	-
		<b>858,138</b>	<b>403,254</b>
<b>Total equity and liabilities</b>		<b>5,606,491</b>	<b>5,269,532</b>
Units in circulation ('000)		<b>2,928,715</b>	<b>2,919,423</b>
Net asset value ("NAV") per Unit (RM):			
Before income distribution <sup>2</sup>		<b>1.2593</b>	1.2011
After income distribution <sup>3</sup>		<b>1.2390</b>	1.1809

<sup>1</sup> Value less than RM1,000<sup>2</sup> Before the proposed final income distribution of 2.03 sen per unit (2013: 2.02 sen per unit)<sup>3</sup> After the proposed final income distribution of 2.03 sen per unit (2013: 2.02 sen per unit)

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CHANGES IN NET ASSET VALUE  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## Group

	Unitholders' Capital RM'000	Undistributed Income		Unitholders' Capital RM'000
		Realised RM'000	Unrealised RM'000	
<b>As at 1 July 2013</b>	<b>2,690,002</b>	<b>26,208</b>	<b>790,259</b>	<b>3,506,469</b>
<b>Total comprehensive income</b>				
Profit for the year	-	231,931	179,193	411,124
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	4,944	4,944
- Cash flow hedge reserve recycled to profit or loss	-	-	(3,200)	(3,200)
<b>Total comprehensive income, representing the increase in net assets resulting from operations</b>	<b>2,690,002</b>	<b>258,139</b>	<b>971,196</b>	<b>3,919,337</b>
<b>Unitholders' transactions</b>				
Creation of Units (Note 20):				
- Manager's fees paid in Units	12,786	-	-	12,786
Distribution to Unitholders:				
- Income distribution declared and paid in current year (Note 11)	-	(185,080)	-	(185,080)
- Income distribution proposed in prior year but paid in current year	-	(58,972)	-	(58,972)
<b>Increase/(decrease) in net assets resulting from Unitholders' transactions</b>	<b>12,786</b>	<b>(244,052)</b>	<b>-</b>	<b>(231,266)</b>
<b>As at 30 June 2014</b>	<b>2,702,788</b>	<b>14,087</b>	<b>971,196</b>	<b>3,688,071</b>

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CHANGES IN NET ASSET VALUE (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## Group (cont'd)

	Unitholders' Capital RM'000	Undistributed Income		Unitholders' Capital RM'000
		Realised RM'000	Unrealised RM'000	
<b>As at 1 July 2012</b>	<b>2,361,487</b>	<b>30,307</b>	<b>616,537</b>	<b>3,008,331</b>
<b>Total comprehensive income</b>				
Profit for the year	-	218,785	173,537	392,322
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	(915)	(915)
- Cash flow hedge reserve recycled to profit or loss	-	-	1,100	1,100
<b>Total comprehensive income, representing the increase in net assets resulting from operations</b>	<b>2,361,487</b>	<b>249,092</b>	<b>790,259</b>	<b>3,400,838</b>
<b>Unitholders' transactions</b>				
Creation of Units (Note 20):				
- Pursuant to private placement	320,000	-	-	320,000
- Manager's fees paid in Units	11,885	-	-	11,885
Unit issuance expenses (Note 25)	(3,370)	-	-	(3,370)
Distribution to Unitholders:				
- Income distribution declared and paid in current year (Note 11)	-	(171,921)	-	(171,921)
- Income distribution proposed in prior year but paid in current year	-	(50,963)	-	(50,963)
Increase/(decrease) in net assets resulting from Unitholders' transactions	328,515	(222,884)	-	105,631
<b>As at 30 June 2013</b>	<b>2,690,002</b>	<b>26,208</b>	<b>790,259</b>	<b>3,506,469</b>

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CHANGES IN NET ASSET VALUE (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## Fund

	Unitholders' Capital RM'000	Undistributed Income		Unitholders' Funds RM'000
		Realised RM'000	Unrealised RM'000	
<b>As at 1 July 2013</b>	<b>2,690,002</b>	<b>26,211</b>	<b>790,259</b>	<b>3,506,472</b>
<b>Total comprehensive income</b>				
Profit for the year	-	231,931	179,193	411,124
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	4,944	4,944
- Cash flow hedge reserve recycled to profit or loss	-	-	(3,200)	(3,200)
Total comprehensive income, representing the increase in net assets resulting from operations	2,690,002	258,142	971,196	3,919,340
<b>Unitholders' transactions</b>				
Creation of Units (Note 20):				
- Manager's fees paid in Units	12,786	-	-	12,786
Distribution to Unitholders:				
- Income distribution declared and paid in current year (Note 11)	-	(185,080)	-	(185,080)
- Income distribution proposed in prior year but paid in current year	-	(58,972)	-	(58,972)
Increase/(decrease) in net assets resulting from Unitholders' transactions	12,786	(244,052)	-	(231,266)
<b>As at 30 June 2014</b>	<b>2,702,788</b>	<b>14,090</b>	<b>971,196</b>	<b>3,688,074</b>

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CHANGES IN NET ASSET VALUE (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## Fund (cont'd)

	Unitholders' Capital RM'000	Undistributed Income		Unitholders' Funds RM'000
		Realised RM'000	Unrealised RM'000	
<b>As at 1 July 2012</b>	<b>2,361,487</b>	<b>30,310</b>	<b>616,537</b>	<b>3,008,334</b>
<b>Total comprehensive income</b>				
Profit for the year	-	218,785	173,537	392,322
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	(915)	(915)
- Cash flow hedge reserve recycled to profit or loss	-	-	1,100	1,100
<b>Total comprehensive income, representing the increase in net assets resulting from operations</b>	<b>2,361,487</b>	<b>249,095</b>	<b>790,259</b>	<b>3,400,841</b>
<b>Unitholders' transactions</b>				
Creation of Units (Note 20):				
- Pursuant to private placement	320,000	-	-	320,000
- Manager's fees paid in Units	11,885	-	-	11,885
Unit issuance expenses (Note 25)	(3,370)	-	-	(3,370)
Distribution to Unitholders:				
- Income distribution declared and paid in current year (Note 11)	-	(171,921)	-	(171,921)
- Income distribution proposed in prior year but paid in current year	-	(50,963)	-	(50,963)
<b>Increase/(decrease) in net assets resulting from Unitholders' transactions</b>	<b>328,515</b>	<b>(222,884)</b>	<b>-</b>	<b>105,631</b>
<b>As at 30 June 2013</b>	<b>2,690,002</b>	<b>26,211</b>	<b>790,259</b>	<b>3,506,472</b>

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group		Fund	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Operating activities</b>					
Cash receipts from customers		442,606	423,601	442,606	423,601
Refundable security deposits from customers		16,094	7,801	16,094	7,801
Cash paid for operating expenses		(143,844)	(133,933)	(143,844)	(133,933)
Net cash generated from operating activities		314,856	297,469	314,856	297,469
<b>Investing activities</b>					
Acquisition of plant and equipment	Note a	(1,829)	(816)	(1,829)	(816)
Acquisition of investment properties	13	-	(310,000)	-	(310,000)
Incidental costs on acquisition of investment properties	Note b	-	(3,381)	-	(3,381)
Subsequent expenditure of investment properties	Note c	(118,779)	(58,699)	(118,779)	(58,699)
Interest received		2,275	1,278	2,275	1,278
Net cash used in investing activities		(118,333)	(371,618)	(118,333)	(371,618)
<b>Financing activities</b>					
Proceeds from issuance of new units		-	320,000	-	320,000
Proceeds from issuance of commercial papers		2,976,000	6,077,000	-	-
Proceeds from issuance of unrated medium term notes		-	1,000,000	-	-
Drawdown of revolving loans/credits		1,477,000	3,325,000	1,477,000	3,325,000
Repayment of commercial papers		(3,279,000)	(6,312,000)	-	-
Repayment of revolving loans/credits		(1,068,000)	(4,025,000)	(1,068,000)	(4,025,000)
Interest paid		(62,383)	(51,877)	(62,383)	(51,877)
Payment of unit issuance and financing expenses		-	(3,370)	-	(3,370)
Net change in inter-company balances		-	-	(303,000)	765,000
Distribution paid		(244,052)	(222,884)	(244,052)	(222,884)
Net cash (used in)/generated from financing activities		(200,435)	106,869	(200,435)	106,869
Net (decrease)/increase in cash and bank balances		(3,912)	32,720	(3,912)	32,720
Cash and bank balances at beginning of year		58,519	25,799	58,519	25,799
Cash and bank balances at end of year		54,607	58,519	54,607	58,519

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CASH FLOWS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group		Fund	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances at end of year comprise:					
Cash on hand and at banks		45,802	4,786	45,802	4,786
Deposits with licensed financial institutions		8,805	53,733	8,805	53,733
Cash and bank balances at end of year	18	54,607	58,519	54,607	58,519
Less: Deposit with a licensed financial institution with maturity of more than 3 months		(840)	-	(840)	-
Cash and cash equivalents at end of year		53,767	58,519	53,767	58,519
Note a:					
Additions of plant and equipment	12	2,112	998	2,112	998
Additions via deferred payment		(484)	(182)	(484)	(182)
Payment of plant and equipment purchased via deferred payment in prior year		201	-	201	-
Cash outflow for acquisition of plant and equipment		1,829	816	1,829	816
Note b:					
Incidental costs on acquisition of investment properties, representing cash outflow for incidental costs on acquisition of investment properties	13	-	3,381	-	3,381
Note c:					
Subsequent expenditure of investment properties	13	156,878	67,132	156,878	67,132
Additions via deferred payment		(40,716)	(13,015)	(40,716)	(13,015)
Payment of subsequent expenditure of investment properties incurred via deferred payment in prior year		2,617	4,582	2,617	4,582
Cash outflow for subsequent expenditure of investment properties		118,779	58,699	118,779	58,699

The accompanying notes form an integral part of the financial statements.

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****1. Fund information**

Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed") between Sunway REIT Management Sdn. Bhd. (the "Manager") and RHB Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010.

The registered office of the Manager is located at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

The principal place of business is located at Level 15, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

Sunway REIT is an income and growth fund with the key investment objective to provide unitholders with exposure to a diverse portfolio of authorised investments (pursuant to provisions of the Deed) that will provide stable cash distributions with the potential for sustainable growth in net asset value ("NAV") per Unit. The principal investment policy of Sunway REIT is to invest in retail, hospitality, office and other real estate assets, subject to the REIT Guidelines. The principal activities of the subsidiaries are set out in Note 31.

There has been no significant change in the nature of the principal activity during the financial year.

The consolidated financial statements comprise the Fund and its subsidiaries (the "Group").

The financial statements for the financial year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors of the Manager on 11 August 2014.

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

**1.1 Manager's fees**

Pursuant to the Deed, the Manager of Sunway REIT is entitled to receive the following fees from Sunway REIT:

- (a) Base fee of 0.3% per annum on the total assets value;
- (b) Performance fee of 3% per annum of net property income, but before deduction of fees payable to the Property Manager;
- (c) Acquisition fee of 1% of the acquisition price of any future assets of Sunway REIT or a Single-Purpose Company acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest in Real Estate or Single-Purpose Company purchased by the Trustee for Sunway REIT); and
- (d) Divestment fee of 0.5% of the sale price of any future assets of Sunway REIT or a Single-Purpose Company sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the assets of Sunway REIT sold).

The Manager's fees shall be net of all applicable tax, duties and levies imposed by the relevant authorities in Malaysia. The Manager shall be paid the base fee and performance fee which may be in the form of cash, new Units or a combination thereof, with the initial applicable proportion to be 50% in the form of cash and 50% in the form of new Units, such proportion which may be varied at the discretion of the Manager. The Manager's fees are payable quarterly in arrears.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****1. Fund information (cont'd)****1.2 Property management fees**

The Property Manager, Azmi Real Estate Management Sdn. Bhd. ("Azmi"), is entitled to receive a fixed fee for managing the retail and office properties owned by Sunway REIT. Azmi and/or its service providers shall be reimbursed in full for the property expenses which include the employment and remuneration costs of the centralised team of employees of Azmi and/or its service providers as provided in the Property Management Agreement dated 3 July 2013. The property management fees and reimbursements are payable monthly in arrears.

During the financial year, the Trustee and the Manager have appointed AREM (Malaysia) Sdn. Bhd. as the new Property Manager of Sunway REIT with effect from 1 July 2014 to replace Azmi, whose term of appointment has expired on 30 June 2014 and did not seek reappointment due to organizational restructuring. The appointment is for a term of one (1) year, with an option to extend for a further term of one (1) year. All the principal terms and conditions of the appointment are consistent with those previously signed with Azmi.

**1.3 Trustee's fees**

Pursuant to the Deed, the Trustee of Sunway REIT is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, calculated on a monthly accrual basis, based on a year of 12 months and is payable monthly in arrears.

The trustee of SunREIT Capital Berhad, PB Trustee Services Berhad, is entitled to receive a predetermined annual fixed fee.

**2. Summary of significant accounting policies****2.1 Basis of preparation**

The financial statements of the Group and of the Fund have been prepared in accordance with the provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards.

The financial statements of the Group and of the Fund have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 2. Summary of significant accounting policies (cont'd)

##### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2013, the Group and the Fund adopted the following new and amended MFRSs and IC Interpretations mandatory for annual periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group and of the Fund.

##### MFRS 13: Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group and of the Fund. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair value were determined. Fair value hierarchy is provided in Note 33.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**2. Summary of significant accounting policies (cont'd)**

**2.3. Standards and interpretations issued but not yet effective**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Fund's financial statements are disclosed below. The Group and the Fund have not adopted the following standards and interpretations that have been issued but not yet effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The Manager expects that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

**MFRS 9: Financial Instruments**

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion.

The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's and of the Fund's financial assets, but will not have an impact on classification and measurements of the Group's and of the Fund's financial liabilities. The Group and the Fund will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.4 Fair value measurement**

The Group and the Fund measure non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability; or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group and the Fund use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Fund determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Manager determines the policies and procedures for the recurring fair value measurement, such as investment properties and derivative.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.4 Fair value measurement (cont'd)**

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria of external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Manager analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's and the Fund's accounting policies. For this analysis, the Manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Manager, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group and the Fund have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**2.5 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Fund. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- (i) The contractual arrangement with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Group's voting rights and potential voting rights.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 2. Summary of significant accounting policies (cont'd)

##### 2.5 Basis of consolidation (cont'd)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

##### Business combinations

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

##### 2.6 Foreign currency

###### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Fund are presented in Ringgit Malaysia ("RM"), which is also the Group's and the Fund's functional currency.

###### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Fund and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**2. Summary of significant accounting policies (cont'd)**

**2.6 Foreign currency (cont'd)**

**(b) Foreign currency transactions (cont'd)**

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**2.7 Plant and equipment**

All items of plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group and the Fund recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Office/computer equipment	10 - 20%
Furniture and fittings	10%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

**2.8 Investment properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.8 Investment properties (cont'd)**

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group or the Fund holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for plant and equipment set out in Note 2.7 up to the date of change in use.

**2.9 Impairment of non-financial assets**

The Manager assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Manager makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.10 Subsidiaries**

In the Fund's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and the carrying amounts is recognised in the profit or loss.

**2.11 Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Fund determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

**(a) Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

**(b) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.11 Financial assets (cont'd)**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Fund commit to purchase or sell the asset.

**2.12 Impairment of financial assets**

The Manager assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

**(a) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Manager considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Manager's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**2.13 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.14 Provisions**

Provisions are recognised when the Group or the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**2.15 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

**(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Fund that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

**(b) Other financial liabilities**

The Group's and the Fund's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability 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.

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.16 Derivatives financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group and the Fund designate and document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and the Fund assess both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and applies hedge accounting only where effectiveness tests are met on both a prospective and retrospective basis. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group and the Fund do not have any fair value hedges and net investment hedges except for cash flow hedge.

**Cash flow hedge**

The Group and the Fund use cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuations over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve until such time as the hedged items affect profit or loss, then the gains or losses are transferred to the profit or loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit or loss. The application of hedge accounting will create some volatility in equity reserve balances.

Where a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time remain in equity and are recognised when the forecast transaction is ultimately recognised in the profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the profit or loss.

**2.17 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Fund incurred in connection with the borrowing of funds.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**2. Summary of significant accounting policies (cont'd)**

**2.18 Leases**

Leases where the Group or the Fund is the lessor and retains substantially all the risks and rewards 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 bases as rental income. The accounting policy for rental income is set out in Note 2.19 (a), (b), (c) and (d).

**2.19 Revenue and other income**

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the Fund and the revenue and other income can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable.

