Sunway Real Estate Investment Trust ANNUAL REPORT 2017

WI HUS IN

FORGING AHEAD OF THE GAME

RATIONALE

Sunway REIT aims to be at the forefront of the industry with game-changing strategies that place Sunway REIT ahead of the curve.



Main Governing Regulations and Guidelines

- The Securities Commission Guidelines on Real Estate Investment Trusts
- Bursa Malaysia Main Market Listing Requirements
- Capital Markets and Services Act 2007
- Securities Commission Licensing Handbook
- The Malaysian Code on Corporate Governance 2017
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Global Reporting Initiatives (GRI) Standards

Printed Version

Please contact irsunreit@sunway.com.my to request for a printed copy of the annual report. For environmental preservation, we encourage the use of online version.

Online Version

www.sunwayreit.com/investor-relations

Sunway REIT embarks on its integrated reporting journey in this annual report. Below entails the guide to navigate through this annual report and additional online information is available on Sunway REIT's website.

Navigation Guide and Legends



within this report Connect you to more information

online at www.sunwayreit.com

Щ The Manager



Property Level / Facilities Management Team

Residual Risk Rating

Risk Trend

DISCLAIMER

This annual report may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed or implied in forwardlooking 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 price and investment returns may fluctuate.

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SKATING TO VALUE CREATION

Value creation to stakeholders is an integral part of what we do. An ice skater artistically choreographing her routine symbolises the way we develop our business model with clearly defined strategic objectives to guide us in our value creation process.

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SNAPSHOT VIEW



¹ Including Sunway REIT Industrial – Shah Alam 1 acquisition which was completed on 1 August 2017 Note: Financial results for the financial year ended 30 June 2017 exclude Sunway REIT Industrial – Shah Alam 1

KEY MILESTONES



Relaunched and soft re-opening of Sunway Pyramid Hotel





Maiden acquisition of an industrial property in Shah Alam, Selangor. This marks Sunway REIT's foray into the industrial, logistics and data centre properties under the "Others" segment with a cap of up to 15% of Total Asset Value (TAV)





Embarked on the Integrated Reporting journey





Completed the acquisition of a piece of commercial land in Seberang Jaya for the expansion of Sunway Carnival Shopping Mall



Artist Impression on the expansion of Sunway Carnival Shopping Mall Phase 1



Launch of Sunway REIT's sustainability initiative – Clean Air Project at Sunway Pyramid Shopping Mall



CORPORATE PROFILE



















Sunway Real Estate Investment Trust (Sunway REIT) has a diverse portfolio and is one of the largest retail-focused¹ real estate investment trusts (REITs) in Malaysia that is strategically located across award-winning integrated townships in key locations within Klang Valley, Penang and Perak.

Sunway REIT was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 8 July 2010 with an initial market capitalisation of RM2.4 billion. The market capitalisation of Sunway REIT stood at RM5.2 billion as at 30 June 2017. Sunway REIT is a component of the FTSE Bursa Malaysia Mid 70 Index, FTSE4 Good Bursa Malaysia Index, GPR APREA Composite REIT Index - Malaysia, FTSE EPRA/NAREIT Global REIT Index, FTSE EPRA/NAREIT Global Index, FTSE EPRA/NAREIT Asia ex Japan Index, FTSE EPRA/NAREIT Asia Pacific Index, FTSE EPRA/NAREIT Emerging REIT Index and MSCI Malaysia Small Cap Index.

With an initial portfolio of 8 assets, Sunway REIT has grown to 15² assets comprising 4 retail malls, 5 hotels, 4 offices, a medical centre and an industrial property. The property value has grown by 93% from the initial RM3.46 billion to RM6.69 billion as at 30 June 2017.

The Sponsor, Sunway Berhad (Sunway), is an established and reputable conglomerate group with a market capitalisation of RM8.9 billion as at 30 June 2017. Sunway has recently been reclassified from the Property sector to the Trading/Services sector on the Main Market of Bursa Malaysia. The reclassification better reflects Sunway's strength as a conglomerate with diverse yet complementary businesses that are mostly in leadership position in their respective sectors.

Sunway REIT's assets are primarily located in Sunway City, Selangor, Malaysia's first Green Building Index (GBI) certified sustainable integrated township master planned and developed by the Sponsor. The assets located in Sunway City are Sunway Pyramid Shopping Mall, Sunway Resort Hotel & Spa, Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East), Menara Sunway and Sunway Medical Centre. The success of Sunway City is replicated in Sunway City Ipoh, Perak; the first integrated township in Southeast Asia with five FIABCI accolades, where SunCity Ipoh Hypermarket is located. On the mainland of Penang, Sunway REIT owns Sunway Carnival Shopping Mall and Sunway Hotel Seberang Jaya. In FY2015, Sunway REIT added 2 assets into the portfolio, namely Wisma Sunway in Shah Alam, Selangor and Sunway Hotel Georgetown, marking our maiden foray into the Penang Island.

Sunway REIT owns four properties in Kuala Lumpur, namely, Sunway Tower and the remaining three which constitute part of the 3-in-1 integrated development, Sunway Putra, consisting of Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower.

In FY2017, Sunway REIT made its maiden foray with the acquisition of an industrial property, Sunway REIT Industrial - Shah Alam 1 in Section 23, Shah Alam, Selangor, which is a prime industrial hub that is predominantly occupied by established multinational logistics and manufacturing companies.

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.