**(a) Rental income**

Rental income is derived from renting of retail and office properties to tenants and includes base rent, turnover rent and service and promotion charges from tenants. Base rent and service and promotion charges are recognised in profit or loss on a straight-line basis over the term of lease. Contingent rent such as turnover rent is recognised as income in the profit or loss on an accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

**(b) Hotel master lease income**

Hotel master lease income is derived from leasing of hotel properties to hotel operators for a 10-year lease term and is recognised on accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis. The hotel master lease income is derived based on the following total rent formula:

Total rent = The higher of variable rent or guaranteed rent

Variable rent = Base rent plus 70% of (hotel's gross operating profit less master lease expenses)

- (i) Base rent: 20% of the hotel's gross operating revenue.
- (ii) Gross operating profit: Hotel's gross operating revenue less operating expenses.
- (iii) Master lease expenses: Base rent, reserve for furniture, fittings and equipment and hotel management fees.

**(c) Hospital master lease income**

Hospital master lease income is derived from leasing of a medical premise to a hospital operator for a 10-year lease term at a predetermined annual rental with a 3.5% annual rental increase and is recognised on a straight-line basis over the term of lease unless recoverability is in doubt, in which case, it is recognised on receipt basis.

The hospital master lease is based on a triple net basis whereby all the property operating expenses, quit rent, assessment and insurance will be borne by the hospital operator.

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.19 Revenue and other income (cont'd)****(d) Carpark rental income**

Carpark rental income is derived from renting of the investment properties' carpark space to carpark operators and is recognised on accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis. The carpark rental income is derived based on the following variable rent formula:

Variable rent = Base rent plus 95% of carpark's gross operating profit

- (i) Base rent: 20% of the carpark's gross operating revenue.
- (ii) Gross operating profit: Carpark's gross operating revenue less base rent and operating expenses.

**(e) Other operating income**

Other operating income mainly comprises rental from common area of the retail properties for promotional events and is recognised on the accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

**(f) Interest income**

Interest income from short term deposits is recognised on the accrual basis, using the effective interest method, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

**2.20 Income taxes****(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.20 Income taxes (cont'd)****(b) Deferred tax (cont'd)**

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. No deferred tax assets and liabilities have been recognised as the Fund is exempted from income tax since the Fund intends to distribute at least 90% of its total taxable income in all its future years.

Where investment properties are carried at fair value in accordance with the accounting policy set out in Note 2.8, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying values at the reporting date unless the property is depreciable and is held with the objective to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**2.21 Segment reporting**

For management purposes, the Group is organised into operating segments based on their business and geographical segment which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Manager who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment's performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****2. Summary of significant accounting policies (cont'd)****2.22 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Fund. Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Fund.

**3. Judgements made in applying accounting policies**

The preparation of the Group's and of the Fund's financial statements requires the Manager 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

**3.1 Judgements made in applying accounting policies**

In the process of applying the Group's and the Fund's accounting policies, the Manager has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

**Classification between investment properties and plant and equipment**

The Group and the Fund have developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Fund would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the 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 discussed below.

**(a) Depreciation of plant and equipment**

The useful lives and residual values of plant and equipment are also estimated based on common life expectancies and commercial factors applied in the various respective industries.

Changes in expected level of usage, occupancy rates and economic development could impact the economic useful lives and the residual values of these assets and hence future depreciation charges on such assets could be revised.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**3. Judgements made in applying accounting policies (cont'd)**

**3.2 Key sources of estimation uncertainty (cont'd)**

**(b) Impairment of loans and receivables**

The Manager assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Manager considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Fund's loans and receivables at the reporting date are disclosed in Note 15.

**(c) Fair value of investment properties**

Fair value is determined in accordance with the Deed, the REIT Guidelines and the Guidelines on Asset Valuation issued by the Securities Commission which require the investment properties to be valued by independent qualified valuers. In determining the fair value, the valuers used valuation techniques which involve certain estimates.

In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates reflect the current market conditions. The basis of valuation is disclosed in Note 13.

**4. Revenue**

	Group/Fund	
	2014 RM'000	2013 RM'000
Rental income	318,602	312,402
Hotel/hospital master lease income	82,596	77,335
Carpark rental income	15,949	16,174
Other operating income	10,641	10,035
	<b>427,788</b>	<b>415,946</b>

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 5. Property operating expenses

	Group/Fund	
	2014 RM'000	2013 RM'000
Quit rent, assessment and insurance	13,998	12,597
Property management fees and reimbursements	31,753	30,213
Utilities	22,904	24,987
Service contracts and maintenance	18,332	18,109
Advertising and promotion	13,885	14,660
Reversal of allowance for impairment on trade receivables (Note 15)	(328)	(464)
Bad debts written off	32	10
Depreciation of plant and equipment (Note 12)	355	152
Loss on disposal of plant and equipment	1	-
Administrative and other operating expenses	5,879	6,486
	<b>106,811</b>	<b>106,750</b>

## 6. Other income

	Group/Fund	
	2014 RM'000	2013 RM'000
Interest income from deposits with licensed financial institutions	2,207	1,351
Foreign exchange gain:		
- realised	-	1
- unrealised (Note 35)	-	2
Others (Note 35)	71	48
	<b>2,278</b>	<b>1,402</b>

## 7. Manager's fees

	Group/Fund	
	2014 RM'000	2013 RM'000
Base fee	16,197	14,993
Performance fee	9,637	9,278
	<b>25,834</b>	<b>24,271</b>

During the financial year, approximately 50% (2013: 50%) of Manager's fees were paid/payable in Units.

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 8. Finance costs

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest paid/payable:				
- subsidiaries	-	-	47,368	38,125
- term loan	12,059	12,064	12,059	12,064
- commercial papers	8,387	20,732	-	-
- revolving loan/credit and commitment fees	4,011	9,355	4,011	9,355
- unrated medium term notes	38,981	17,393	-	-
Amortisation of transaction costs	1,200	4,680	1,200	4,680
Others	79	105	79	105
	<b>64,717</b>	<b>64,329</b>	<b>64,717</b>	<b>64,329</b>
Less: Interest expense capitalised in investment properties (Note 13)	(1,686)	(725)	(1,686)	(725)
	<b>63,031</b>	<b>63,604</b>	<b>63,031</b>	<b>63,604</b>

## 9. Income tax expense

## Taxation of the Real Estate Investment Trust ("REIT")

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967, exempts the REIT from income tax in a year of assessment if the REIT distributes at least 90% of its total taxable income in the same year of assessment.

Sunway REIT will not incur any tax expense during the financial year as it will distribute 100% of its realised income available for distribution for the financial year ended 30 June 2014 which translates to more than 90% of its total taxable income.

Reconciliation of the tax expense is as follows:

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax	411,124	392,322	411,124	392,322
Income tax at Malaysian statutory tax rate of 25% (2013: 25%)	102,781	98,081	102,781	98,081
Effect of fair value adjustment of investment properties not subject to tax	(44,781)	(43,372)	(44,781)	(43,372)
Effect of income not subject to tax	(60,503)	(57,225)	(60,503)	(57,225)
Expenses not deductible for tax purposes	2,503	2,516	2,503	2,516
Income tax expense	-	-	-	-

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 9. Income tax expense (cont'd)

##### Taxation of the Unitholders

Pursuant to Section 109D(2) of the Malaysian Income Tax Act 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to Unitholders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individuals and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	25%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 25%.

#### 10. Basic earnings per Unit

Basic earnings per Unit amounts are calculated by dividing realised/unrealised total profit for the year attributable to Unitholders of the Fund by the weighted average number of Units in issue during the financial year.

	Fund	
	2014 Unit '000	2013 Unit '000
Weighted average number of Units in issue	2,923,523	2,780,251
	Group/Fund	
	2014 RM'000	2013 RM'000
<b>Realised</b>		
Total realised profit for the year attributable to Unitholders of the Group / Fund	231,931	218,785
Realised basic earnings per Unit (sen)	7.93	7.87
<b>Unrealised</b>		
Total unrealised profit for the year attributable to Unitholders of the Group / Fund	179,193	173,537
Unrealised basic earnings per Unit (sen)	6.13	6.24

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 11. Distribution to Unitholders

Distribution to Unitholders is from the following sources:

	Group/Fund	
	2014 RM'000	2013 RM'000
Net property income	320,977	309,196
Other income	2,278	1,402
Changes in fair value of investment properties	179,122	173,487
Net investment income	502,377	484,085
Less: Expenses	(91,253)	(91,763)
Profit for the year	411,124	392,322
Less: Unrealised income	(179,193)	(173,537)
Add: Surplus cash arising from 50% Manager's fees paid/payable in Units	12,917	12,135
Add: Brought forward undistributed income available for distribution	169	142
Total available for income distribution	245,017	231,062
Less: Income distributed	(185,080)	(171,921)
Less: Proposed final income distribution	(59,453)	(58,972)
Balance undistributed arising from rounding difference	484	169
Distribution per Unit (sen)	8.36	8.30

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 12. Plant and equipment

At 30 June 2014

	Group/Fund		
	Office/ computer equipment RM'000	Furniture and fittings RM'000	Total RM'000
<b>Cost</b>			
At beginning of financial year	1,195	304	1,499
Additions (Note 35)	1,486	626	2,112
Disposal	(1)	-	(1)
At end of financial year	2,680	930	3,610
<b>Accumulated depreciation</b>			
At beginning of financial year	183	33	216
Depreciation charge for the year (Note 5)	298	57	355
At end of financial year	481	90	571
<b>Net carrying amount</b>	<b>2,199</b>	<b>840</b>	<b>3,039</b>

At 30 June 2013

	Group/Fund		
	Office/ computer equipment RM'000	Furniture and fittings RM'000	Total RM'000
<b>Cost</b>			
At beginning of financial year	373	128	501
Additions (Note 35)	822	176	998
At end of financial year	1,195	304	1,499
<b>Accumulated depreciation</b>			
At beginning of financial year	55	9	64
Depreciation charge for the year (Note 5)	128	24	152
At end of financial year	183	33	216
<b>Net carrying amount</b>	<b>1,012</b>	<b>271</b>	<b>1,283</b>

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 13. Investment properties

	Group/Fund	
	2014 RM'000	2013 RM'000
At beginning of financial year	5,184,000	4,630,000
Addition from acquisition	-	310,000
Incidental costs on acquisition	-	3,381
Additions from subsequent expenditure (Note 35)	156,878	67,132
Changes in fair value (Note 35)	179,122	173,487
At end of financial year	5,520,000	5,184,000

In the previous financial year, Sunway REIT acquired an investment property for a purchase consideration of RM310,000,000 which was fully financed through proceeds from the private placement exercise.

Included in the subsequent expenditure of investment properties are the borrowing costs capitalised for certain capital work-in-progress which satisfied the recognition criteria of MFRS 123: Borrowing Costs amounting to RM1,686,000 (2013: RM725,000) as disclosed in Note 8.

Investment properties of the Group and of the Fund amounting to RM5,203,000,000 (2013: RM4,869,000,000) are pledged as securities for borrowings as disclosed in Note 21.

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

	Group/Fund	
	2014 RM'000	2013 RM'000
Revenue	427,788	415,946
Property operating expenses	(106,811)	(106,750)
Net property income	320,977	309,196

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 13. Investment properties (cont'd)

Details of the investment properties are as follows:

Description of property	Location	Date of acquisition	Tenure of land	Term of lease	Remaining term of lease	Fair value as at 30.6.2014 * RM'000	Fair value as at 30.6.2013 ^ RM'000	Percentage of net asset value as at 30.6.2014 %	Percentage of net asset value as at 30.6.2013 %
<b>Retail</b>									
Sunway Pyramid Shopping Mall	Selangor	8 July 2010	Leasehold	99 years	83/91 years	2,908,000	2,700,000	78.8	77.0
Sunway Carnival Shopping Mall	Penang	8 July 2010	Leasehold	99 years	78 years	296,000	290,000	8.0	8.3
SunCity Ipoh Hypermarket	Perak	8 July 2010	Leasehold	99 years	86 years	56,000	55,000	1.6	1.6
Sunway Putra Mall	Kuala Lumpur	19 April 2011	Freehold	-	-	352,000	254,000	9.5	7.2
						<b>3,612,000</b>	<b>3,299,000</b>	<b>97.9</b>	<b>94.1</b>
<b>Hotel</b>									
Sunway Resort Hotel & Spa	Selangor	8 July 2010	Leasehold	99 years	83 years	530,000	518,000	14.4	14.8
Pyramid Tower Hotel	Selangor	8 July 2010	Leasehold	99 years	87 years	295,000	295,000	8.0	8.4
Sunway Hotel Seberang Jaya	Penang	8 July 2010	Leasehold	99 years	78 years	75,000	75,000	2.0	2.1
Sunway Putra Hotel	Kuala Lumpur	19 April 2011	Freehold	-	-	258,000	240,000	7.0	6.8
						<b>1,158,000</b>	<b>1,128,000</b>	<b>31.4</b>	<b>32.1</b>
<b>Office</b>									
Menara Sunway	Selangor	8 July 2010	Leasehold	99 years	83 years	160,000	160,000	4.3	4.6
Sunway Tower	Kuala Lumpur	8 July 2010	Freehold	-	-	180,000	190,000	4.9	5.4
Sunway Putra Tower	Kuala Lumpur	19 April 2011	Freehold	-	-	93,000	92,000	2.6	2.6
						<b>433,000</b>	<b>442,000</b>	<b>11.8</b>	<b>12.6</b>
<b>Others</b>									
Sunway Medical Centre	Selangor	31 December 2012	Leasehold	99 years	83 years	317,000	315,000	8.6	9.0
						<b>5,520,000</b>	<b>5,184,000</b>	<b>149.7</b>	<b>147.8</b>

\* Based on valuation carried out by an independent professional valuer, Knight Frank on 30 June 2014

^ Based on valuation carried out by an independent professional valuer, Knight Frank on 30 June 2013

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**
**13. Investment properties (cont'd)**
**Fair value information**

MFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The three levels are explained below:

**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 investment properties that the Group and the Fund 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 for the investment properties, either directly or indirectly.

**Transfer between Level 1 and 2 fair values**

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

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the investment properties.

The fair values of investment properties of the Group and of the Fund are categorised as Level 3.

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 inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer below)	<ul style="list-style-type: none"> <li>- Allowance for void of 3.00% - 10.00%</li> <li>- Term yield rates ranging from 6.00% - 7.50%</li> <li>- Reversionary yield rates ranging from 6.50% - 7.25%</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>- Allowance for void was lower/(higher)</li> <li>- Term yield rate was lower/(higher)</li> <li>- Reversionary yield rate was lower/(higher)</li> </ul>

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 13. Investment properties (cont'd)

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. (cont'd)

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Profits method (refer below)	<ul style="list-style-type: none"> <li>- Average room rates during holding period ranging from RM204 per room - RM495 per room</li> <li>- Average occupancy rates during holding period ranging from 60.00% - 83.50%</li> <li>- Capitalisation rate of 7.00%</li> <li>- Discount rate of 9.00% over 10-year holding period</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>- Average room rates during the holding period were higher/(lower)</li> <li>- Average occupancy rates during the holding period were higher/(lower)</li> <li>- Capitalisation rate was lower/(higher)</li> <li>- Discount rate was lower/(higher)</li> </ul>
Residual method (refer below)	<ul style="list-style-type: none"> <li>- Gross Development Value of RM637.0 million</li> <li>- Gross Development Cost of RM264.3 million</li> <li>- Discount rate of 8.00%</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>- Group Development Value was higher/(lower)</li> <li>- Group Development Cost was lower/(higher)</li> <li>- Discount rate was lower/(higher)</li> </ul>

The investment method involved capitalisation of the net annual income stream that is expected to be received from the property after deducting the annual outgoings and other operating expenses incidental to the property with allowance for void by using an appropriate market derived capitalisation rate.

The profits method is most appropriate for properties occupied as business premises and in essence, attempts to determine the net operating profit from the trading accounts which is then capitalised. As a primary method of valuation for the hotel properties, Knight Frank has carried out a discounted cash flow analysis over a 10-year investment horizon in which it has assumed that the property is sold at the commencement of the eleventh year of the discounted cash flow analysis. In undertaking this analysis, Knight Frank has also used a wide range of assumptions for the hotel properties including the growth of average room rates and other revenues during the holding period, average occupancy rates, expense ratios and other related expenses.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**13. Investment properties (cont'd)**

In valuing Sunway Putra Mall which is currently under construction, Knight Frank has adopted residual method as the primary method of valuation. This approach is based on the premise that the price which a purchaser can pay for a property is the present value of the surplus amount or residual value after deducting out the full cost of development (Gross Development Cost) and profit from the sales proceeds (Gross Development Value) of the completed development, which is then discounted at an appropriate rate to reflect the inherent risk and holding cost for the period of development to arrive at the current Market Value.