Note

- ¹ Retail-focused is defined as at least 60% contribution from the retail assets to property value, revenue or net property income
- ² Including Sunway REIT Industrial Shah Alam 1 acquisition which was completed on 1 August 2017. Financial results for the financial year ended 30 June 2017 exclude Sunway REIT Industrial – Shah Alam 1

VISION

To be the leading REIT in Malaysia with steadfast commitment to enhance values to stakeholders -Sustainable Growth, Environmental Stewardship and Community Engagement

MISSION

To deliver sustainable income distributions and growth in total return over the long-term through responsible business strategies supported by prudent risk management and sustainability framework

CORE VALUES

INTEGRITY

We believe in doing the right thing at all times:
We conduct ourselves in an honest and trustworthy manner
We act professionally, ethically and honourably
We ensure our actions are consistent with our words

HUMILITY

We believe in being humble, polite and respectful: • We never stop learning • We care for and respect people and the environment

• We seek first to understand, then to be understood

EXCELLENCE

We take pride in all that we do: • We strive to deliver high quality products and services • We continuously innovate and improve for greater progress • We seek to inspire others to excel

GROWTH STRATEGIES

ACQUISITION GROWTH

To acquire strategic real estate assets that are yield-accretive with the potential to contribute to long-term growth in distribution per unit (DPU) and/or net asset value (NAV) per unit ORGANIC GROWTH



To leverage on the integrated developments by the Sponsor and asset turnaround expertise of the Manager in managing the assets. The Manager undertakes proactive measures such as optimising tenancy mix, leasing initiatives and asset enhancement initiatives to increase net lettable area and rental rates, as well as to improve cost efficiency

CAPITAL AND RISK MANAGEMENT

To optimise the capital structure and cost of capital, diversify sources of debt funding and managing interest rate risk through hedging strategies as well as actively managing debt maturity profile to minimise refinancing risk

STRATEGIC OBJECTIVES



TARGETS

- Measured by property value or market capitalisation
- Above RM7 billion by FY2017 Above RM10 billion by FY2020
- 10% to 15%

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5%
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5-YEAR ACHIEVEMENT (FY2013-FY2017)

Ranked 2nd by property value Ranked 4th by market capitalisation¹

RM6.69 billion²

11.3%

2.6%³

¹ Market driven unit price

² Please refer to A Conversation with the CEO for detailed information

³ Lower than target due to the loss of income arising from refurbishment of Sunway Putra in FY2013-FY2015 and Sunway Pyramid Hotel in FY2016-FY2017

SUNWAY REIT'S VALUE CREATION



MANUFACTURED CAPITAL

Sunway REIT is a retail-focused REIT with a diversified portfolio in Malaysia. Sunway REIT owns 4 retail malls, 5 hotels, 4 offices, 1 medical centre and 1 industrial property¹.





Sunway REIT's operations are typically funded by debt and equity. Its capital management strategy produces an optimal funding structure and debt profile.



All employees of the Manager and Trustee work in cohesion for the benefit of the unitholders. Outsourced parties include the property manager and share registrar complete the human capital ecosystem.



Sunway REIT seeks to efficiently utilise land, water and energy in the operation of our business. In view that energy is the largest component in the operation of Sunway REIT and contributor to GHG emission, we make conscious efforts to contribute to energy savings.



The Manager's REIT management skills and expertise, coupled with the strong Sunway and Sunway REIT brands, form an integral part of its intellectual capital.



Sunway REIT engages and maintains strong relationships with key stakeholders, namely the Sponsor, Trustee, Property Manager, Investment Communities, Media, Unitholders, Board of Directors, Business associates (e.g. bankers, auditors) and Authorities.



¹ Including Sunway REIT Industrial – Shah Alam 1 acquisition which was completed on 1 August 2017 Note: Financial results for the financial year ended 30 June 2017 exclude Sunway REIT Industrial - Shah Alam 1 • Integrity • Humility • Excellence

Sunway REIT's business model is about owning and growing an income generating assets portfolio to deliver sustainable distribution and growth. This is achieved through organic growth, inorganic growth supported by proactive capital management and a prudent risk management framework, in line with our vision and mission statements.



Highly experienced Facilities Management teams from diverse backgrounds

Strong relationships with tenants



Strong brand and synergy with the Sponsors

ADDING VALUE

Manage an income generating assets portfolio via asset enhancement initiatives and asset management initiatives

2

Yield accretive acquisition and turnaround strategies to grow income and DPU

.....

.....

3

4

Proactive capital management to diversify sources of funding and to spread out the debt maturity profile

Ensure robust risk management to mitigate risk in a dynamic business environment and adopting high standards of corporate governance

5

Incorporate ESG sustainability considerations into our daily operations

.....

FY2017 VALUE CREATED

Distribution per unit

9.19 sen

Total return

12.4%

Fair value gain

RM152 million

Reduction in energy consumption

3.4%

Reduction in CO, e emission

3.4%

Number of pledges for clean air project

1,665

Contribution to townships maintenance

RM750,000

Employees retention

STAKEHOLDER'S OUTCOME

UNITHOLDERS/INVESTMENT COMMUNITY

We endeavour to deliver sustainable DPU over the long-term horizon and are committed to 100% income distribution. Our ability to generate sustainable unitholders return is demonstrated through our track record and further backed by a strong Sponsor.

CUSTOMERS/TENANTS/HOTEL GUESTS

We offer a strong value proposition with emphasis on long-term relationships, superior service and safety.

ENVIRONMENT

Through managing our environmental stewardship, we create positive impact to the environment.

EMPLOYEES

We develop a group of motivated employees by offering a holistic career development programme to unleash the full potential of the Manager's employees.

GOVERNMENT, INDUSTRY AFFILIATIONS & COMMUNITIES

We uphold the best practice for compliance structure and corporate governance in the operations of the business. This allows us to actively contribute to the overall industry development, capital market development and continuous engagement with the communities.

BUSINESS PARTNERS

Strong long-term relationships with business partners with high levels of integrity and fairness to all parties.

SUSTAINABILITY CORE FOCUS AREAS

Responsible business practices • Continuous engagement with our key business stakeholders • Process and resource efficiency • Environmental protection through green initiatives • Giving back to communities socially and economically

STAKEHOLDER ENGAGEMENT

Sunway REIT recognises the importance of engaging with its key stakeholders such as its tenants, analysts and investors. With an increasing demand for transparency and accountability, the Manager has introduced various stakeholder engagement programmes, conducted at both the manager's level and property level.

The Manager actively engages with key stakeholders to improve performance and increase transparency. This approach demonstrates legal compliance and highlights other sustainability factors that are material to the business.

Sunway REIT's approach to stakeholder engagement are summarised in the table below.