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

	RM'000
At beginning of financial year	5,184,000
Additions	156,878
Changes in fair value	179,122
At end of financial year	5,520,000

**Valuation processes applied by the Group and the Fund for Level 3 fair value**

The fair value of investment properties is determined by an independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the investment properties being valued. The independent professional valuer provides the fair value of the Group's and of the Fund's investment properties portfolio annually. Changes in Level 3 fair value are assessed by the Manager annually after obtaining the valuation reports from the independent professional valuer.

**14. Investments in subsidiaries**

	Fund	
	2014 RM	2013 RM
<b>At cost</b>		
Unquoted ordinary shares	4	4

Further details of the subsidiaries are disclosed in Note 31.

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 15. Trade receivables

	Group/Fund	
	2014 RM'000	2013 RM'000
<b>Current</b>		
Third parties	11,369	9,734
Amounts due from parties related to the Manager	4,861	7,927
	<b>16,230</b>	17,661
Less: Allowance for impairment	(4,095)	(4,423)
Total trade receivables	<b>12,135</b>	13,238

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total trade receivables	12,135	13,238	12,135	13,238
Add: Other receivables (Note 16)	4,226	4,952	4,226	4,952
Less: Prepayments (Note 16)	(2,287)	(2,239)	(2,287)	(2,239)
Add: Cash and bank balances (Note 18)	54,607	58,519	54,607	58,519
Total loans and receivables	<b>68,681</b>	74,470	<b>68,681</b>	74,470

Included in trade receivables are the following amounts due from parties related to the Manager:

	Group/Fund	
	2014 RM'000	2013 RM'000
Sunway Berhad Group	4,861	7,924
Sunway Technology Sdn. Bhd. Group	-	3

The amounts due from parties related to the Manager are unsecured and bear interests ranging from 8% to 18% per annum (2013: 8% to 18% per annum) and the credit period is generally for a period of 7 days to 30 days (2013: 7 days to 30 days). The relationship with the parties related to the Manager is as disclosed in Note 30.

The Group's and the Fund's primary exposure to credit risk arises through its trade receivables. The Group's and the Fund's trading terms with its customers are mainly on credit. The credit period is generally for a period of 7 days to 30 days (2013: 7 days to 30 days). The Group and the Fund seek to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by the Manager. In view of the aforementioned and the fact that the Group's and the Fund's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables bear interest ranging from 8% to 18% per annum (2013: 8% to 18% per annum).

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 15. Trade receivables (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's and of the Fund's trade receivables is as follows:

	Group/Fund	
	2014 RM'000	2013 RM'000
Neither past due nor impaired	7,088	10,989
Past due but not impaired:		
1 to 30 days	1,440	884
31 to 60 days	507	464
61 to 90 days	563	247
91 to 120 days	2,533	646
More than 120 days	4	8
	5,047	2,249
Impaired	4,095	4,423
	16,230	17,661

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 Group and the Fund.

Receivables that are impaired

The Group's and the Fund's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group/Fund	
	2014 RM'000	2013 RM'000
At beginning of financial year	4,423	4,887
Reversal for the year (Note 5)	(328)	(464)
At end of financial year	4,095	4,423

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Receivables that are past due but not impaired

The remainder trade receivables that are past due but not impaired relate to customers with good track record with the Group and the Fund. Based on past experience, the Manager believes that no allowance for impairment is necessary in respect of those balances.

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 16. Other receivables

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits	1,063	1,611	1,063	1,611
Prepayments (Note 15)	2,287	2,239	2,287	2,239
Sundry receivables	876	1,102	876	1,102
	<b>4,226</b>	<b>4,952</b>	<b>4,226</b>	<b>4,952</b>

Included in other receivables is the following amount due from parties related to the Manager:

	Group/Fund	
	2014 RM'000	2013 RM'000
Sunway Berhad Group	117	339

The amount due from parties related to the Manager is unsecured, non-interest bearing and is repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 30.

The Group and the Fund have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

## 17. Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, bear an average interest rate of 3.89% per annum (2013: 3.82% per annum) and are repayable on demand.

## 18. Cash and bank balances

	Group/Fund	
	2014 RM'000	2013 RM'000
Cash on hand and at banks	45,802	4,786
Deposits with licensed financial institutions	8,805	53,733
	<b>54,607</b>	<b>58,519</b>

The weighted average interest rate of deposits with licensed financial institutions of the Group and of the Fund is 3.23% per annum (2013: 3.15% per annum).

The range of maturities of deposits with licensed financial institutions of the Group and of the Fund is between 7 to 100 days (2013: 1 to 66 days).

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 19. Derivative

	Group/Fund			
	Contract amount		Asset	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Non-current</b>				
Cross currency swap contract	-	310,800	-	7,540
<b>Current</b>				
Cross currency swap contract	310,800	-	12,484	-
	<b>310,800</b>	<b>310,800</b>	<b>12,484</b>	<b>7,540</b>

Sunway REIT has entered into a 3-year cross currency swap contract on 3 February 2012 to manage its exposure to foreign currency risk arising from foreign currency borrowings which was entered to reduce the Group's and the Fund's average cost of borrowings. The Group and the Fund use cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognized directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the profit or loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit or loss.

The fair value of the swap contract is determined by using the market rates at the end of reporting period and changes in the fair value is recognised in equity due to the application of hedge accounting.

The cross currency swap contract and its corresponding hedged position have been reclassified from long term to short term in current financial year as its maturity period is less than 12 months.

## 20. Unitholders' capital

	Group/Fund	
	2014 Unit '000	2013 Unit '000
<b>Authorised</b>		
At beginning of financial year	3,650,889	2,780,112
Increase during the year	-	870,777
At end of financial year	<b>3,650,889</b>	<b>3,650,889</b>

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 20. Unitholders' capital (cont'd)

	Group/Fund			
	2014 Unit '000	2013 Unit '000	2014 RM'000	2013 RM'000
<b>Issued and fully paid</b>				
At beginning of financial year	2,919,423	2,696,462	2,757,545	2,425,660
Pursuant to private placement of 214,765,000 units at RM1.49 per Unit	-	214,765	-	320,000
	2,919,423	2,911,227	2,757,545	2,745,660
Manager's fees paid in Units	9,292	8,196	12,786	11,885
Total issued and fully paid	2,928,715	2,919,423	2,770,331	2,757,545
Less: Unit issuance expenses (Note 25)	-	-	(67,543)	(67,543)
At end of financial year	2,928,715	2,919,423	2,702,788	2,690,002

As at 30 June 2014, the Manager did not hold any units in Sunway REIT. However, the directors of the Manager and parties related to the Manager held units in Sunway REIT as follows:

	Group/Fund			
	Number of Units		Market value	
	2014 Unit '000	2013 Unit '000	2014 RM'000	2013 RM'000
Direct unitholdings of directors of the Manager:				
Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO	164,907	161,668	237,466	248,969
Elvin A/L Berty Luke Fernandez	90	50	130	77
Indirect unitholdings of directors of the Manager:				
Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO*	1,012,228	1,004,394	1,457,608	1,546,767
Dato' Ngeow Voon Yean **	200	200	288	308
Sarena Cheah Yean Tih ***	1,177,138	1,166,065	1,695,079	1,795,740
Ng Sing Hwa ****	1,457	-	2,098	-
Direct unitholdings of parties related to the Manager:				
Sunway Berhad	25,593	17,760	36,854	27,350
Millennium Pavilion Sdn. Bhd.	1,457	-	2,098	-
Sunway REIT Holdings Sdn. Bhd.	986,634	986,634	1,420,753	1,519,416
Indirect unitholdings of parties related to the Manager:				
Sunway Berhad ^	986,634	986,634	1,420,753	1,519,416

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 20. Unitholders' capital (cont'd)

- \* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn. Bhd., Sungei Way Corporation Sdn. Bhd., Sunway Berhad and Sunway REIT Holdings Sdn. Bhd.
- \*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through spouse and child.
- \*\*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn. Bhd., Sungei Way Corporation Sdn. Bhd., Sunway Berhad, Sunway REIT Holdings Sdn. Bhd., spouse and parent.
- \*\*\*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Millennium Pavilion Sdn. Bhd.
- ^ Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sunway REIT Holdings Sdn. Bhd.

## 21. Borrowings

Note	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000

## Short term borrowings

Secured:					
Commercial papers	(a)	12,000	315,000	-	-
Term loan	(c)	321,050	-	321,050	-
		<b>333,050</b>	315,000	<b>321,050</b>	-
Unsecured:					
Revolving loan	(b)	409,000	-	409,000	-
		<b>742,050</b>	315,000	<b>730,050</b>	-
Less: Discount on commercial papers		(8)	(231)	-	-
		<b>742,042</b>	314,769	<b>730,050</b>	-

## Long term borrowings

Secured:					
Term loan	(c)	-	317,850	-	317,850
Unrated medium term notes	(d)	1,000,000	1,000,000	-	-
		<b>1,000,000</b>	1,317,850	-	317,850
Total borrowings		<b>1,742,042</b>	1,632,619	<b>730,050</b>	317,850

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****21. Borrowings (cont'd)****(a) Commercial papers**

SunREIT Capital Berhad ("SunREIT Capital" or the "Issuer"), a wholly owned subsidiary of Sunway REIT, had on 26 April 2012, issued its first commercial papers ("CPs") amounting to RM850 million in nominal value. The CPs are issued at a discount to face value under a 7-year programme of up to RM1.6 billion in nominal value ("CP Programme"). The CP Programme has been accorded a rating of P1(s) by RAM Rating Services Berhad and is fully underwritten by a financial institution (the "Underwriter").

The CPs issued are for various tenures ranging from 1, 2, 3, 6, 9 or 12 months, and any amount that has been issued may be rolled over during the tenure of the programme at the option of the holder or reissued, to the same or new lenders. In view that the CPs issued carry tenures that are less than 12 months, the Group has classified the outstanding balance of the CPs as current liabilities despite there will be no roll over risk to the Group throughout the duration of the programme as the CP Programme is fully underwritten by the Underwriter for the entire duration of the CP Programme.

**(i) Details of the CP Programme**

The respective limit of the CP Programme shall be as follows:

- 1) RM1.25 billion in nominal value for the first three (3) years (commencing on the date of first issuance of the commercial paper(s) to be issued from time to time under the CP Programme); and
- 2) RM1.6 billion in nominal value thereafter until expiry of the CP Programme.

The aggregate outstanding nominal value of the CPs issued under the CP Programme shall not exceed the applicable programme limit at any one time. The CPs may be issued via competitive tender, direct or private placement, bought deal basis or book running basis, all without prospectus at the option of the Issuer.

At all times, the amount underwritten will not exceed the programme limit of the CP Programme (being RM1.25 billion for the first three (3) years and RM1.6 billion thereafter). The Underwriter reserves the right to sell down all or part of its underwriting commitment.

On 10 April 2013, Sunway REIT had obtained approval from the Underwriter to revise the underwriting commitment from the applicable programme limit to such underwritten commitment as requested by the Issuer and agreed to by the Underwriter ("Prevailing Underwriting Commitment") at any one time and from time to time provided that at all times the aggregate outstanding nominal value of the CPs shall not exceed the Prevailing Underwriting Commitment.

**(ii) Utilisation of the proceeds**

The proceeds raised from the CP Programme shall be utilised by the Issuer for the purpose of advancing to Sunway REIT where the Trustee, shall utilise such proceeds firstly to repay the existing borrowings granted by the Underwriter, secondly as working capital requirements of Sunway REIT and to defray expenses incurred in relation to the CP Programme and thirdly for financing including repayment of cash utilised by Sunway REIT to part finance the investment activities (including capital expenditure and the related acquisition and financing expenses) of Sunway REIT and/or refinancing of existing/future borrowings undertaken by Sunway REIT for its investment activities (including capital expenditure and the related acquisition and financing expenses) as well as to refinance maturing CPs on their respective maturity dates subsequent to the first issuance of the CPs and to fund the Trustee's Reimbursement Account as required under the SC's Trust Deed Guidelines.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**21. Borrowings (cont'd)**

**(b) Revolving loan**

On 5 June 2012, Sunway REIT had obtained a 1-year floating rate Revolving Loan Facility (the "Facility") of RM1.25 billion from a financial institution. The purpose of the Facility is to partly or fully repay any issuance of the CPs by SunREIT Capital during the tenure of the Facility. The Facility has been extended until 7 June 2015.

During the financial year, the financial institution has approved to revise the operative limit of the Facility from RM500 million to RM800 million, to be increased on a staggered basis until 30 October 2014. With the revised limit, the aggregate outstanding revolving loans and CPs must not exceed RM800 million at any one time during the tenure of the CP Programme.

**(c) Term loan**

Sunway REIT had secured a 3-year fixed rate term loan facility ('USD100 million Loan Facility') of USD100 million (equivalent to RM310.8 million) from a financial institution in the previous financial year and had fully drawdown the facility on 3 February 2012. Sunway REIT had, on even date, entered into a cross currency swap contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the period of the foreign currency borrowing. The USD100 million Loan Facility is to be repaid by way of bullet repayment at maturity.

**(d) Unrated medium term notes**

In the previous financial year, SunREIT Unrated Bond Berhad ("SunREIT Unrated Bond" or the "Issuer"), a wholly owned subsidiary of Sunway REIT, had issued several 5-year unrated medium term notes ("Unrated MTNs") amounting to an aggregate of RM1.0 billion in nominal value at an agreed coupon rate pursuant to the 15-year RM1.0 billion Medium Term Note Programme ("MTN Programme").

The proceeds raised from the MTN Programme was utilised by the Issuer for the purpose of advancing to Sunway REIT to repay all the existing borrowings of Sunway REIT.

All borrowings are denominated in Ringgit Malaysia (RM) unless otherwise indicated.

The secured borrowings of the Group and of the Fund are secured by legal charges on investment properties of the Group and of the Fund amounting to RM5,203,000,000 (2013: RM4,869,000,000) as disclosed in Note 13.

Maturity of the gross borrowings are as follows:

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Not later than 1 year	742,050	315,000	730,050	-
Later than 1 year and not later than 2 years	-	317,850	-	317,850
Later than 2 years and not later than 3 years	-	-	-	-
Later than 3 years and not later than 4 years	1,000,000	-	-	-
Later than 4 years and not later than 5 years	-	1,000,000	-	-
	<b>1,742,050</b>	<b>1,632,850</b>	<b>730,050</b>	<b>317,850</b>

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 21. Borrowings (cont'd)

Details of the borrowings are as follows:

Type of borrowings	Year of maturity	Average interest rate		Group	
		2014	2013	2014 RM'000	2013 RM'000
<u>Secured</u>					
Fixed rate:					
- Term loan	2015	3.99%	3.99%	321,050	317,850
- Unrated medium term notes (Issue 1, Tranche 1 and 2)	2017	3.97%	3.97%	400,000	400,000
- Unrated medium term notes (Issue 2 and 3)	2018	3.85%	3.85%	600,000	600,000
				<b>1,321,050</b>	1,317,850
Floating rate:					
- Commercial papers	2014	3.59%	3.59%	12,000	315,000
Total secured borrowings				<b>1,333,050</b>	1,632,850
<u>Unsecured</u>					
Floating rate:					
- Revolving loan	2014	3.62%	-	409,000	-
Total gross borrowings				<b>1,742,050</b>	1,632,850
Less: Discount on commercial papers				(8)	(231)
Total carrying amount				<b>1,742,042</b>	1,632,619

Type of borrowings	Year of maturity	Average interest rate		Fund	
		2014	2013	2014 RM'000	2013 RM'000
<u>Secured</u>					
Fixed rate:					
- Term loan	2015	3.99%	3.99%	321,050	317,850
<u>Unsecured</u>					
Floating rate:					
- Revolving loan	2014	3.62%	-	409,000	-
Total carrying amount				<b>730,050</b>	317,850

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 22. Long term liabilities

Long term liabilities are in respect of refundable deposits received from tenants for tenancy contracts with tenure of two to three years.

#### 23. Trade payables

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total trade payables	3,305	3,383	3,305	3,383
Add: Other payables (Note 24)	112,794	85,105	105,274	77,605
Add: Amounts due to subsidiaries (Note 17)	-	-	1,019,509	1,322,266
Add: Borrowings (Note 21)	1,742,042	1,632,619	730,050	317,850
Add: Long term liabilities (Note 22)	60,279	41,956	60,279	41,956
<b>Total financial liabilities carried at amortised cost</b>	<b>1,918,420</b>	<b>1,763,063</b>	<b>1,918,417</b>	<b>1,763,060</b>

The normal trade credit terms granted to the Group and the Fund range from 1 day to 90 days (2013: 1 day to 90 days).

#### 24. Other payables

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sundry payables	1,297	1,129	1,294	1,128
Accruals	85,996	50,166	78,479	42,667
Refundable deposits	25,501	33,810	25,501	33,810
	112,794	85,105	105,274	77,605

Included in other payables are the following amounts due to parties related to the Manager:

	Group/Fund	
	2014 RM'000	2013 RM'000
Sunway Berhad Group	38,403	8,362
Sunway Technology Sdn. Bhd. Group	-	8

The amounts due to parties related to the Manager are unsecured, non-interest bearing and are repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 30.

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 25. Unit issuance expenses

	Group/Fund	
	2014 RM'000	2013 RM'000
At beginning of financial year	67,543	64,173
Underwriting and selling commissions	-	3,000
Miscellaneous expenses	-	370
At end of financial year	67,543	67,543

## 26. Portfolio turnover ratio

	Group	
	2014 RM'000	2013 RM'000
Average of the total acquisitions	-	313,381
Average net asset value during the financial year	3,494,747	3,155,043
Portfolio turnover ratio ("PTR") (times)	-	0.1

The calculation of PTR is based on the average of the total acquisitions and total disposals of investments in the Group for the year to the average net asset value during the financial year.

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Group's PTR against other real estate investment trusts.

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 27. Management expense ratio

	Group	
	2014 RM'000	2013 RM'000
Total trust expenses	28,222	28,159
Net asset value at end of financial year	3,688,071	3,506,469
Less: Proposed final income distribution	(59,453)	(58,972)
Net asset value at end of financial year, after proposed final income distribution	3,628,618	3,447,497
Management expense ratio ("MER")	0.78%	0.82%

The calculation of MER is based on the total fees and expenses incurred by the Group in the year, including Manager's fees, Trustee's fees, auditors' remuneration, tax agent's fee, valuation fees and other trust expenses to the net asset value (after proposed final income distribution) at end of the financial year.

Since the basis of calculating MER can vary among real estate investment trusts, comparison of the Group's MER with other real estate investment trusts which use a different basis of calculation may not be an accurate comparison.

## 28. Operating lease agreements

## The Group and the Fund as lessor

The Group and the Fund lease out their investment properties. Non-cancellable operating lease rentals receivable are as follows:

	Group/Fund	
	2014 RM'000	2013 RM'000
Within 1 year	353,758	273,183
After 1 year but within 5 years	524,436	457,464
After 5 years	144,717	214,707
	1,022,911	945,354

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 29. Capital commitments

	Group/Fund	
	2014 RM'000	2013 RM'000
<b>Capital expenditure</b>		
Approved and contracted for:		
Subsequent expenditure of investment properties	261,383	302,597
Approved but not contracted for:		
Subsequent expenditure of investment properties	145,961	116,402
	<b>407,344</b>	<b>418,999</b>

## 30. Significant transactions with parties related to the Manager

During the financial year, other than those disclosed elsewhere in the financial statements, the Group and the Fund transacted with certain parties related to the Manager as follows:

Name of companies related to the Manager	Nature of transactions	Group/Fund	
		2014 RM'000	2013 RM'000
Sunway Berhad Group *	Rental income and utilities charges	(123,557)	(116,606)
	Property management and related services	25,835	27,371
	Construction and related services	93,798	9,200
	Others	6,397	4,162
	Acquisition of an investment property	-	310,000
Sunway Technology Sdn. Bhd. Group ("STSB Group") #	Rental income and utilities charges	(542)	(514)

The above transactions have been entered into in the normal course of business and have been established based on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**
**30. Significant transactions with parties related to the Manager (cont'd)**

The above parties are deemed related to the Manager as follows:

- \* Sunway Berhad Group are deemed parties related to the Manager by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling's common directorships in Sunway Berhad and the Manager as well as interests in Sunway Berhad Group and the Group. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the spouse of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a director of several subsidiaries of Sunway Berhad and has interests in Sunway Berhad Group and the Group. Sarena Cheah Yean Tih, being the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a director of Sunway Berhad, the Manager and the Group as well as director and alternate director in several subsidiaries of Sunway Berhad. Evan Cheah Yean Shin, the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a director and alternate director in several subsidiaries of Sunway Berhad and he has interest in Sunway Berhad. Sarena Cheah Yean Tih and Evan Cheah Yean Shin have interests in Sunway Berhad Group and the Group.
- # STSB Group are deemed parties related to the Manager by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling's common directorships in STSB and the Manager as well as interests in STSB Group and the Group. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the spouse of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, also has deemed interests in STSB Group and the Group. Sarena Cheah Yean Tih and Evan Cheah Yean Shin, being the children of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, have deemed interests in STSB Group and the Group. Evan Cheah Yean Shin is a director of STSB Group.

Information regarding outstanding balances arising from transactions with parties related to the Manager as at 30 June 2014 are disclosed in Notes 15, 16 and 24.

**31. Subsidiaries**

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Principal activity	Proportion of ownership interest	
			2014 %	2013 %
SunREIT Capital Berhad	Malaysia	To undertake the issuance of commercial papers pursuant to the commercial papers programme ("CP Programme") and/or medium term notes programme ("MTN Programme") (collectively referred to as "CP/MTN Programme") and all matters relating to the CP/MTN Programme	100	100
SunREIT Unrated Bond Berhad	Malaysia	To undertake the issuance of unrated medium term notes ("Unrated MTNs") under a medium term note programme ("MTN Programme") and all matters relating to the Unrated MTNs under/and/ or the MTN Programme	100	100

The subsidiaries are intended as Special Purpose Vehicle ("SPV") to undertake the issuance of the commercial papers and unrated medium term notes for Sunway REIT.

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 32. Financial instruments

##### (a) Financial risk management objectives and policies

The Manager proactively reviews the capital management of the Group and of the Fund to ensure that adequate financial resources are available for the working capital requirements, growing the Group's businesses and for income distributions whilst managing its interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The Manager reviews and agrees policies for managing each of these risks and they are summarised below.

##### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Fund's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Fund's exposure to interest rate risk arises primarily from borrowings at floating rates. All of the Group's and the Fund's borrowings at floating rates are contractually re-priced monthly and quarterly.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts and by entering into interest rate swaps. At the reporting date, after taking into account the effect of an interest rate swap, approximately 76% (2013: 81%) of the Group's borrowings are at fixed rates.

##### Fair value sensitivity analysis for fixed rate instruments

The Group and the Fund do not account for any fixed rate instruments at fair value through the profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

##### Sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would result in profit for the year to be (lower)/ higher by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group	
	2014 RM'000	2013 RM'000
<u>25 basis points increase</u>		
Variable rate instruments	(1,053)	(788)
<u>25 basis points decrease</u>		
Variable rate instruments	1,053	788

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****32. Financial instruments (cont'd)****(c) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Fund are not significantly exposed to foreign currency risk as the majority of the Group's and of the Fund's transactions, assets and liabilities are denominated in Ringgit Malaysia (RM) except for USD100 million Loan Facility as disclosed in Note 21 (c).

The USD100 million Loan Facility is hedged with a cross currency swap contract. As such, fluctuation in USD is not expected to have any material effects to the financial performance and position of the Group and of the Fund.

**(d) Liquidity risk**

The Manager manages the Group's and the Fund's debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Fund maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Manager strives to ensure that the Group and the Fund maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Fund raise committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

At the reporting date, RM742,050,000 (2013: RM315,000,000) of the Group's and the Fund's borrowings comprising CPs, revolving loan and term loan (2013: CPs) will be maturing in the next twelve months based on the carrying amount reflected in the financial statements. There will be no repayment risk for the maturing borrowings as the borrowings could be refinanced with the existing unutilised CP Programme limit and the CPs are fully underwritten by a financial institution for the entire duration of the CP Programme.

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 32. Financial instruments (cont'd)

##### (d) Liquidity risk (cont'd)

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Fund's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2014		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
<b>Group</b>			
<b>Financial liabilities</b>			
Trade and other payables	116,099	60,279	176,378
Borrowings	782,840	1,101,864	1,884,704
<b>Total undiscounted financial liabilities</b>	<b>898,939</b>	<b>1,162,143</b>	<b>2,061,082</b>

<b>Fund</b>			
<b>Financial liabilities</b>			
Trade and other payables	167,069	1,162,143	1,329,212
Borrowings	731,859	-	731,859
<b>Total undiscounted financial liabilities</b>	<b>898,928</b>	<b>1,162,143</b>	<b>2,061,071</b>

	2013		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
<b>Group</b>			
<b>Financial liabilities</b>			
Trade and other payables	88,488	41,956	130,444
Borrowings	366,040	1,455,431	1,821,471
<b>Total undiscounted financial liabilities</b>	<b>454,528</b>	<b>1,497,387</b>	<b>1,951,915</b>

<b>Fund</b>			
<b>Financial liabilities</b>			
Trade and other payables	442,235	1,179,553	1,621,788
Borrowings	12,059	317,834	329,893
<b>Total undiscounted financial liabilities</b>	<b>454,294</b>	<b>1,497,387</b>	<b>1,951,681</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**32. Financial instruments (cont'd)**

**(e) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Fund's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Group and the Fund minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Fund's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Fund trade only with recognised and creditworthy third parties. It is the Group's and the Fund's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Fund's exposure to bad debts is not significant.

Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's and the Fund's varied customers. These customers are dispersed, engaged in a wide spectrum of activities and sell in a variety of end markets. The Manager's experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Fund's trade receivables.

Credit risk concentration profile

The Manager determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Fund's trade receivables by segment at the reporting date are as follows:

**By segment:**

	Group/Fund			
	2014		2013	
	RM'000	%	RM'000	%
Retail	8,035	66.2	6,760	51.1
Hotel	1,631	13.4	4,538	34.2
Office	979	8.1	357	2.7
Others	1,490	12.3	1,583	12.0
	<b>12,135</b>	<b>100.0</b>	<b>13,238</b>	<b>100.0</b>

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 32. Financial instruments (cont'd)

##### (f) Fair values

The carrying amounts of financial liabilities of the Group and of the Fund as at reporting date approximated their fair values except for the following:

	Group		Fund	
	Carrying amount RM'000	Fair value at Level 3 RM'000	Carrying amount RM'000	Fair value at Level 3 RM'000
<b>At 30 June 2014</b>				
Borrowings	1,742,042	1,720,436	730,050	727,909
Long term liabilities	60,279	55,802	60,279	55,802
<b>At 30 June 2013</b>				
Borrowings	1,632,619	1,619,255	317,850	314,828
Long term liabilities	41,956	38,731	41,956	38,731

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<b>Note</b>
Trade receivables	15
Other receivables	16
Amounts due to subsidiaries	17
Trade payables	23
Other payables	24

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**33. Fair value measurement**

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1

Quoted (unadjusted) market prices in an active market for identical assets or liabilities.

Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3

Valuation techniques for which the lowest input that is significant to the fair value measurement is unobservable.

The following table provides the fair value hierarchy of the Group's and of the Fund's assets and financial instruments:

	Group/Fund			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>At 30 June 2014</b>				
Investment properties	-	-	5,520,000	5,520,000
Derivative	-	12,484	-	12,484
	-	12,484	5,520,000	5,532,484
<b>At 30 June 2013</b>				
Investment properties	-	-	5,184,000	5,184,000
Derivative	-	7,540	-	7,540
	-	7,540	5,184,000	5,191,540

Investment properties

Fair value reconciliation and valuation techniques of investment properties measured at Level 3 are disclosed in Note 13.

Derivative

Cross currency swap contract is valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counter parties and interest rate curves.

**FINANCIAL STATEMENTS (CONT'D)****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****34. Capital management**

The primary objective of the Manager's capital management is to optimise capital structure and cost of capital of the Group and to adopt active interest rate management strategy to manage the risks associated with changes in interest rates. No changes were made in the objectives, policies or processes during the financial year ended 30 June 2014.

The Manager monitors capital using a gearing ratio, which is total gross borrowings divided by total asset value of the Group pursuant to Securities Commission's Guidelines on Real Estate Investment Trusts. The Group's policy is to keep the gearing ratio below 50%.

	<b>Group</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Non-current assets	<b>5,523,039</b>	5,192,823
Current assets	<b>83,452</b>	76,709
<b>Total asset value</b>	<b>5,606,491</b>	5,269,532
Total gross borrowings (Note 21)	<b>1,742,050</b>	1,632,850
Gearing ratio	<b>31.1%</b>	31.0%

**35. Segment information****(a) Reporting format**

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the product and services produced. Secondary information is reported geographically. The investment properties are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

**(b) Business segments**

The Group comprises the following main major business segments:

- (i) Retail - renting of retail premises to tenants
- (ii) Hotel - leasing of hotel premises to hotel operators
- (iii) Office - renting of office premises to tenants
- (iv) Others - leasing of a medical premise to a hospital operator

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****35. Segment information (cont'd)****(c) Geographical segments**

The Group's geographical segments are based on the location of the Group's assets. Rental from tenants disclosed in geographical segments are based on the geographical location of the assets. The Group's four business segments operate in four main geographical areas:

- (i) Selangor - the operations in this area are principally renting of retail and office premises, leasing of hotel premises to a hotel operator and leasing of a medical premise to a hospital operator.
- (ii) Kuala Lumpur - the operations in this area are principally renting of retail and office premises and leasing of a hotel premise to a hotel operator.
- (iii) Penang - the operations in this area are principally renting of retail premises and leasing of hotel premise to a hotel operator.
- (iv) Perak - the operation in this area is principally renting of a retail premise.

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 35. Segment information (cont'd)

## Business segments

	2014				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
Revenue					
Rental income	276,805	-	41,797	-	318,602
Hotel/hospital master lease income	-	63,264	-	19,332	82,596
Carpark rental income	13,292	1,366	1,291	-	15,949
Other operating income	10,630	-	11	-	10,641
Gross revenue	300,727	64,630	43,099	19,332	427,788
Segment net property income	212,681	60,811	28,153	19,332	320,977
Other income					2,278
Changes in fair value of investment properties	190,740	(1,211)	(12,407)	2,000	179,122
Total expenses (excluding finance costs)					(28,222)
Finance costs					(63,031)
Profit before tax					411,124
Income tax expense					-
<b>Profit for the year</b>					<b>411,124</b>

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 35. Segment information (cont'd)

## Business segments (cont'd)

	2014							Note
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Subsidiaries RM'000	Elimination RM'000	Total RM'000	
<b>Assets</b>								
Segment assets	3,629,993	1,160,587	435,215	318,490	1,019,505	(1,019,505)	5,544,285	
Unallocated assets							62,206	
Total assets							5,606,491	
<b>Liabilities</b>								
Segment liabilities	133,581	15,924	7,350	-	1,019,514	(1,019,514)	156,855	A
Unallocated liabilities							1,761,565	
Total liabilities							1,918,420	
<b>Other segment information</b>								
Capital expenditure	124,359	31,211	3,420	-	-	-	158,990	B
Depreciation	349	-	6	-	-	-	355	
Other significant non-cash income/(expenses)	191,195	(1,211)	(12,534)	2,000	-	-	179,450	
Unallocated							71	
							179,521	C

## Geographical segment

	2014				
	Selangor RM'000	Kuala Lumpur RM'000	Penang RM'000	Perak RM'000	Total RM'000
Gross revenue	350,173	31,793	41,200	4,622	427,788
Segment net property income	275,800	14,251	26,616	4,310	320,977
Capital expenditure	49,523	109,214	253	-	158,990
Segment assets	4,227,557	886,809	373,824	56,095	5,544,285
Unallocated assets					62,206
					5,606,491

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 35. Segment information (cont'd)

## Business segments

	2013				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
Revenue					
Rental income	272,476	-	39,926	-	312,402
Hotel/hospital master lease income	-	67,784	-	9,551	77,335
Carpark rental income	13,637	1,205	1,332	-	16,174
Other operating income	10,033	-	2	-	10,035
Gross revenue	296,146	68,989	41,260	9,551	415,946
Segment net property income	205,413	65,684	28,548	9,551	309,196
Other income					1,402
Changes in fair value of investment properties	167,673	997	3,198	1,619	173,487
Total expenses (excluding finance costs)					(28,159)
Finance costs					(63,604)
Profit before tax					392,322
Income tax expense					-
<b>Profit for the year</b>					<b>392,322</b>