STAKEHOLDERS	HOW WE ENGAGE	THEIR EXPECTATIONS	HOW WE ADDRESS Their expectations
INVESTMENT COMMUNITY (UNITHOLDERS, ANALYSTS, FUND MANAGERS) Level of engagement	Proactively engage with the investment community through multiple channels of communication as detailed below (but not limited to): i) Statutory announcements ii) Annual general meeting iii) Analyst briefings iv) Investor roadshows v) Sunway REIT website vi) Retail investors seminars vii) One-on-one management meetings	 Stable and sustainable distribution income Solid operational and financial performance Astute business strategies Effective implementation of identified business strategies Timely and transparent reporting Strong corporate governance Prudent risk management 	 Business strategies and outlook of the property market, with voluntary communication on earnings outlook, are regularly communicated to facilitate the investment community in making informed investment decisions Immediate communication on material developments through analysts' briefings Robust risk management framework with periodic evaluations to encompass the most updated risks/potential risks identified and deliberated Please refer to Investor and Public Relations section for detailed information
NEDIA Level of engagement	Regular engagement with the media community via the following medium (but not limited to): i) Media conferences ii) Media interviews iii) Media releases	 Market and business performance outlook and strategies Immediate notification of financial releases and material developments Timely and transparent communication Industry thought leader's opinions 	 Business strategies and outlook are regularly communicated via media interviews Immediate communication for material developments during media conferences and media releases Sharing of key opinion leader's views through interviews Please refer to Investor and Public Relations section for detailed information
EXISTING AND POTENTIAL TENANTS Level of engagement	Engage with existing and potential tenants through regular meetings, feedback sessions, tenants surveys and through networking events.	 Responsiveness of Facilities Management team to tenants' requests and feedback Tenant engagement and support Safety and security of the premises and facilities Efficient buildings Business ethics and integrity 	 All requests and feedbacks are reviewed and attended to by the Facilities Management team Provide marketing support Ensure operational health and safety practices and continuous endeavours in improving building efficiency through efficient energy, water and green practices Adherence to best practices, highest standards of business integrity and commitment to integrity pact Please refer to Sustainability Statement section for detailed information

STAKEHOLDER ENGAGEMENT (CONT'D)

STAKEHOLDERS	HOW WE ENGAGE	THEIR EXPECTATIONS HOW WE ADDRESS THEIR EXPECTATIONS
EMPLOYEES (INCLUDING BOARD OF DIRECTORS) Level of engagement	Engagement through team meetings, team building activities, annual appraisals and surveys.	 Fair remuneration and professional human resource practices Equal career development and progression opportunities Knowledge and skills enhancement Work-life balance Safe, healthy and conducive workplace environment Workorbare environment Flexible working hours and a culture that promotes transparent communication Please refer to Sustainability Statement section for detailed information
REGULATORS AND INDUSTRY AFFILIATIONS Level of engagement EVEN	Active engagement with regulators and relevant authorities that affect the REIT industry and capital market matters. Proactive participation and play an active role in industry affiliations.	 Compliance with rules and regulations Keep abreast with policies, regulatory and governance matters Contribute to the betterment of the REIT industry and capital market Adherence and compliance to all regulations governing M-REITs Active role in Malaysian REIT Managers Association (MRMA) and to spearhead initiatives through MRMA Investors education workshops Please refer to Sustainability Statement section for detailed information
COMMUNITIES Level of engagement (Image: Compared and Comp	Community engagement via community social responsibility (CSR) activities.	 Responsible corporate citizen which gives back to the community Creating mutually beneficial community through the economic, environment and social pillars Green landscaping and mobility to reduce carbon footprint Please refer to Sustainability Statement section for detailed information
SUPPLIERS AND CONTRACTORS Level of engagement	Build a core team of reliable suppliers and contractors who deliver quality products and services at the best value through a transparent procurement process.	 Fair treatment Safe working environment Professional and transparent procurement processes Ensures safe environment for vendors and contractors to operate Please refer to Sustainability Statement section for detailed information

MATERIAL FACTORS

Material factors encapsulates our priorities in our daily activities. We review the material factors with utmost urgency to regularly verify their importance and relevance over time. During the review, breaking down the impacts of the material factors into risks and opportunities enables us to take a balanced approach to develop targeted solutions to benefit all stakeholders.

MATERIAL FACTORS	RISKS	0	OPPORTUNITIES		SOLUTIONS
FINANCIAL PERFORMANCE — SUSTAINABLE DPU GROWTH	 Risk of the REIT delivering lower DPU arising from softer business performance from assets arising from: Moderation in macro- economic environment Weak consumer spending Subdued business sentiment Oversupply in the property sub-sectors exerting pressure on occupancy and rental rates Disruptive business trends such as online shopping 	ma	cquisition opportunities ay prevail in challenging operty market condition		 Capitalise on the business synergies between properties in Sunway City Identify asset enhancement initiatives opportunities to maintain/improve the business performance of the properties Yield accretive acquisitions to expand the income stream Please refer to Management Discussion and Analysis, A Conversation with the CEO and Detailed Market Report sections for detailed information
CAPITAL STRUCTURE — OPTIMISATION OF LEVERAGE RATIO AND DEBT PROFILE	Risk of high leverage and inability to deleverage. Sunway REIT's leverage stood at 34.3% (as at 30 June 2017) and will increase → to 38.1% following the completion of the acquisitions of Sunway REIT Industrial- Shah Alam 1 and Sunway Clio Property	op de de ac en • Ca lov to fin	quity fund raising oportunities to eleverage to increase ebt headroom for future cquisitions and asset hancement initiatives apitalise on the prevailing w interest rate regime secure attractive hancing rates which turn enhances yield	•	Please refer to Management Discussion and Analysis section for detailed information
CUSTOMER SATISFACTION (TENANTS, SHOPPERS AND HOTEL GUESTS)	Concerns on safety of the premise, customer service, business practices have bearings on business and reputational risks	dif to to the Br	stablish strong fferentiating factors appeal to customers continue to support e business rand equity – ne Sunway Brand	•	 Optimal operational efficiencies with regular maintenance of the premises Asset enhancement initiatives to upgrade aged properties Best of class customer service and marketing support Please refer to Management Discussion and Analysis section for detailed information
CORPORATE GOVERNANCE	Integrity risk, reputational risk, regulatory risk	pr en	enchmark against best ractices to continuously nhance Sunway REIT's overnance practices	•	Please refer to Corporate Governance & Accountability section for detailed information
ENVIRONMENTAL STEWARDSHIP	Environmental cost leading to negative impact to the planet. Being a major energy consumer, the assets are contributing to greenhouse gas (GHG) emission	Gr ini Su su Su	everage on Sunway roup's sustainability itiatives to benefit unway REIT's assets, uch as strive toward ustainable Smart City atus in Sunway City		 Incorporate environmental consideration when Sunway REIT undertakes asset enhancement initiatives on its properties Facilities Management team and operation team continuously identify opportunities to improve operational efficiency in reducing carbon footprint Please refer to Operations Review on Asset Enhancement Initiatives and Sustainability Statement sections for detailed information

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 Contact 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 Contact No: (603) 5639 8889 Fax No: (603) 5639 9507

BOARD OF DIRECTORS OF THE MANAGER

Chairman, Senior Independent Non-Executive Director Tan Sri Ahmad Bin Mohd Don (Appointed on 1 October 2016)

Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, A0 (Resigned on 30 September 2016)

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

Non-Independent Non-Executive Directors Chan Hoi Choy Ng Sing Hwa Sarena Cheah Yean Tih, *S.M.S.*

Independent Non-Executive Directors

Elvin A/L Berty Luke Fernandez Tengku Nurul Azian Binti Tengku Shahriman

AUDIT COMMITTEE

Elvin A/L Berty Luke Fernandez **(Chairman)** Tan Sri Ahmad Bin Mohd Don Tengku Nurul Azian Binti Tengku Shahriman Ng Sing Hwa

NOMINATION & REMUNERATION COMMITTEE

Tengku Nurul Azian Binti Tengku Shahriman (Chairperson) Tan Sri Ahmad Bin Mohd Don Elvin A/L Berty Luke Fernandez Sarena Cheah Yean Tih, *s.m.s.*

INVESTMENT APPRAISAL WORKING GROUP

Dato' Jeffrey Ng Tiong Lip **(Chairman)** Chan Hoi Choy *(Alternate: Cheng Jew Keng)* Sarena Cheah Yean Tih, *s.m.s. (Alternate: Clement Chen Kok Peng)* Wai Sow Fun Raymond Ng Meng Chun

RISK MANAGEMENT WORKING GROUP

Dato' Jeffrey Ng Tiong Lip **(Chairman)** Chan Hoi Choy Sarena Cheah Yean Tih, *s.m.s.* Wai Sow Fun

SUSTAINABILITY WORKING GROUP

Dato' Jeffrey Ng Tiong Lip **(Chairman)** Chan Hoi Choy *(Alternate: Kevin Tan Gar Peng)* Cheng Jew Keng Crystal Teh Lay Ling Sarena Cheah Yean Tih, *s.m.s. (Alternate: Loo Hoey Theen)* 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) Business Office Level 11, Tower One, RHB Centre Jalan Tun Razak, 50450 Kuala Lumpur

Registered Office

Level 9, Tower One, RHB Centre Jalan Tun Razak, 50450 Kuala Lumpur Contact No: (603) 9207 7777 Fax No: (603) 2175 3288 Website: www.rhbgroup.com Email: rhbtrustees@rhbgroup.com

PROPERTY MANAGER

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

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad Public Bank Berhad

AUDITOR

Messrs BDO (AF:0206) Level 8 BDO @ Menara CenTARa 360 Jalan Tuanku Abdul Rahman 50100 Kuala Lumpur Contact No: (603) 2616 2888 Fax No: (603) 2616 2970

REGISTRAR

Sunway Management Sdn Bhd (Company No. 50661-X) Level 16, Menara Sunway Jalan Lagoon Timur Bandar Sunway 47500 Subang Jaya Selangor Darul Ehsan Contact 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

www.sunwayreit.com

INVESTOR RELATIONS

Contact No: (603) 5639 8864 Email: irsunreit@sunway.com.my

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: - 999 years falling on 19 May 3009 - the date on which Sunway REIT is terminated by the Trustee or the Manager, in such circumstance as set out under the provisions of the Deed		
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	 To invest in retail, hospitality, office and other real estate assets, subject to the Securities Commission's Guidelines on Real Estate Investment Trust 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 deposit and money market instruments 		
Key Acquisition Criteria	 Retail and mixed-use assets High growth cities and townships in Malaysia Compatibility and synergistic to asset portfolio 		
Distribution Policy	 100% distributable income since FP2011 to FY2017 and at least 90% for each subsequent financial year Quarterly distribution 		
Revaluation Policy	Annually by an independent registered valuer		
Gearing Policy	Up to 50% of total asset value of the Fund		
Performance Benchmark	 FTSE Bursa Malaysia Mid 70 Index FTSE4Good Bursa Malaysia Index GPR APREA Composite REIT Index - Malaysia FTSE EPRA/NAREIT Global REIT Index FTSE EPRA/NAREIT Global Index FTSE EPRA/NAREIT Asia ex Japan Index FTSE EPRA/NAREIT Asia Pacific Index FTSE EPRA/NAREIT Emerging REIT Index MSCI Malaysia Small Cap Index 		
Manager's Fees	 Base Fee : 0.3% per annum of total asset value Performance Fee : 3% per annum of net property income, but before deduction of fees payable to the Property Manager persuant to the Property Management Agreement Acquisition Fee : 1% of acquisition price Divestment Fee : 0.5% of sale price 		
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	- RM0.88 - retail - RM0.90 - institutional		

AWARDS AND RECOGNITION



INDICES REPRESENTATION



FTSE Bursa Malaysia Mid 70 Index



FTSE EPRA / NAREIT Global REIT Index FTSE EPRA / NAREIT Global Index FTSE EPRA / NAREIT Asia ex Japan Index FTSE EPRA / NAREIT Asia Pacific Index FTSE EPRA / NAREIT Emerging REIT Index

FTSE4Good

FTSE4Good Bursa Malaysia Index

the answer company™ THOMSON REUTERS®





GPR APREA Composite REIT Index - Malaysia



MSCI MALAYSIA SMALL CAP INDEX

SETTING THE STRATEGIC DIRECTION

Visionary leaders drive a performance culture. The captain in a water polo team leads the strategy in the game. Likewise, our leaders play a pivotal role in ensuring the success of delivering sustainable returns.