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 35. Segment information (cont'd)

## Business segments (cont'd)

	2013							Note
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Subsidiaries RM'000	Elimination RM'000	Total RM'000	
<b>Assets</b>								
Segment assets	3,313,189	1,133,150	443,640	316,583	1,322,261	(1,322,261)	5,206,562	
Unallocated assets							62,970	
Total assets							5,269,532	
<b>Liabilities</b>								
Segment liabilities	94,489	7,999	12,378	-	1,322,270	(1,322,267)	114,869	A
Unallocated liabilities							1,648,194	
Total liabilities							1,763,063	
<b>Other segment information</b>								
Capital expenditure	32,293	27,003	8,834	-	-	-	68,130	B
Depreciation	148	-	4	-	-	-	152	
Other significant non-cash income	168,139	997	3,198	1,619	-	-	173,953	
Unallocated							48	
							174,001	C

## Geographical segment

	2013				
	Selangor RM'000	Kuala Lumpur RM'000	Penang RM'000	Perak RM'000	Total RM'000
Gross revenue	319,072	56,023	36,305	4,546	415,946
Segment net property income	243,928	37,473	23,584	4,211	309,196
Capital expenditure	36,718	12,741	18,671	-	68,130
Segment assets	4,001,795	781,021	368,588	55,158	5,206,562
Unallocated assets					62,970
					5,269,532

## FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

## 35. Segment information (cont'd)

**Note** Nature of eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment expenses are eliminated on consolidation.

B Capital expenditures consist of:

	Group/Fund	
	2014 RM'000	2013 RM'000
Plant and equipment (Note 12)	2,112	998
Investment properties (Note 13)	156,878	67,132
	<b>158,990</b>	<b>68,130</b>

C Other significant non-cash income/(expenses) consist of the following items as presented in the respective notes:

	Group/Fund	
	2014 RM'000	2013 RM'000
Fair value gain on investment properties (Note 13)	179,122	173,487
Unrealised foreign exchange (loss)/gain (hedged item)	(3,200)	1,100
Cash flow hedge reserve recycled to profit or loss	3,200	(1,100)
Reversal of allowance for impairment on trade receivables (Note 5)	328	464
Unrealised foreign exchange gain (Note 6)	-	2
Others (Note 6)	71	48
	<b>179,521</b>	<b>174,001</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**36. Significant events during the financial year**

- (a) **Variation to the Master Lease Agreement dated 9 October 2012 ("MLA") in relation to Sunway Medical Centre Property ("SunMed Property") entered between RHB Trustees Berhad (as trustee for Sunway REIT) (the "Lessor"), Sunway REIT Management Sdn. Bhd. (the "Manager") and Sunway Medical Centre Sdn. Bhd. (the "Lessee")**

On 7 August 2013, the Manager announced that pursuant to the supplemental letter to the MLA, the Manager, the Lessor and the Lessee have agreed to the proposed renovation works to Level 4 (Tower Block A) and Level 5 (Tower Block B) ("Renovation Works") of the SunMed Property at an estimated cost of RM7.053 million.

The Manager, the Lessor and the Lessee agreed that the Final Total Cost and Expense of the Renovation Works to be carried out at SunMed Property shall be borne by the Lessee during the construction stages and later reimbursed by the Lessor in one lump sum payment upon completion of the Renovation Work and provided that the Lessee is in receipt of the certificate of completion and compliance from the relevant authorities ("Completion Date").

The rent shall be increased and will be paid to the Lessor from the Completion Date or any other date as may be agreed by the parties in writing as follows:

- (i) the amount of the additional rent shall be calculated at the rate of 6.13% of the Final Total Cost and Expense; and
- (ii) the additional rent shall be added to the existing rent which in aggregate shall constitute the new rent payable by the Lessee to the Lessor and shall therefore be subject to the agreed 3.5% annual rental increase for Year 2 onwards of the Principal Lease Period. The new rent payable shall be reflected in a separate agreement.

- (b) **Variation to the Hotel Master Lease dated 29 June 2011 and the First Supplemental Agreement dated 5 January 2012 and the Second Supplemental Agreement dated 7 July 2013 between RHB Trustees Berhad (as Trustee for Sunway REIT) (the "Lessor"), Sunway REIT Management Sdn. Bhd. (the "Manager") and Sunway Putra Hotel Sdn. Bhd. (the "Lessee")**

In the previous financial year, Sunway Putra Hotel Sdn. Bhd. had appealed to the Manager and RHB Trustees Berhad for a variation to the Guaranteed Rent amount in the Hotel Master Lease Agreement for the period between 1 July 2013 to 30 June 2014 (3rd Fiscal Year) as it expects the major refurbishment being carried out on Sunway Putra Mall ("SPM"), a shopping mall situated on the adjoining property to the Sunway Putra Hotel ("SPH") commencing from 1 May 2013 for an estimated period of two (2) years will adversely affect the business of SPH. Subsequently, the Manager and the Trustee have agreed to enter into a supplemental agreement to the Hotel Master Lease ("Second Supplemental Agreement") to vary the Guaranteed Rent for the period as requested by the Lessee. The same variation to Guaranteed Rent may apply to the period from 1 July 2014 to 30 June 2015 if requested in writing by the Lessee on the basis of continuing adverse operating conditions caused by major refurbishment works at SPM and subject always to the agreement of the Trustee.

On 19 May 2014, the Manager announced that the Lessee has appealed to the Manager and the Trustee for a variation to the Guaranteed Rent for another year for the period from 1 July 2014 to 30 June 2015 (4th Fiscal Year) pursuant to the Second Supplementary Agreement as the Lessee expects that its hotel business will continue to experience adverse operating conditions due to the on-going refurbishments at the adjoining SPM. The Lessee further expects that the adverse conditions will be further exacerbated by the refurbishment works at the adjoining Sunway Putra Tower ("SPT") commencing from May 2014 to the 1st half calendar year 2015. The Manager and the Trustee have agreed and consented to the Lessee's request to vary the Guaranteed Rent for another year for the period from 1 July 2014 to 30 June 2015 in the same manner as agreed and stated in the Second Supplemental Agreement ("Letter of Variation").

The differential sum for the 3rd Fiscal Year was RM4.0 million whilst the estimated differential sum for the 4th Fiscal Year is RM2.0 million and as such, there is no material impact to the earnings of Sunway REIT.

## FINANCIAL STATEMENTS (CONT'D)

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 37. Material litigations

**(a) High Court Originating Summons No. 24NCVC-1255-2011, Court of Appeal W-02(NCVC)-1680-2011 and W-02(NCVC)-1773-2011 and Federal Court Leave to Appeal 08(f)-425-09-2011**

After the Federal Court had on 20 February 2012 dismissed Metroplex Holdings Sdn. Bhd.'s application for leave to appeal, RHB Trustees Berhad (as trustee of Sunway REIT) (the "Trustee") and Sunway REIT Management Sdn. Bhd. (the "Manager") proceeded with the enforcement of the remaining parts of the Orders made by the High Court that have not been enforced, *inter alia*, the damages awarded to the Trustee. The damages are subject to an assessment of damages to be undertaken by the High Court.

The Trustee and the Manager instituted the assessment proceedings to determine the amount of damages to be paid by Metroplex.

The hearings for the assessment of damages were held on 15 and 16 May 2014 and the matter has been fixed for decision on 27 August 2014.

**(b) High Court Originating Summons No. 28NCC-994-12/2012, Court of Appeal Civil No. W-02(IM)(MCC)-622-03/2013**

The solicitors for the Trustee and the Manager had on 2 August 2012, issued a section 218 Companies Act notice (winding up) to Metroplex Holdings Sdn. Bhd. ("Metroplex") pursuant to one of the High Court Orders dated 28 June 2011 where Metroplex is required to provide all accounting records and a true account of all income and receipts derived or received by it from Putra Place since 19 April 2011 together with all supporting documents and to pay all such income and receipts to Sunway REIT.

On 2 August 2013, the Kuala Lumpur High Court decided that Metroplex should not be wound up as it is still solvent. Pursuant to the High Court order, a joint stakeholder account was opened and approximately RM6,189,000 was deposited in the joint stakeholder account and the amount is to be released pending the outcome of the case on assessment of damages mentioned in (a) above and committal proceedings. On 13 December 2013, the judge for the committal proceedings (who was the judge who delivered the Orders) clarified that the amount owing to Sunway is the "net value" which amounts to RM6,189,000. As the joint stakeholder account was set up pursuant to the winding up court order, the judge opined that the parties should return to the winding up court to facilitate the release of the amount deposited in the joint stakeholder account from Metroplex's solicitors. The solicitors will proceed to file the notice of application for the release of the money in the stakeholder account at the winding up court.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**38. Supplementary information**

The breakdown of the retained profits/undistributed income of the Group and of the Fund as at 30 June 2014 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Fund	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained profits/undistributed income:				
- realised	14,090	26,211	14,090	26,211
- unrealised	971,196	790,259	971,196	790,259
	985,286	816,470	985,286	816,470
Less: Consolidation adjustments	(3)	(3)	-	-
Total retained profits/undistributed income	985,283	816,467	985,286	816,470

The unrealised retained profits/undistributed income mainly comprise fair value gain on investment properties of RM968,329,000 (2013: RM789,207,000).

## FINANCIAL CALENDAR

### ANNOUNCEMENT OF QUARTERLY RESULTS

#### 29 October 2013

Announcement of the unaudited quarterly results for the quarter ended 30 September 2013

#### 24 January 2014

Announcement of the unaudited quarterly results for the quarter ended 31 December 2013

#### 29 April 2014

Announcement of the unaudited quarterly results for the quarter ended 31 March 2014

#### 11 August 2014

Announcement of the unaudited quarterly results for the quarter ended 30 June 2014

### INCOME DISTRIBUTION FOR THE QUARTER ENDED

#### 31 MARCH 2014

**2.10 sen per unit (of which 1.71 sen per unit is taxable and 0.39 sen per unit is non-taxable)**

#### Announcement of the notice of entitlement and payment:

29 April 2014

#### Date of entitlement:

16 May 2014

#### Date of payment:

29 May 2014

### INCOME DISTRIBUTION FOR THE QUARTER ENDED

#### 30 SEPTEMBER 2013

**2.00 sen per unit (of which 1.65 sen per unit is taxable and 0.35 sen per unit is non-taxable)**

#### Announcement of the notice of entitlement and payment:

29 October 2013

#### Date of entitlement:

14 November 2013

#### Date of payment:

28 November 2013

### INCOME DISTRIBUTION FOR THE QUARTER ENDED 30 JUNE 2014

**2.03 sen per unit (of which 1.58 sen per unit is taxable and 0.45 sen per unit is non-taxable)**

#### Announcement of the notice of entitlement and payment:

11 August 2014

#### Date of entitlement:

26 August 2014

#### Date of payment:

10 September 2014

### INCOME DISTRIBUTION FOR THE QUARTER ENDED

#### 31 DECEMBER 2013

**2.23 sen per unit (of which 1.89 sen per unit is taxable and 0.34 sen per unit is non-taxable)**

#### Announcement of the notice of entitlement and payment:

24 January 2014

#### Date of entitlement:

12 February 2014

#### Date of payment:

27 February 2014

**1. ECONOMIC OVERVIEW**

The Malaysian economy expanded by 4.7% in 2013 (2012: 5.6%), driven by continued strong growth in domestic demand amid a weak external environment in the first half of the year. Private investment activities moderated from the exceptionally strong growth of 21.9% in 2012 to 13.6% in 2013, supported mainly by private sector capital expenditure driven by both the domestic and foreign investors in the mining, services and manufacturing sectors. Private consumption remained strong, supported mainly by favourable employment conditions and wage growth. In 1Q2014, GDP expanded by 6.2%, driven mainly by strong expansion in domestic demand and a turnaround in net exports.

The prospect for the economy for 2014 is expected to remain on a steady growth path, expanding by 4.5% - 5.5%. The growth momentum will be supported by better performance in the external sector amid some moderation in domestic demand. Domestic demand will remain the key driver of growth, albeit at a more moderate pace, reflecting the continued public sector consolidation. Private investment is forecast to register robust growth at 12.6% in 2014, driven by implementation of multi-year projects and the improvement in external demand.

Malaysian Investment Development Authority announced in February 2014 that the country had a new record breaking year of investments in the manufacturing, service and primary sectors in 2013 with total approved investments of RM216.5 billion, a very commendable achievement amidst a challenging external environment. Services sector accounted for the largest share of approved investments (66.8%) with RM144.7 billion, followed by the primary sector (9.1%) with RM19.7 billion and manufacturing (24.1%) with RM52.1 billion. Within the services sector, real estate sub-sector attracted the largest investment of RM83.3 billion. Malaysia has moved up three notches to 12th spot among 60 economies in the World Competitiveness Ranking 2014 released today by the Switzerland-based IMD World Competitiveness Centre. The year 2013 achieved its highest-ever foreign direct investment (FDI) at RM38.8 billion, surging 3.9% its previous record of RM37.3 billion in 2011. This is an increase of 24% as compared to RM31.1 billion recorded in 2012.

Consumer confidence picked up with income growth, registering 7.2% per annum since 2009 and employment prospect remain bright with low unemployment of below 3%. Headline inflation is expected to average 3% - 4% in 2014 (2013: 2.1%) due mainly to domestic costs factors. These include the recent price adjustments arising from subsidy rationalisation and the spillover effects of these adjustments on the prices of other goods and services. Bank Negara Malaysia ("BNM") in July 2014 has raised the overnight policy rate by 25 basis points to 3.25% the first time since May 2011 as it expects the overall economic growth momentum to be sustained.

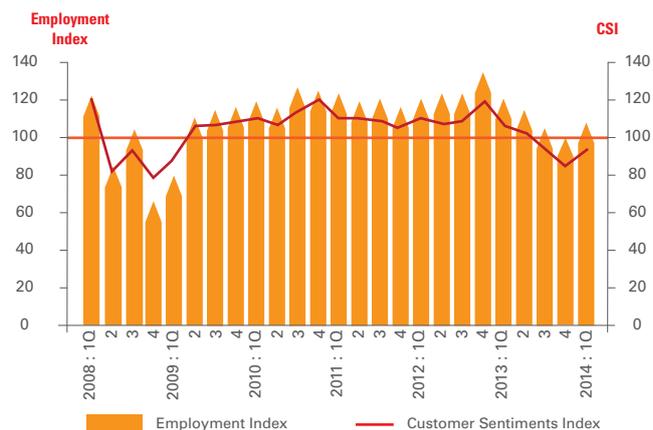
**FIGURE 1.1: GDP GROWTH AND UNEMPLOYMENT RATE, 4Q2010 – 1Q2014**



Source: Ministry of Finance, Azmi Real Estate Management Sdn Bhd, June 2014

The Consumer Sentiment Index ("CSI") at 1Q2014 settled slightly higher at 96.8 points, after recording the lowest reading in almost five years in the 4Q2013. Although consumer confidence has improved slightly in the 1Q2014, consumers remain cautious, especially in their spending.

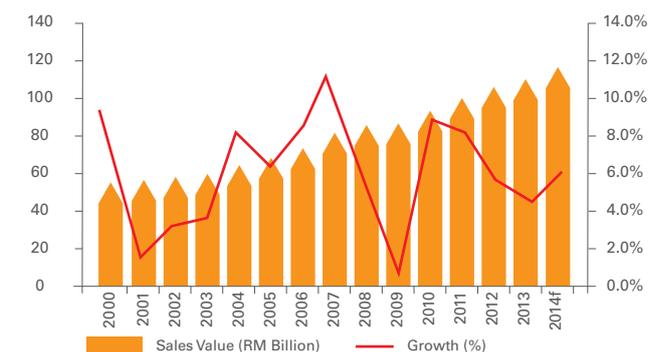
**FIGURE 1.2: CONSUMER SENTIMENT INDEX, 1Q2007 – 1Q2014**



Source: Malaysia Institute of Economics Research (MIER)

National retail sales slowed in 2013 to 4.5% (2012: 5.5%) with total sales of RM91.7 billion (2012: RM87.8 billion), pulled down by slower performance in all retail sub-sectors. According to Retail Group Malaysia ("RGM"), retail sales growth for 2014 is forecasted at 6.0%, generating sales of RM97.2 billion in conjunction with Visit Malaysia Year 2014.