MESSAGE TO UNITHOLDERS

Message from the Chairman A Conversation with the CEO 22 30



MESSAGE FROM THE CHAIRMAN



Tan Sri Ahmad Bin Mohd Don Chairman

HIGHLIGHTS OF THE YEAR

New vision and mission statements together with core values for Sunway REIT Enhancements to the independence of the Board of Directors Improving prospects for Sunway REIT in FY2018

Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager, it gives me great privilege to present Sunway REIT's Annual Report and audited financial performance for the financial year ended 30 June 2017 (FY2017). It has been an active year for Sunway REIT as we persevered through internal and external challenges and strived to sustain the distribution per unit (DPU).

I would like to take this opportunity to express my heartfelt gratitude to Tan Sri Dato' Seri Dr Jeffrey Cheah, AO, the Founder and Executive Chairman of Sunway Group and past Chairman of Sunway REIT Management Sdn Bhd (the Manager for Sunway REIT), for his invaluable guidance to the Board of Directors of the Manager since the inception of Sunway REIT. Tan Sri Jeffrey Cheah's visionary leadership has contributed to the success and numerous pioneering milestones achieved by Sunway REIT during his leadership.

Taking over the helm from this visionary corporate personality gives me pride and motivation to strive to do better for the longterm sustainability of Sunway REIT which goes beyond business performance and DPU. In this report, it is my pleasure to share several strategic enhancements undertaken this year.

A BRAND NEW VISION

It is often said "Change is constant".

We live in a dynamic environment powered by rapid technology changes. The speed of obsolescence is accelerated if a business complacently maintains its modus operandi for far too long. The emergence of business disruptors in the market challenges the conventional wisdom in doing business.

Recognising the fast evolving dynamics, we took the opportunity to engage our stakeholders to understand their expectations and concerns in order to plan our strategies, directions and priorities moving forward.

We are of the opinion that it is timely to review our business model, vision and mission statements as well as core values to incorporate a new perspective into the business model. In today's context, the success of a corporation is measured beyond financial attributes. It extends to value creation for stakeholders and the positive impact on the economy, environment, society and governance structure. Our aspiration is to cultivate a holistic mindset among our stakeholders.

We are pleased to share our new vision and mission statements as well as core values which act as our guiding principles going forward.

Please refer to the Vision, Mission and Core Values for detailed information

MESSAGE FROM THE CHAIRMAN (CONT'D)

SUSTAINABILITY PARADIGM SHIFT

In recent years, "Sustainability" has become a buzzword. For Sunway REIT, sustainability continues to be an area of focus. Sunway REIT, being the owner of a sizeable portfolio of properties in the country, has always embraced sustainability in our considerations and practices which are inherent in the operations of the business. Sunway City, where two-third of our assets are located, is a unique township which was developed from a mining land into a green township with seamless infrastructure connectivity and state-of-the-art public transportation. The recognition of Sunway City as a sustainable city was evident back in 2012 when Malaysia's Green Building Index (GBI) awarded the prestigious Silver Rating to Sunway City as Malaysia's first green township. In 2016, the Malaysian Institute of Planners recognised Sunway City as a Low Carbon City.

In May this year, Tan Sri Dato' Seri Dr Jeffrey Cheah, A0 became

the first recipient of Rating Agency Malaysia (RAM) Consultancy's inaugural Sustainability Icon Award, in recognition of his tremendous achievements and his dedication in championing sustainability.

At Sunway REIT, we formalised the framework and governance structure of our sustainability journey in 2015. During the financial year, the Manager worked closely with the Facilities Management team to identify sustainability opportunities across all assets.

It is our belief that successful sustainability practices should be cultivated through organisational culture and values in order to generate long-term positive impact to the environment and society. This belief is consciously reflected in Sunway REIT's new vision, mission and core values. We hope to instill this culture in each and every stakeholder to lead a journey of positive impacts for the future generation.



Sunway City (SC) In 2020 - Low Carbon City

🖵 Please refer to Sunway Berhad's Sustainability report at www.sunway.com.my/sustainability-report/ for details on Sunway City's Low Carbon City Blueprint

MESSAGE FROM THE CHAIRMAN (CONT'D)

WALKING THE TALK IN GOVERNANCE

We believe that trust from our stakeholders is gained through integrity and reputation. In Sunway REIT, we strive to continuously enhance our corporate governance practices in line with the Malaysian Code on Corporate Governance 2017 (MCCG 2017) and international best practices. We are pleased to note that we have made meaningful progress in enhancing governance standards over the years. In FY2016, with our diversity and inclusion effort, Sunway REIT appointed an additional female director to the Board of Directors.

During the 4th Annual General Meeting held in September 2016, Tan Sri Dato' Seri Dr Jeffrey Cheah, A0, announced his resignation as the Chairman of Sunway REIT with the intention to enhance the independence and transparency of the Board. The Manager also formalised a policy for the appointment of External Auditors to establish proper and due processes to ensure independence of external consultants.

Over the years, Sunway REIT's high standard of corporate governance practices and transparency have been recognised through various awarding bodies such as the Asia Pacific Real Estate Association (APREA), National Annual Corporate Report Awards (NACRA) and Global Excellence in Management Awards.

Please refer to Corporate Governance Statement for detailed information

IMPROVING LIQUIDITY AND VISIBILITY

Sunway REIT believes that we have a role to play in contributing to Malaysia's real estate investment trusts (M-REITs) and capital market development. We have identified this as a focal area as part of our sustainability endeavour to contribute positively to the M-REITs market, capital market and the economy as a whole.

Dato' Jeffrey Ng, through his leadership position in the Malaysian REIT Managers Association (MRMA) has pursued strategies for M-REITs to increase its competitiveness in the region. During the year, through MRMA, we initiated the proposed establishment of a Bursa Malaysia M-REITs sectorial index to enhance the visibility of the M-REITs market. The proposed index is targeted to be launched in the fourth quarter of CY2017.

Over the years, the visibility of Sunway REIT has increased through representation in both local and international indices. Sunway REIT is currently a constituent of the following indices:

- a) FTSE Bursa Malaysia Mid 70 Index
- b) FTSE4Good Bursa Malaysia Index
- c) FTSE EPRA / NAREIT Index series
- d) GPR APREA Composite REIT Index Malaysia
- e) MSCI Malaysia Small Cap Index

Demand from institutional funds may grow through enhanced visibility which ultimately contributes positively to the liquidity of Sunway REIT.

Please refer to Indices Representation for the full list of indices

UNITHOLDERS VALUE CREATION

Sunway REIT has maintained its distribution policy of 100% distribution payout for FY2017. I am pleased to announce that Sunway REIT has surpassed consensus expectation in its DPU for FY2017. For the financial year ended 30 June 2017, Sunway REIT has delivered a total DPU of 9.19 sen, marginally higher than FY2016 DPU of 9.18 sen and exceeding consensus estimate of 8.90 sen. This translated into an annual distribution yield of 5.2% based on the unit price of RM1.78 as at 30 June 2017.

The unit price trading performance for Sunway REIT was within a healthy range of 10% with a high of RM1.84 before retreating to RM1.78 at the end of the financial year. The strength of the unit price was predominantly supported by strong demand for high dividend yielding equities on the back of prolonged low interest rate regime. For the financial year ended 30 June 2017, Sunway REIT achieved a total return of 12.4%, contributed by an appreciation in unit price of 7.2% and distribution yield of 5.2%.

Our portfolio value increased by 4.0% to RM6.69 billion as at 30 June 2017, taking into account the completion of the land acquisition of RM17 million, fair value gain of RM152 million and capital expenditure incurred for the year of RM87 million. Correspondingly, net asset value (NAV) per unit has increased by 3.9% from RM1.3549 to RM1.4074.



Sunway REIT's 4th Annual General Meeting

MESSAGE FROM THE CHAIRMAN (CONT'D)

BETTER DAYS AHEAD

Global economies saw a synchronised growth in the first quarter of CY2017 (10 CY2017) supported by resurgence in manufacturing and global trades due to the bottoming out of global investments. The World Bank maintained its global growth projection at 2.7% in CY2017 and 2.9% in CY2018 respectively. Global growth prospects may be hindered by rising trade protectionism, uncertainty in economic policy direction and normalisation of monetary policy in developed economies.

On the domestic front, the Malaysian economy reported a stronger than expected growth of 5.6% year-on-year (y-o-y) in 10 CY2017 (40 CY2016: 4.5% y-o-y), boosted by strong domestic demand, private sector activities and higher exports. Resurgence in global trade activities is expected to generate favourable spillovers to the domestic economy. Impetus for growth is further supported by private consumption and improved investment outlook underpinned by new and ongoing infrastructure projects. The Malaysian economy is on track to achieve the official growth target of 4.3% to 4.8% in CY2017, supported by gradual improvement in global growth, recovery in global commodity prices and continued growth in domestic demand.

Headline inflation eased further to 3.6% y-o-y in June 2017 (May 2017: 3.9% y-o-y) mainly due to moderation in transport prices on the back of lower fuel prices and stable food prices. For the first half of CY2017 (1H CY2017), the Consumer Price Index (CPI) rose to 4.1% y-o-y (1H CY2016: 2.7% y-o-y). Further easing of inflationary pressure in the second half of CY2017, is likely to reflect the waning effect of global cost factors. Bank Negara Malaysia (BNM) maintained its headline inflation of 3.0% to 4.0% in CY2017.

On 13 July 2017, the Monetary Policy Committee (MPC) of BNM left the Overnight Policy Rate (OPR) unchanged at 3.00%. The MPC cited that the monetary policy stance is to remain accommodative and supportive of economic activity while they continue to assess the risks surrounding the outlook for domestic growth and inflation. OPR is expected to remain unchanged for the remaining CY2017 in view that the upsurge in CPI was cost-pushed. In the long term, monetary policy direction may take its cue from monetary policy development in developed economies to be led by the United States.

The improving landscape leads Sunway REIT to expect a moderate growth in DPU in FY2018 which we will discuss in greater length in the "A Conversation with the CEO" section.

RECOGNITION FOR EXCELLENCE

We believe that corporate reporting extends beyond statutory requirement. It is a powerful communication platform for our stakeholders. Therefore, we continuously enhance our corporate reporting standards and maintain high levels of transparency in order to communicate effectively with our stakeholders.

We are pleased to share that Sunway REIT, for the fifth consecutive year, was awarded the National Annual Corporate Report Awards 2016 (NACRA) under the category of Industry Excellence Award for REITs and Investment Funds.

In our journey to embark on sustainability reporting, we are humbled to receive acknowledgement for our endeavour. In the ACCA MaSRA Awards 2016, Sunway REIT was shortlisted as one of the 24 sustainability reports or statements by the judges.

We are encouraged by these recognitions and are committed to continuously enhance the corporate reporting in line with international best practices.

A notable achievement at the property level worth highlighting was the Kuala Lumpur Mayor's Tourism Awards 2017. Sunway Putra Mall emerged as the Gold recipient of the award, edging out strong contenders from established leading retail malls in Kuala Lumpur. Sunway Pyramid Shopping Mall and Sunway Putra Mall scored a double win at the inaugural Malaysia Shopping Malls Association's (PPK) Best Experiential Marketing Awards 2016. The award recognises creative marketing campaigns that enhances shopping experiences.

Sunway Resort Hotel & Spa clinched the coveted National Excellence Occupational Safety and Health (OSH) Awards 2016 under the hotels and restaurants category. The award recognises outstanding achievement in the field of Occupational Safety and Health and aims to improve competitiveness, productivity and establishes a benchmark of excellence in safety and health practices amongst different trades and organisations in Malaysia.

We wish to express our sincere gratitude to the regulatory bodies, the esteemed awarding bodies and all stakeholders for their acknowledgement.

IN APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to our Management team, valued employees of the Manager and members of the Board. Through your unwavering commitment and dedication, I am pleased that we have persevered well through the numerous challenges with stride. I am confident that the leadership, diversity and talent of the Board and Management team will bring us to achieve greater milestones in the coming years and I truly look forward to that.