**FIGURE 1.3: RETAIL SALES GROWTH, 2010-2014F**

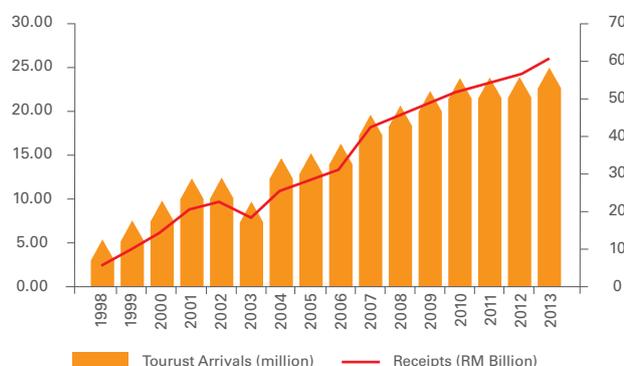


Source: Retail Group Malaysia & Azmi Real Estate Management Sdn Bhd, June 2014

## DETAILED MARKET REPORT (CONT'D)

The number of tourist increased marginally to 25.72 million in 2013, up from 25.03 million in 2012 and the total receipts rose to RM65.44 billion in 2013, up from RM60.6 billion in 2012.

**FIGURE 1.4: FOREIGN TOURIST ARRIVALS AND RECEIPTS**



Source: Tourism Malaysia

### 2. SELANGOR – PETALING JAYA/SUBANG JAYA

Selangor economy remains the most buoyant and continues to attract investments. The state's economic achievement continues to be the main contributor in the country's economy at 23%. The services sector is the key contributor of 56.4% to the state's GDP. The service sector is expected to continue to be the economic driver with trade-related activities, as well as to strengthen investment, technology and professionals to increase contributions to the state's GDP.

#### 2.1 RETAIL

Based on the Property Market Report 1Q2014 by National Property Information Centre (NAPIC) Klang Valley has 227 shopping complex (malls, arcade & hypermarkets) offering 58.76 million sq.ft. of total retail space and the average occupancy rate for these shopping complex is around 82.36%. This translates to a retail space provision of approximately 7.64 sq.ft. per capita.

As at 1Q2014, there is a total of 12.6 million sq.ft. of retail space in Petaling Jaya and its surrounding areas with 49.31% of the total space concentrated in Subang Jaya/Sunway. Overall occupancy rate as of 1Q2014 was at 87.66%.

**TABLE 2.1: SUPPLY AND OCCUPANCY – RETAIL CENTRES PETALING JAYA AND SURROUNDINGS**

Location	NLA (sq.ft.)	Total Occupied (sq.ft.)	Occupancy
Petaling Jaya	3,171,370	2,171,554	68.47%
Subang Jaya/Sunway	6,201,616	5,717,552	92.19%
Damansara	3,202,791	3,135,247	97.89%
<b>Total</b>	<b>12,575,777</b>	<b>11,024,353</b>	<b>87.66%</b>

Source: NAPIC & Azmi Real Estate Management Sdn Bhd, June 2014

Petaling Jaya and its surrounding areas still remain an attractive location for shopping malls and entertainment activities. As the premier mall within the state of Selangor, Sunway Pyramid Shopping Mall continues to maintain its position by maintaining its occupancy rate of about 98% with mid-to-upper mid outlets and various leisure opportunities. Sunway Pyramid Shopping Mall's performance is expected to remain healthy with the support of a fairly strong catchment of 1.6 million within a 10km radius which has a mixed population of middle to high income and the growing affluence of population within the state.

In 2013, there was no new supply in Petaling Jaya, Subang Jaya/Sunway and Damansara area. It is anticipated that in 2014, six new shopping malls with retail space of approximately 3.62 million sq.ft. will enter the market and in 2015, four malls with retail space of approximately 1.01 million sq.ft. will be added further. With the completion of these new malls within the next two to three years there will be some pressure on the occupancy rate as competition will intensify. The upcoming shopping malls in Petaling Jaya, Subang Jaya/Sunway & Damansara are tabulated in Table 2.2.

**TABLE 2.2: FUTURE SUPPLY OF SHOPPING CENTRES IN PETALING JAYA, SUBANG JAYA/SUNWAY & DAMANSARA**

Shopping Malls	Location	NLA (sq.ft.)	Expected Completion
The Strand Mall	Kota Damansara	308,795	2014
Jaya Shopping Centre	Section 14, PJ	270,000	
The Place @ One City	USJ	220,000	
Empire City	Damansara Perdana	2,000,000	
Atria Shopping Mall	Damansara Utama, PJ	450,000	
Lifestyle Mall	Ara Damansara	375,000	
<b>Total</b>		<b>3,623,795</b>	
The Square @ One City	USJ	176,000	2015
Da:men	USJ	400,000	
Evolve @ Pacific Place	Ara Damansara	375,000	
Sunway Pyramid (Phase 3)	Bandar Sunway	62,000	
<b>Total</b>		<b>1,013,000</b>	

## DETAILED MARKET REPORT (CONT'D)

Shopping Malls	Location	NLA (sq.ft.)	Expected Completion
The Starling	Damansara Uptown	380,000	2016
Pacific Star	Section 13, PJ	250,000	
Tropicana Gardens Mall	Kota Damansara	1,000,000	
<b>Total</b>		<b>1,630,000</b>	
PJ Sentral Garden City	Petaling Jaya	1,000,000	Planning Stage (post 2016)
SJCC, Subang Jaya	SS16 Subang Jaya	400,000	
MCT Mall	USJ 25	1,500,000	
Tropicana Metropark	Subang	n/a	
Remix Mall	USJ 1	1,500,000	
<b>Total</b>		<b>4,400,000</b>	
<b>Total Mall Supply</b>		<b>10,666,795</b>	

Source: Azmi Real Estate Management Sdn Bhd, June 2014

The outlook for the retail industry remains cautiously optimistic as consumers are expected to adopt a more prudent spending approach due to rising cost of living.

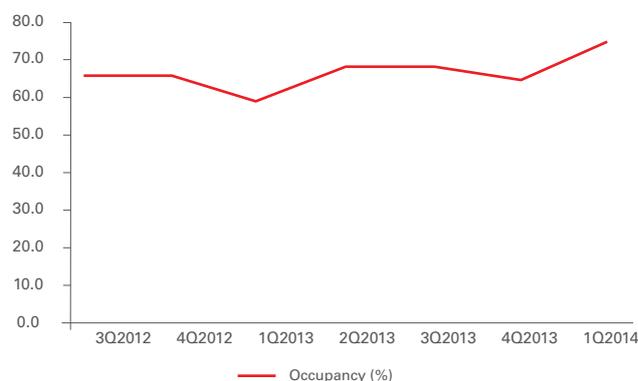
## 2.2 HOTEL

ASEAN countries remained the largest contributor of tourist arrivals, accounting for approximately 74.3% share of total arrivals in 2013. Cambodia and Vietnam are the two ASEAN countries that registered double-digit growth at 28.6% and 11.7% year-on-year. Although arrivals from Thailand and Brunei contracted 8.4% and 1.5% respectively, these two countries remained Malaysia's top five countries in tourist arrivals at 5th and 3rd position respectively.

There are a total of about 5,663 hotel rooms in Petaling Jaya and its surrounding area ranging from 4-star to 5-star hotels as at 1H2014. The room stock is largely provided by 5-star hotels accounting for 3,246 rooms (57.3%) include those at Sunway Resort Hotel & Spa, Grand Dorsett Subang, Holiday Villa, The Club Saujana Resort, The Saujana Hotel, Holiday Inn Glenmarie, Hilton Petaling Jaya, One World Hotel and The Royale Chulan Damansara.

Average occupancy rate of selected 4/5-star hotels within the selected localities in Selangor inched up to 66% in 2013 compared to 63% in 2012. Notable 4/5-star hotels that recorded average occupancy in excess of 70% for the 1Q2014 include The Royale Bintang @ The Curve, Empire Hotel Subang, The Saujana and Hotel Armada Petaling Jaya.

FIGURE 2.1: OCCUPANCY RATE OF 3-STAR TO 5-STAR HOTELS IN SELANGOR



Source: NAPIC & Azmi Real Estate Management Sdn Bhd, June 2014

During the financial year the average occupancy rate for Sunway Resort Hotel & Spa was at 78.8% and Pyramid Tower was at 82.4%, attracting mainly corporate guest and tourist. Both the hotels performance, are expected to remain optimistic in the medium to long term supported by a resilient tourism industry with higher tourist arrivals anticipated for Visit Malaysia Year 2014 and Malaysia Year of Festivals 2015.

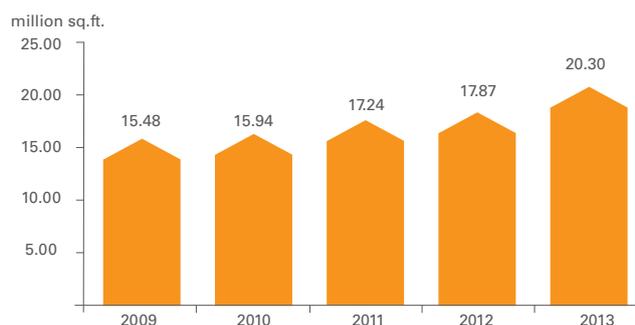
## 2.3 OFFICE

Petaling Jaya and Subang Jaya has emerged as a good alternative for many companies that does not require a KL office location with the high rental rates and traffic congestion within the city centre area. Many new emerging office locations such as Section 13 Petaling Jaya, Damansara Perdana, Mutiara Damansara, PJ Sentral Garden City and Ara Damansara are offering better quality office space at competitive rents.

The total stock of office space in Petaling Jaya and Subang Jaya is 20.30 million sq.ft. (1Q2014), reflecting an increase of space by 13% from 1Q2013 with the completion of Plaza 33, Plaza TSR, Sky Park USJ, Empire Damansara, Garden Office @ Encorp Strand and The Pinnacle, Sunway.

Future supply of office space is expected to grow by approximately 5.4 million sq.ft. and will be scheduled for completion by 2017.

FIGURE 2.2: OFFICE STOCK IN PETALING JAYA, SUBANG JAYA / SUNWAY & DAMANSARA



Source: NAPIC & Azmi Real Estate Management Sdn Bhd, June 2014

## DETAILED MARKET REPORT (CONT'D)

TABLE 2.3: FUTURE SUPPLY OF OFFICE IN PETALING JAYA AND ITS SURROUNDING

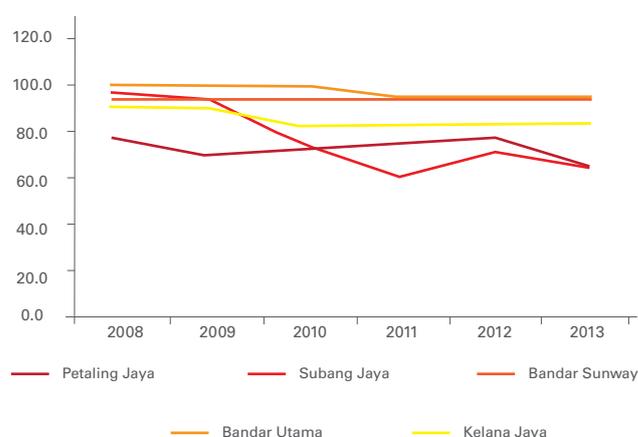
Office Buildings	Location	NLA (sq.ft.)	Expected Completion
Sunway Nexus Biz Suites	Kota Damansara	297,000	2014
Centerstage Office Suites	Section 13,PJ	312,000	
Corporate Office @ Cascades	Kota Damansara	240,000	
The Ascent, Paradigm	Kelana Jaya	484,000	
Atria Twin SOFO Tower	Damansara Jaya	240,000	
Jaya One Evolution (Phase 2)	Section 13, PJ	165,000	
The Prime @ The Altium	Damansara Perdana	237,400	
<b>Total</b>		<b>1,975,400</b>	
Tropicana Avenue	Tropicana Resort	172,468	2015
Oasis Corporate Park Centum	Ara Damansara	327,000	
<b>Total</b>		<b>499,468</b>	
Corporate Office Tower @ One City (Phase 3)	USJ	1,500,000	2016
HCK Tower @ Empire City	Damansara Perdana	440,000	
The Star Tower @ Pacific Star	Section 13, PJ	270,000	
Mercu Mustapha Tower	Damansara Perdana	470,000	
<b>Total</b>		<b>2,680,000</b>	
SJCC, Subang Jaya	SS16 Subang Jaya	250,000	2017
<b>Total</b>		<b>250,000</b>	
<b>Total Office Supply</b>		<b>5,404,868</b>	

Source: Azmi Real Estate Management Sdn Bhd, June 2014

There are few other major projects in the pipeline and are currently under the planning stages which includes PJ Sentral (Phase 1 comprises 5 commercial towers), Empire City (corporate and detached offices) and Icon City (corporate and boutique offices).

With the addition of almost 2.4 million sq.ft. of new office space in 2013, average occupancy rate in Petaling Jaya declined tremendously by 12% to 65.4%, whilst Subang Jaya registered a decline of 6.4% to 65.1%. Occupancy rate in Bandar Sunway remained stable at 95.0%.

FIGURE 2.3: OFFICE OCCUPANCY RATES IN PETALING JAYA AND ITS SURROUNDING



Source: NAPIC &amp; Azmi Real Estate Management Sdn Bhd, June 2014

Average gross rental rates in Petaling Jaya and Subang Jaya remain stable with rental ranging from RM3.50 to RM5.50 psf/m. However, rentals achieved at new and modern office buildings are ranging from RM4.50 to RM5.50 psf/m. The Pinnacle, Sunway the only Grade A office building in Bandar Sunway asking rental is RM5.00 – RM5.50 psf/m.

We anticipate that growing supply will contribute to slower growth in the office market sector within the next few years due to the incoming supply of 5.4 million sq.ft. which is expected to be completed by 2017. However, with the extension of the LRT Line and the proposed MRT Line would improve accessibility and connectivity which would make these decentralised areas as favourable locations for tenants.

Demand for good grade dual-compliant (GBI and MSC status) office space, is expected to remain resilient in the short term with positive growth in both the occupancy and rental rates due to sustained demand and limited availability of such space in Petaling Jaya and its surrounding area.

## 3. KUALA LUMPUR

The Kuala Lumpur property market outlook for 2014 is expected to be encouraging backed by various on-going and proposed development projects. The on-going Greater Kuala Lumpur projects under the Economic Transformation Programme would continue to set a positive property market outlook for the year 2014. Activities relating to improved transportation such as MRT, increased connectivity infrastructure, revitalizing the Klang River, promoting the financial service sector and establishing

## DETAILED MARKET REPORT (CONT'D)

vibrant shopping environment were among the efforts for continuous growth and to transform Kuala Lumpur into one of the top liveable city in the world.

### 3.1 RETAIL

As at 1Q2014, the retail stock in Kuala Lumpur had grown to 26.07 million sq.ft., a marginal increase of 0.98% from the preceding year due to the completion Nu Sentral at KL Sentral and the closure of Capsquare for refurbishment and repositioning.

In the pipeline, there will be a total of 6.42 million sq.ft. of retail space to be completed by 2016 in Kuala Lumpur, excluding projects that are still under planning such as KL Metropolis, Warisan Merdeka and Bukit Bintang City Centre, which will come on stream within the next 3 to 5 years.

**TABLE 3.1: FUTURE SUPPLY OF SHOPPING CENTRES IN KUALA LUMPUR**

Shopping Malls	Location	NLA (sq.ft.)	Expected Completion
Glomac Damansara (GLO Damansara)	Jalan Damansara	360,000	2014
Quill City Mall	Jalan Sultan Ismail	770,000	
<b>Total</b>		<b>1,130,000</b>	
Sunway Putra Mall (Refurbishment & expansion)	Jalan Putra	120,000	2015
KL Eco City	Hukum Abdullah	313,605	
Bangsar Trade Centre	Bangsar	230,000	
<b>Total</b>		<b>663,605</b>	
Kiara 163	Mont Kiara	300,000	2016
Damansara City Lifestyle Mall	Damansara Heights	290,000	
Sunway Velocity	Jalan Peel	1,500,000	
Pavilion (Extension)	Bukit Bintang	225,000	
Four Seasons Place	KLCC	200,000	
Datum Jelatek	Kuala Lumpur	180,000	

Shopping Malls	Location	NLA (sq.ft.)	Expected Completion
The Veo @ Melawati	Taman Melawati	635,000	2016
Tun Razak Exchange	Jalan Tun Razak	1,300,000	
<b>Total</b>		<b>4,630,000</b>	
<b>Total Mall Supply</b>		<b>6,423,605</b>	

Source: Azmi Real Estate Management Sdn Bhd, June 2014

The retail sector in Kuala Lumpur has generally continued to enjoy high occupancy rate with an average occupancy rate as of 1Q2014 was 85.9%, an increase of 3.06% (y-o-y). The prime shopping centres in Kuala Lumpur has an average occupancy rate of over 98%, attributed to the centres having a good tenant mix consisting of well-known local, regional and international brands as well as strong centre management team.