Our achievement will not be attainable without the support of our stakeholders. I would like to extend our heartfelt gratitude to our valued stakeholders - unitholders, trustee, property manager, Facilities Management teams, business partners, fellow analysts and the investment community and members of the press for their continuous support and trust in Sunway REIT.

Tan Sri Ahmad Bin Mohd Don Chairman

Please refer to Board of Directors section for the profile of the Chairman and the role of the Chairman is discussed in Corporate Governance & Accountability section

Chairman's training record and further corporate governance related information are available at *www.sunwayreit.com*

PERUTUSAN PENGERUSI



Pemegang Unit yang dihormati,

Bagi pihak Lembaga Pengarah Pengurus, saya amat berbesar hati diberi peluang untuk membentangkan Laporan Tahunan Sunway REIT serta prestasi kewangan yang telah diaudit bagi tahun kewangan berakhir 30 Jun 2017 (TK2017). Tahun ini begitu aktif bagi Sunway REIT kerana kami telah menempuhi pelbagai cabaran dalaman dan luaran untuk mengekalkan pengagihan seunit (DPU).

Saya ingin mengambil kesempatan ini untuk mengucapkan terima kasih kepada Tan Sri Dato' Seri Dr Jeffrey Cheah, AO, Pengasas dan Pengerusi Eksekutif Sunway Group dan bekas Pengerusi Sunway REIT Management Sdn Bhd (Pengurus untuk Sunway REIT), atas bimbingannya yang tidak ternilai kepada Lembaga Pengarah Pengurus sejak penubuhan Sunway REIT. Kepimpinan berwawasan Tan Sri Jeffrey Cheah telah menyumbang kepada kejayaan dan beberapa tonggak perintis yang dicapai oleh Sunway REIT di bawah kepimpinannya.

Saya berasa amat bangga diberi peluang mengambil alih tampuk kepimpinan daripada personaliti korporat yang berwawasan, yang mana memberi saya semangat dan motivasi untuk berusaha lebih baik demi kemampanan jangka panjang Sunway REIT yang tidak terhad kepada prestasi perniagaan dan DPU. Saya berbesar hati dapat berkongsi laporan ini yang turut menyenaraikan beberapa peningkatan strategik yang dilaksanakan pada tahun ini.

VISI BARU

la sering dikatakan "Perubahan itu pasti berterusan".

Kita hidup dalam persekitaran dinamik yang dikuasai oleh perubahan teknologi yang pesat. Modus operandi perniagaan yang usang akan menyebabkan proses pelupusan berlaku dengan lebih cepat. Kemunculan gangguan perniagaan di pasaran mencabar kebijaksanaan konvensional dalam menjalankan perniagaan.

Menyedari dinamik perniagaan yang pantas berubah, kami mengambil peluang untuk berbicara dengan pihak berkepentingan untuk membolehkan kami lebih memahami pandangan dan kebimbangan mereka untuk membolehkan kami merancang strategi, hala tuju dan keutamaan kami menghadapi masa depan. Kami berpendapat bahawa kini masanya untuk mengkaji semula model perniagaan, kenyataan visi dan misi serta nilai teras untuk menyuntik perspektif baru ke dalam model perniagaan. Dalam konteks hari ini, kejayaan sesuatu perbadanan diukur bukan sahaja daripada sudut kewangan. Malahan ia turut merangkumi penciptaan nilai untuk pihak berkepentingan dan kesan positif kepada struktur ekonomi, persekitaran, sosial dan struktur tadbir urus. Memupuk nilai pemikiran holistik di kalangan pemegang berkepentingan.

Kami berbesar hati dapat berkongsi kenyataan visi dan misi baru kami yang bertindak sebagai dasar panduan kami menuju ke masa hadapan.

🔗 Sila rujuk Kenyataan Visi dan Misi serta Nilai Teras untuk maklumat lanjut

KEMAMPANAN PERUBAHAN PARADIGMA

Sejak beberapa tahun kebelakangan ini, "Kemampanan" menjadi sebutan ramai. Untuk Sunway REIT, kemampanan terus menjadi tumpuan kami. Sunway REIT, selaku pemilik portfolio hartanah yang agak besar di negara ini, sentiasa mengamalkan pertimbangan dan amalan kemampanan dalam operasi perniagaan. Dua pertiga aset kami terletak di Sunway City, sebuah perbandaran unik yang dibangunkan dari sebuah tanah perlombongan yang kini menjadi bandar hijau dengan jaringan infrastruktur yang lancar dan sistem pengangkutan awam yang canggih. Pada tahun 2012, Sunway City diiktiraf sebagai bandar yang mampan apabila Indeks Bangunan Hijau Malaysia (GBI) menganugerahkan Anugerah Taraf Perak yang berprestij kepada Sunway City sebagai bandar hijau pertama di Malaysia. Pada tahun 2016, Institut Perancang Malaysia mengiktiraf Sunway City sebagai Bandar Karbon Rendah.

Dalam bulan Mei tahun ini, Tan Sri Dato' Seri Dr Jeffrey Cheah, AO, menjadi penerima ulung Anugerah Ikon Kemampanan oleh Rating Agency Malaysia (RAM) Consultancy sebagai pengiktirafan untuk pencapaian yang luar biasa dan dedikasinya dalam memperjuangkan kemampanan.

Di Sunway REIT, kami merumuskan rangka kerja dan struktur tadbir urus perjalanan kemampanan kami pada tahun 2015. Sepanjang tahun kewangan, Pengurus bekerja rapat dengan pihak Pengurusan Kemudahan untuk mengenal pasti peluangpeluang kemampanan di semua aset.

PERUTUSAN PENGERUSI (SAMB.)

Kami berpendapat bahawa amalan-amalan kemampanan perlu diterapkan melalui budaya organisasi dan nilai-nilai untuk menjana kesan positif jangka panjang terhadap alam sekitar dan masyarakat. Keyakinan ini dicerminkan dalam kenyataan visi dan misi serta nilai teras baru Sunway REIT. Kami berharap dapat menerapkan budaya ini dalam setiap pihak berkepentingan untuk memastikan kesan positif berpanjangan untuk generasi akan datang.