Overall rental for the prime retail malls are in the range of RM10.00 – RM30.00 psf/m and have generally been trending upwards over the recent years.

**TABLE 3.2: AVERAGE GROSS RENTAL OF SELECTED SHOPPING CENTRES IN KUALA LUMPUR**

Shopping Malls	Location	Estimated Gross Rental (psf)
Suria KLCC	KLCC	25.00 - 30.00
Pavilion	Bukit Bintang	18.00 - 22.00
Sungei Wang Plaza	Bukit Bintang	11.00 - 14.00
The Gardens	Mid Valley	10.00 - 12.00
Mid Valley Megamall	Mid Valley	12.00 - 14.00

Source: Azmi Real Estate Management Sdn Bhd, June 2014

Sunway Putra Mall is currently undergoing refurbishment, renovation, extension and repositioning as an urban-chic lifestyle shopping mall and is expected to be opened in early 1Q2015. Upon opening, Sunway Putra Mall will be tenanted mostly by specialty and mini anchor tenants, followed by food and beverages and entertainment tenants. The repositioning with additional retail space is expected to bring more shoppers to the mall.

## DETAILED MARKET REPORT (CONT'D)

The retail market is currently facing stiff competition with the existing supply as more retail malls start cannibalising into each other's catchment areas and the incoming supply will experience relatively low take-up rates upon completion. However, this oversupply situation is more specific to projects than location specific. Many of the major established retail malls continue to attract both retailers as well as shoppers such as Pavilion KL, Suria KLCC, Mid Valley Mega Mall, Gardens Mid Valley, Sungei Wang Plaza & Berjaya Times Square.

### 3.2 OFFICE

As at 1Q2014 the current stock of purposed built office space in Kuala Lumpur is about 83.4 million sq.ft., a growth of 2.8% from 1Q2013. Majority of the space, approximately 31.8% is concentrated in the Golden Triangle; 17.2% in the Central Business District and the remaining 51% is distributed amongst Kuala Lumpur decentralised areas. In 2013 there were six office building completed, Menara Shell (538,000 sq.ft.), CIMB Mapletree (609,000 sq.ft.), Nu Tower (758,000 sq.ft.), 1 Sentrum (440,000 sq.ft.), Menara LGB (414,000 sq.ft.) and Glomac Damansara (block A & B)(353,000 sq.ft.). The 1H2014 saw the completion of The Crest (273,000 sq.ft.), Menara TH (360,000 sq.ft.) and Menara Kembar Bank Rakyat (963,000 sq.ft.).

**TABLE 3.3: EXISTING SUPPLY OF PURPOSE BUILT OFFICE IN KUALA LUMPUR (1Q2014)**

Location	No of buildings	Total Space (sq.ft.)	Total Space Occupied (sq.ft.)	Occupancy (%)
KLCC / Golden Triangle	90	26,558,075	21,195,925	79.8%
Centre Business District	96	14,337,517	12,542,441	87.5%
Within City Centre	132	25,786,862	20,785,153	80.6%
Suburban	81	16,749,408	12,695,967	75.8%
<b>Total</b>	<b>399</b>	<b>83,431,862</b>	<b>67,219,486</b>	<b>80.6%</b>

Source: NAPIC & Azmi Real Estate Management Sdn Bhd, June 2014

Over the next 4 years there will be a substantial supply of office space in the pipeline of approximately 16.3m sq.ft. will enter the Kuala Lumpur market. Nearly 50% of this future supply is expected to be completed in the remainder of 2014 and 2015, with 3.7 million sq.ft. and 5.5 million sq.ft. respectively. The supply situation continues to be a concern especially due to large projects currently being planned such as Tun Razak Exchange, KL Metropolis, Warisan Merdeka, Bukit Bintang City Centre and KL EcoCity. These projects will most likely enter the market earliest by 2017 which will have a major impact on the overall office market over the long term.

In 2013 the net absorption rate was 2.5 million sq.ft., higher than the 10-year average of 1.8 million sq.ft. per annum with new supply of 2.4 million sq.ft.. The average occupancy improved slightly from 78.1% (1Q2013) to 80.6% (1Q2014).

Average prime office rents in Kuala Lumpur remained stable in 2013. Prime A office space in the Golden Triangle (GT) have consistently command higher rental rates compared to those located in Central Business District (CBD). Prime A office buildings in the GT range from RM6.50 psf/m to RM8.50 psf/m whilst rental rates for Prime A+ office are in the region of RM8.50 psf/m and above. In the CBD rental rates range from RM5.20 psf/m to RM7.00 psf/m and KL city fringe rental rates for prime office buildings range from RM4.50 psf/m to RM9.50 psf/m.

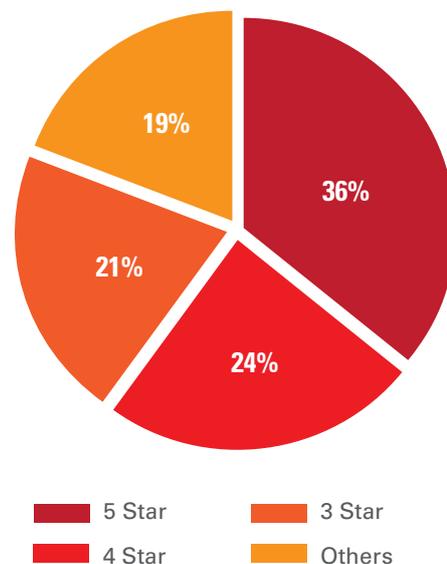
Going forward the office market is expected to remain stable in the short term with rental rates expected to remain firm particularly for well-located good grade and dual compliant office buildings due to limited availability of supply. The impending entry of more prime and modern office space is expected to put further pressure on occupancy and rental rates of secondary buildings.

### 3.3 HOTEL

Kuala Lumpur has been named the 8th most affordable destination in the world for a city break, according to TripIndex Cities, a TripAdvisor annual cost comparison study.

As at 1Q2014, there are a total of 185 tourist accommodations providing a total of 34,020 rooms in Kuala Lumpur. Out of the 34,020 hotel rooms in Kuala Lumpur, 36.4% of them are of 5-star category, 24.1% of 4-star category and 20.5% are of 3-star category. The remaining 19% are other category.

**FIGURE 3.1: HOTEL ROOMS BY STAR RATING IN KUALA LUMPUR, 1Q2014**



Source: NAPIC & Azmi Real Estate Management Sdn Bhd, June 2014

## DETAILED MARKET REPORT (CONT'D)

During this period saw the opening of Silka Cheras Kuala Lumpur a 4-star hotel with 319 rooms which is managed by Dorsett Hospitality International. The hotel adjoins the newly refurbished Cheras Sentral Mall.

There are a number of proposed hotels being planned or under construction, totalling 3,317 rooms. These will provide a boost to the number of international class hotels in the city to meet the needs of increasing demand from the business travellers and tourist. Selected future supply of hotels under construction and planning stages are tabulated in Table 3.4.

**TABLE 3.4: SELECTED FUTURE SUPPLY OF HOTELS IN KUALA LUMPUR**

Hotel & Services Apartment	Location	Star	No. of Rooms	Expected Completion
IB Tower	Jalan Binjai	Service Apartment	228	2014
The St. Regis Kuala Lumpur	KL Sentral	Hotel	200	2014
Banyan Tree Signatures Pavilion Kuala Lumpur	Jln Conlay	Hotel cum Serviced Apartment	101	2015
Holiday Inn Express Bukit Bintang	Jln Bukit Bintang	Hotel	200	2015
Royale Pavilion Hotel	Jln Bukit Bintang	5-star Hotel	329	2016
W Kuala Lumpur, Hotel & Residences	Jln Ampang (Ex-Bok House land)	Hotel cum Serviced Apartment	150	2016
Arcoris Hotel @ Arcoris Mon't Kiara	Mon't Kiara	Boutique Hotel	275	2016
Four Seasons Place Kuala Lumpur	Jln Ampang	Hotel + Hotel Apartments	231	2017

Hotel & Services Apartment	Location	Star	No. of Rooms	Expected Completion
Fairmont Kuala Lumpur	KLCC	5-star Hotel	750	2017
Harrods Hotel	Bukit Bintang	Hotel	300	2018
Holiday Villa KLCC	Jln Mayang Off Jln Yap Kwan Seng	4-star Hotel	203	Planning Stage
Platinum Park Hotel	Jalan Binjai	5-star Hotel	350	Planning Stage
<b>Total</b>			<b>3,317</b>	

Source: Azmi Real Estate Management Sdn Bhd, June 2014

The average occupancy rate for 1Q2014 was noted to be higher for the 5-star category at 70.8% compared to 59.0% in 1Q2013. As for the 4-star category saw a slight drop in occupancy 60.9% at 1Q2014 compared to 62.4% in 1Q2013.

**FIGURE 3.2: OCCUPANCY RATE OF 3-STAR TO 5-STAR HOTELS IN KUALA LUMPUR**



Source: NAPIC & Azmi Real Estate Management Sdn Bhd, June 2014

Overall, the Average Room Rate (ARR) of hotels in Kuala Lumpur has been experiencing improvement over the recent years. The selected 5-star hotel achieving ARR above RM450 include Shangri-La, Westin and The Ritz Carlton while the selected 4-star hotels achieving ARR above RM250 include Concorde Hotel, Federal Hotel, Aloft KL Sentral, Novotel and Piccolo.

The outlook for the hospitality industry is expected to remain optimistic in the medium to long term supported by a resilient tourism industry with higher tourist arrivals and corresponding receipts.

## DETAILED MARKET REPORT (CONT'D)

### 4. PENANG (MAINLAND)

Penang continues to be one of the 3 preferred locations for manufacturing projects within the country, especially within the electrical and electronic sector. The performance of this sector is rising with the worldwide demand for industrial and consumer electronics, as global sentiments may impact the approved manufacturing investments. Going forward, high FDI into the manufacturing industry, the backbone of Penang's economy is expected to create more high value job opportunities which have a direct correlation to higher consumer spending power.

Over the recent years, the Penang state government has played a crucial role in bringing in investors especially to develop key projects in Batu Kawan which has seen the boom of its real estate with the opening of the second bridge being a key impetus. Real estate development is also driven by the improved infrastructure, inflow of population and workers.

#### 4.1 RETAIL

With the existing supply of retail space in the state at 16.93 million sq.ft. (island and mainland) as at 1Q2014 the retail space per capita for the state of Penang is 10.30 sq.ft. per capita, which indicates an oversupply situation compared to 7.53 sq.ft. per capita in the Klang Valley.

In July 2013, Gurney Paragon Phase 2 (599,000 sq.ft.) was completed, followed by AEON Mall, Bukit Mertajam in June 2014. There are no further completion expected in 2014. Other new developments in the pipeline include City Mall Bayan City and Penang Times Square Phase 3 with a total space of approximately 530,000 sq.ft..

The state experienced a marginal improvement in occupancy, at 70.3% in 1Q2014 compared to 69.4% in 1Q2013. Prime shopping malls in the state have maintained their occupancy rate of about 90% whilst occupancy rates of secondary shopping malls range from 50% to 90%. Located in Seberang Jaya, Sunway Carnival Shopping Mall is one of the leading malls in the mainland with an occupancy rate of 92.0% for FY2014. Sunway Carnival Mall's performance is expected to remain healthy with the recent opening of the Second Penang Bridge will boost property development activities and further expansion of the industrial park in Batu Kawan area is likely to drive population growth and this could boost retail sales.

**TABLE 4.1: SUPPLY OF RETAIL SPACE AND OCCUPANCY**

Shopping Malls	Total Space (sq.ft.)	Occupancy 1Q 2014
Butterworth	294,759	96.9%
Seberang Jaya	914,028	82.5%
Perai	1,402,893	60.3%
Others	14,314,504	69.9%
<b>Penang</b>	<b>16,926,184</b>	<b>70.3%</b>

Source: NAPIC, Q1 2014

Rental rates for ground floor retail lots of prime shopping malls in the state are generally stable with rentals ranging from RM10 psf to RM38 psf, depending on the mall, location, floor level and size of the lots.

Overall the retail industry remains cautiously optimistic as consumer are expected to adopt a more prudent spending approach due to rising cost of living.

#### 4.2 HOTEL

There are currently a total of 8,933 hotel rooms in the state provided by hotels ranging from 3-star to 5-star. All nine 5-star hotels are located in the state offers a total of 3,285 rooms. While in the 4-star category offers a total of 4,111 rooms provided by thirteen hotels and in the 3-star category offers a total of 1,537 rooms by ten hotels.

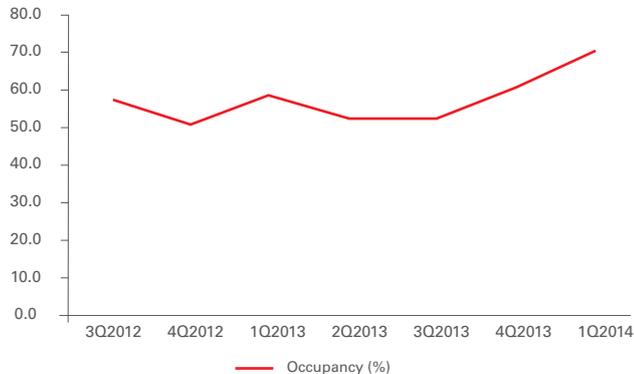
**TABLE 4.2: SELECTED HOTELS AND NUMBER OF ROOMS, SEBERANG JAYA**

Hotel	Rating	No of Rooms
Sunway Hotel Seberang Jaya	Business Class	202
Summit	3	160
Pearl View	3	308
Ixora	3	326
Aroma	3	155

Source: Azmi Real Estate Management Sdn Bhd, June 2014

Generally the average occupancy rates for 3-star to 5-star hotels improved in 1Q2014 to 70.3% compared to 58.1% in 1Q2013.

**FIGURE 4.1: OCCUPANCY RATE OF 3-STAR TO 5-STAR HOTELS IN PENANG**



Source: NAPIC & Azmi Real Estate Management Sdn Bhd, June 2014

The hotels in Seberang Perai cater to business clients in the industrial and commercial sectors. With the opening of the second bridge in Penang would improve the demand from growing business activities in Batu Kawan area and Seberang Perai.

The level of business travellers is expected to remain positive following the strong performance on the industrial sector. Medical tourism is also set to continuously contribute to the state's tourism receipts.

Sunway Hotel Seberang Jaya can expect to benefit from increased commercial and industrial activities on the mainland.

## 5. PERAK

The property outlook for years to come is expected to be encouraging. The mixed development to Kinta Lake District on a 106.8 hectare near Tronoh in Batu Gajah will add another landmark in the state. The project is expected to commence before the year-end and will incorporate the concept of green buildings comprising housing estates, commercial units, education centres and recreational parks. Meanwhile the state government will revive a proposal to turn Pengkalan Hulu and Pulau Pangkor into duty-free zones to boost tourism development in Pulau Pangkor and its surrounding area. Likewise, a theme park with cartoon characters similar to Disneyland is in the pipeline for the township in Ipoh comprising water activities and a 300-room resort hotel. The developments are expected to boost the state's economic and property sector.

### 5.1 RETAIL

The current total stock of retail space in the state as at 1Q2014 is 8.12 million sq.ft. (Ipoh accounts for approximately 5.8 million sq.ft.) comprising 64 shopping complexes. Of these, 20 are hypermarkets in which 7 are located in Ipoh. The hypermarkets within Ipoh include Giant Ipoh, Giant Bercham, Tesco Station 18, Tesco Ipoh, Tesco Extra Ipoh, Mydin Meru Raya and Mydin Manjoi.

The average occupancy increased from 85.6% in 1Q2013 to 92.7% in 1Q2014. Rentals have remained generally stable in the center town prime area, where popular malls like Ipoh Parade, Kinta City Jaya Jusco and Greentown Mall are located. The current rentals of hypermarket space in Ipoh range from RM2.00 to RM2.50 psf/m depending on the location and conditions agreed between landlord and tenant. The prospect for hypermarket is expected to continue to be good over the short and medium term.

## ANALYSIS OF UNITHOLDINGS

AS AT 30 JUNE 2014

## DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Unit Held	% of Unitholdings
Less than 100	16	0.17	379	#
100 - 1,000	1,316	13.74	1,077,300	0.04
1,001 - 10,000	5,519	57.60	29,354,300	1.00
10,001 - 100,000	2,292	23.92	74,991,066	2.56
100,001 to less than 5% of issued units	431	4.50	1,263,017,749	43.13
5% and above of issued units	7	0.07	1,560,274,106	53.27
	<b>9,581</b>	<b>100.00</b>	<b>2,928,714,900</b>	<b>100.00</b>

# Negligible

## THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS

Name of Unitholders	No. of Units	%
Cartaban Nominees (Tempatan) Sdn Bhd - Standard Chartered Saadiq Berhad - Sunway Reit Holdings Sdn Bhd	315,827,979	10.78
CIMB Group Nominees (Tempatan) Sdn Bhd - The Bank OfTokyo - Mitsubishi UFJ, Ltd For Sunway Reit Holdings Sdn Bhd	271,000,000	9.25
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	252,116,900	8.61
Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	242,342,500	8.27
HSBC Nominees (Asing) Sdn Bhd - Exempt AN For JPMorgan Chase Bank, National Association (U.S.A.)	165,549,615	5.65
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	164,907,320	5.63
Bank OfTokyo - Mitsubishi UFJ (Malaysia) Berhad - Sunway Reit Holdings Sdn Bhd	148,529,792	5.07
HSBC Nominees (Asing) Sdn Bhd - Exempt AN ForThe Bank Of NewYork Mellon (BNYM AS E&A)	137,000,000	4.68
Public Nominees (Tempatan) Sdn Bhd - Sunway Reit Holdings Sdn Bhd (BSY)	114,400,400	3.91
Sunway Reit Holdings Sdn Bhd	112,976,014	3.86
Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	87,153,800	2.98
Amanahraya Trustees Berhad - Amanah Saham Malaysia	72,711,950	2.48
Amanahraya Trustees Berhad As 1Malaysia	59,947,730	2.05
Cartaban Nominees (Tempatan) Sdn Bhd - Exempt AN for Eastspring Investments Berhad	51,502,100	1.76
Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	48,303,200	1.65

## ANALYSIS OF UNITHOLDINGS (CONT'D)

AS AT 30 JUNE 2014

Name of Unitholders	No. of Units		%
Kumpulan Wang Persaraan (Diperbadankan)	41,123,500		1.40
Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN For AIA Bhd	33,786,500		1.15
Permodalan Nasional Berhad	26,239,000		0.90
Sunway Berhad	25,593,900		0.87
RHB Nominees (Tempatan) Sdn Bhd - Industrial And Commercial Bank Of China (Malaysia) Berhad For Sunway Reit Holdings Sdn Bhd	23,900,000		0.82
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	23,593,400		0.81
Citigroup Nominees (Tempatan) Sdn Bhd - Allianz Life Insurance Malaysia Berhad (P)	14,873,100		0.51
Sunway Education Group Sdn Bhd	14,850,000		0.51
HSBC Nominees (Asing) Sdn Bhd - Liechtensteinische Landesbank Aktiengesellschaft	14,830,100		0.51
Malaysia Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	14,217,200		0.49
Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	13,723,500		0.47
HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M)Trustee Bhd for RHB-OSK Kidsave Trust (3621)	13,000,000		0.44
Citigroup Nominees (Tempatan) Sdn Bhd - MCIS Zurich Insurance Berhad (Life Par FD)	10,123,400		0.35
Citigroup Nominees (Asing) Sdn Bhd - CBNY For DFA International Real Estate Securities Portfolio For DFA Investment Dimensions Group Inc	9,668,400		0.33
HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M)Trustee Bhd For AMB ValueTrust Fund (4249)	9,300,000		0.32
	<b>2,533,091,300</b>		<b>86.51</b>

## OWNERSHIP OF ISSUED UNIT CAPITAL AS AT 30 JUNE 2014

Category of Unitholders by Nationality and Incorporation Type	No. of Holders			No. of Units			%		
	Local		Foreign	Local		Foreign	Local		Foreign
	Bumi	Non - Bumi		Bumi	Non - Bumi		Bumi	Non - Bumi	
Individual	109	6,891	68	1,341,700	276,548,705	3,615,900	0.0458	9.4427	0.1235
Body Corporate:									
- Bank/Finance Companies	14	4	2	498,010,880	9,160,600	148,808,792	17.0044	0.3128	5.0810
- Trust/Foundation/Charity	0	2	0	0	270,000	0	0.0000	0.0092	0.0000
- Private/Limited Companies	22	88	3	8,517,100	160,651,314	195,000	0.2908	5.4854	0.0067
Government Agencies/Institutions	1	0	0	100,000	0	0	0.0034	0.0000	0.0000
Nominees	1,345	900	132	367,228,744	1,040,870,829	413,395,336	12.5389	35.5402	14.1152
<b>Total</b>	<b>1,491</b>	<b>7,885</b>	<b>205</b>	<b>875,198,424</b>	<b>1,487,501,448</b>	<b>566,015,028</b>	<b>29.8833</b>	<b>50.7903</b>	<b>19.3264</b>

## ANALYSIS OF UNITHOLDINGS (CONT'D)

AS AT 30 JUNE 2014

## SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

Name of Unitholders	Direct interest		Deemed interest	
	No. of Units	%	No. of Units	%
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	164,907,320	5.63	1,012,228,085(i)	34.56
Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng	-	-	1,177,135,405(ii)	40.19
Sarena Cheah Yean Tih	-	-	1,177,138,405(iii)	40.19
Evan Cheah Yean Shin	-	-	1,177,135,405(iv)	40.19
Active Equity Sdn Bhd	-	-	1,012,228,085(v)	34.56
Sungei Way Corporation Sdn Bhd	-	-	1,012,228,085(vi)	34.56
Sunway Berhad	25,593,900	0.87	986,634,185(vii)	33.69
Sunway Reit Holdings Sdn Bhd	986,634,185	33.69	-	-
Employees Provident Fund Board	293,282,500	10.01	-	-
Amanah Raya Trustees Berhad - Skim Amanah Saham Bumiputera	242,342,500	8.28	-	-
Capital Income Builder	162,538,400	5.56	-	-

## Notes:

- (i) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway Reit Holdings Sdn Bhd.
- (ii) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sunway Berhad, Sunway Reit Holdings Sdn Bhd and spouse.
- (iii) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Reit Holdings Sdn Bhd, spouse and parent.
- (iv) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Reit Holdings Sdn Bhd and parent.
- (v) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway Reit Holdings Sdn Bhd.
- (vi) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sunway Berhad and Sunway Reit Holdings Sdn Bhd.
- (vii) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sunway Reit Holdings Sdn Bhd.

## DIRECTORS' INTERESTS

Name of Directors	Direct interest		Deemed interest	
	No. of Units	%	No. of Units	%
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	164,907,320	5.63	1,012,228,085*	34.56
Dato' Ngeow Voon Yean	-	-	200,000**	0.01
Sarena Cheah Yean Tih	-	-	1,177,138,405***	40.19
Elvin A/L Berty Luke Fernandez	90,000	#	-	-
Ng Sing Hwa	-	-	1,457,600****	0.05

## Notes:

- \* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway Reit Holdings Sdn Bhd.
- \*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through spouse and child.
- \*\*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Reit Holdings Sdn Bhd, spouse and parent.
- \*\*\*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Millennium Pavilion Sdn Bhd.
- # Negligible

## NOTICE OF 2ND ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Second Annual General Meeting (“2nd AGM”) of Sunway Real Estate Investment Trust (“Sunway REIT”) will be held at Grand Caymans, Level 10, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Tuesday, 30 September 2014 at 3.30 p.m. for the following purposes:-

### AS ORDINARY BUSINESS

- To receive the Audited Financial Statements for the financial year ended 30 June 2014 of Sunway REIT together with the Trustee’s and Auditors’ Reports thereon.

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolution:-

- ORDINARY RESOLUTION:  
PROPOSED UNITHOLDERS’ MANDATE TO ALLOT AND ISSUE NEW UNITS OF UP TO 10% OF THE APPROVED FUND SIZE OF SUNWAY REIT PURSUANT TO CLAUSE 14.03 OF THE GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS ISSUED BY SECURITIES COMMISSION MALAYSIA (“REIT GUIDELINES”)**

“THAT pursuant to the REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, approval be and is hereby given to the Directors of Sunway REIT Management Sdn Bhd, the Manager for Sunway REIT (“the Manager”), to issue and allot new units in Sunway REIT (“New Units”) from time to time to such persons and for such purposes as the Directors of the Manager may in their absolute discretion deem fit and in the best interest of Sunway REIT, provided that the aggregate number of New Units issued pursuant to this resolution, when aggregated with the number of units in Sunway REIT issued during the preceding 12 months, must not exceed 10% of the approved fund size of Sunway REIT for the time being comprising 3,650,888,858 units (“Proposed Mandate”).

THAT such approval shall continue to be in force until:

- the conclusion of the next Annual General Meeting of the unitholders at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- the expiration of the period within which the next Annual General Meeting of the unitholders is required by law to be held; or
- revoked or varied by resolution passed by the unitholders in a unitholders’ meeting, whichever is the earlier.

THAT the New Units to be issued pursuant to the Proposed Mandate shall, upon allotment and issue, rank pari passu in all respects with the existing units of Sunway REIT, except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions that may be declared prior to the date of allotment and issue of such New Units.

THAT authority be and is hereby given to the Directors of the Manager and RHB Trustees Berhad (“the Trustee”), acting for and on behalf of Sunway REIT, to give effect to the Proposed Mandate with full powers to assent to any condition, modification, variation and/or amendment as they may deem fit in the best interest of Sunway REIT and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Manager and the Trustee, acting for and on behalf of Sunway REIT, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds, things in relation to the Proposed Mandate.”

**By Order of the Board of Directors of  
SUNWAY REIT MANAGEMENT SDN BHD**  
(Manager for Sunway REIT)

**TAN KIM AUN (MAICSA 7002988)**  
**CHIN SOO CHING (MAICSA 7042265)**  
Company Secretaries

Bandar Sunway  
28 August 2014

#### Notes:

- A Unitholder who is entitled to attend and vote at a meeting, may appoint not more than 2 proxies to attend and vote instead of the Unitholder at the meeting. A proxy may but need not be a Unitholder.
- If a Unitholder has appointed a proxy to attend a meeting and subsequently he attends such meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the said meeting.
- Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”), it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account.
- Where a Unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in 1 securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Management Company at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the Unitholder is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- In respect of deposited securities, only Unitholder whose names appear in the Record of Depositors on 22 September 2014 shall be entitled to attend, speak and vote at the 2nd AGM.

#### Explanatory Notes on Special Business

- Proposed Mandate**  
The proposed ordinary resolution, if passed, will give a mandate to the Manager of Sunway REIT to issue units of Sunway REIT from time to time provided that the aggregate number of the new Units to be issued, when aggregated with the number of Units issued during the preceding 12 months must not exceed 10% of the approved fund size of Sunway REIT for the time being. The Proposed Mandate, unless revoked or varied at a Unitholders’ Meeting, will expire at the conclusion of the next AGM of Unitholders of Sunway REIT.

The Proposed Mandate will allow the Manager the flexibility to allot and issue new Units to raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of Sunway REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed Mandate, delays and further costs involved in convening separate general meetings to approve such issue of Units to raise funds can be avoided.

#### Personal Data Notice

The Personal Data Protection Act 2010 (“Act”) which regulates the processing of personal data in commercial transactions, applies to us, Sunway REIT Management Sdn Bhd, being the Manager of Sunway REIT.

The personal data processed by us may include your name, contact details, mailing address and any other personal data derived from any documentation. We may use or disclose your personal data to any person engaged for the purposes of issuing the above notice of meeting and convening the meeting.

Subject to the requirement under the Act, if you would like to make any enquiries of your personal data, please contact us:

Address: Sunway REIT Management Sdn Bhd  
Level 16, Menara Sunway,  
Jalan Lagoon Timur, Bandar Sunway  
47500 Subang Jaya, Selangor Darul Ehsan  
Tel No: (603) 5639 8889  
Fax No: (603) 5639 9507

# SUNWAY™

## SUNWAY REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under a deed dated 20 May 2010 and a supplementary deed dated 10 June 2010 entered into between Sunway REIT Management Sdn Bhd and RHB Trustees Berhad, both companies incorporated in Malaysia under the Companies Act, 1965)

### SUNWAY REIT MANAGEMENT SDN BHD

(Company No. 806330-X)

Manager for Sunway Real Estate Investment Trust

## PROXY FORM

Registered Office:

Level 16, Menara Sunway, Jalan Lagoon Timur

Bandar Sunway, 47500 Subang Jaya

Selangor Darul Ehsan, Malaysia

Tel: (603) 5639 8855 / 5639 8832

Fax: (603) 5639 9507

Number of units held	
CDS Account No.	

\*I/We ..... \*NRIC No./Passport No./Company No.....  
(Full Name)

Tel./Mobile No.....of.....  
being a Unitholder of SUNWAY REAL ESTATE INVESTMENT TRUST ("Sunway REIT") and entitled to vote hereby appoint:-

### 1<sup>ST</sup> PROXY 'A'

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
		No. of Units	%
Address	NRIC No./Passport No.		

and/or failing \*him/her,

### 2<sup>nd</sup> PROXY 'B'

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
		No. of Units	%
Address	NRIC No./Passport No.		

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy to attend and vote for \*me/us on \*my/our behalf at the 2nd Annual General Meeting of Sunway REIT to be held at Grand Caymans, Level 10, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Tuesday, 30 September 2014 at 3.30 p.m. and at any adjournment thereof.

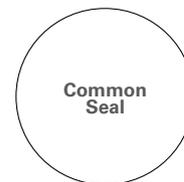
\* Strike out whichever not applicable

My/our proxy/proxies shall vote as follows:-

Please indicate with an "X" in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolutions at his/their discretion.

NO.	ORDINARY RESOLUTION	1 <sup>ST</sup> PROXY 'A'		2 <sup>ND</sup> PROXY 'B'	
		FOR	AGAINST	FOR	AGAINST
1	Proposed Mandate				

Dated this..... day of ..... 2014



Signature of Unitholder.....

#### Notes:

- A Unitholder who is entitled to attend and vote at the Meeting, may appoint not more than 2 proxies to attend and vote instead of the Unitholder at the Meeting. A proxy may but need not be a Unitholder.
- If a Unitholder has appointed a proxy to attend the Meeting and subsequently he attends such Meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the said Meeting.
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- Where a Unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in 1 securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Management Company at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the Unitholder is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- In respect of deposited securities, only Unitholders whose names appear in the Record of Depositors on 22 September 2014, shall be entitled to attend, speak and vote at the 2nd Annual General Meeting.

PLEASE FOLD HERE

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**STAMP**

**Sunway Real Estate Investment Trust**

LEVEL 16, MENARA SUNWAY  
JALAN LAGOON TIMUR  
BANDAR SUNWAY  
47500 SUBANG JAYA  
SELANGOR DARUL EHSAN  
MALAYSIA

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## GLOSSARY

AEI	Asset enhancement initiatives
AGM	Annual general meeting
ARR	Average rental rate
bps	Basis point
CAGR	Compounded annual growth rate
CP	Commercial paper
CY	Calendar year
Capex	Capital expenditure
Deed	The deed dated 20 May 2010 and the supplemental deed dated 10 June 2010 entered into between the Trustee and the Manager constituting Sunway REIT
DPU	Distribution per unit
EPU	Earnings per unit
FP	Financial period
FY	Financial year ended or ending
GFA	Gross floor area
GDP	Gross domestic product
IPO	Initial public offering
MER	Management expense ratio – ratio of expenses incurred in operating Sunway REIT to its NAV
M-REITs	Malaysian REITs
MTN	Medium term note
NAV	Net asset value
NBV	Net book value
NPI	Net property income
NLA	Net lettable area
REIT	Real estate investment trust
ROFR	Right of first refusal dated 26 May 2010 granted by Sunway City Bhd (SCB) to the Trustee to, amongst others, acquire properties that SCB or its wholly owned subsidiaries intend to sell
ROI	Return on investment
Sq.ft.	Square feet
TAV	Total asset value
US	United States
USD	United States Dollar
WALE	Weighted average lease expiry

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**SUNWAY REIT MANAGEMENT SDN BHD** (Company No. 806330-X)  
Manager of Sunway REIT

Level 15, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway,  
47500 Selangor Darul Ehsan.

Tel : (603) 5639 8888  
Fax : (603) 5639 8001  
Website : [www.sunwayreit.com](http://www.sunwayreit.com)  
E-mail : [irsunreit@sunway.com.my](mailto:irsunreit@sunway.com.my)

**SUNWAY™**