TELUS DALAM TADBIR URUS

Kami berpendapat bahawa kepercayaan daripada pihak berkepentingan diperoleh melalui integriti dan reputasi. Di Sunway REIT, kami berusaha untuk terus memperbaiki amalan tadbir urus korporat kami selaras dengan Kod Tadbir Urus Korporat Malaysia 2017 (MCCG 2017) dan amalan terbaik piawaian antarabangsa.

Kami dengan sukacitanya memaklumkan bahawa kami telah memperbaiki prestasi kemampanan dan telah menempa kemajuan yang bermakna dalam meningkatkan piawaian tadbir urus selama ini. Pada TK2016, Sunway REIT mengunapakai dasar kepelbagaian dan penyertaan yang diikuti dengan pelantikan seorang pengarah wanita sebagai ahli Lembaga Pengarah.

Semasa Mesyuarat Agung Tahunan ke-4 yang diadakan pada September 2016, Tan Sri Dato' Seri Dr Jeffrey Cheah, AO, mengumumkan peletakan jawatannya sebagai Pengerusi Sunway REIT dengan niat untuk meningkatkan kebebasan dan ketelusan Lembaga. Pengurus juga telah merumuskan dasar untuk pelantikan juruaudit luar untuk memastikan proses yang betul dan wajar bagi memastikan kebebasan perunding luar.



Sunway City (SC) In 2020 - Low Carbon City

🖵 Sila rujuk laporan Kemampanan Sunway Berhad di www.sunway.com.my/sustainability-report/ untuk butiran lengkap mengenai pelan Sunway City's Low Carbon City

PERUTUSAN PENGERUSI (SAMB.)

Selama bertahun-tahun, amalan tadbir urus Sunway REIT menerima pengiktirafan daripada pelbagai badan seperti Persatuan Hartanah Asia Pasifik (APREA), Anugerah Laporan Korporat Tahunan Kebangsaan (NACRA) dan Anugerah Kecemerlangan Sedunia dalam Pengurusan.



MENINGKATKAN KECAIRAN DAN PROFIL

Kami di Sunway REIT percaya bahawa kami mempunyai peranan untuk menyumbang kepada amanah pelaburan hartanah Malaysia (M-REIT) dan pembangunan pasaran modal. Kami telah mengenal pasti ini sebagai tumpuan utama sebahagian daripada usaha berterusan kami untuk menyumbang secara positif kepada pasaran M-REIT, pasaran modal dan ekonomi secara keseluruhan.

Dato' Jeffrey Ng, melalui kedudukan kepimpinannya di Persatuan Pengurus REIT Malaysia (MRMA) meneruskan strategik peningkatkan M-REIT supaya daya saing M-REIT dapat dipertingkatkan di rantau ini. Sepanjang tahun ini, melalui MRMA kami mencadangkan penubuhan indeks sektor perdagangan M-REIT di Bursa Malaysia untuk meningkatkan profil pasaran M-REIT. Indeks yang dicadangkan dijangka dilancarkan pada suku keempat TK2017.

Profil Sunway REIT meningkat dari tahun ke tahun melalui perwakilan dalam indeks tempatan dan antarabangsa. Sunway REIT kini konstituen dalam indeks yang berikut:

a) Indeks FTSE Bursa Malaysia Mid 70
b) Indeks FTSE4Good Bursa Malaysia
c) Siri Indeks FTSE EPRA / NAREIT
d) Indeks Komposit REIT - Malaysia GPR APREA
e) Indeks MSCI Malaysia Small Cap

Profil tinggi Sunway REIT secara tidak langsung akan menggalakkan permintaan dari dana institusi yang akhirnya menyumbang secara positif kepada kecairan Sunway REIT.

Sila rujuk 'Index Representation' untuk senarai lengkap

MEWUJUDKAN NILAI UNTUK PEMEGANG UNIT

Sunway REIT telah mengekalkan dasar pengagihannya sebanyak 100% pembayaran pengagihan untuk TK2017. Saya dengan sukacitanya mengumumkan bahawa Sunway REIT telah melebihi jangkaan konsensus dalam DPUnya pada TK2017. Bagi tahun kewangan berakhir 30 Jun 2017, Sunway REIT telah mencapai jumlah DPU sebanyak 9.19 sen, lebih tinggi daripada DPU TK2016 sebanyak 9.18 sen dan melebihi anggaran konsensus sebanyak 8.90 sen. Ini diterjemahkan ke dalam hasil pengagihan tahunan sebanyak 5.2% berdasarkan harga seunit RM1.78 pada 30 Jun 2017.

Prestasi dagangan harga unit untuk Sunway REIT berada dalam lingkungan yang sihat sebanyak 10% dengan pencapaian setinggi RM1.84 sebelum menurun sehingga RM1.78 pada akhir tahun kewangan. Kekuatan harga seunit didorong oleh permintaan kukuh bagi ekuiti yang menghasilkan dividen yang tinggi berikutan rejim kadar faedah rendah yang berpanjangan. Bagi tahun kewangan berakhir 30 Jun 2017, Sunway REIT mencapai pulangan sebanyak 12.4%, disumbangkan oleh kenaikan harga unit sebanyak 7.2% dan hasil pengagihan dividen sebanyak 5.2%.

Nilai portfolio kami meningkat 4.0% kepada RM6.69 bilion pada 30 Jun 2017, dengan mengambil kira perolehan tanah sebanyak RM17 juta, keuntungan nilai saksama sebanyak RM152 juta dan perbelanjaan modal sepanjang tahun sebanyak RM87 juta. Dengan itu, nilai aset bersih (NAV) seunit telah meningkat sebanyak 3.9% daripada RM1.3549 kepada RM1.4074.

MASA HADAPAN YANG LEBIH CERAH

Ekonomi global menyaksikan pertumbuhan yang serentak pada suku pertama 2017 yang disokong oleh kebangkitan semula dalam pembuatan dan perdagangan global berikutan pengurangan pelaburan global. Bank Dunia mengekalkan ramalan pertumbuhan global pada 2.7% bagi 2017 dan 2.9% bagi 2018. Prospek pertumbuhan global mungkin terhalang oleh peningkatan amalan melindungi perdagangan, ketidakpastian dalam polisi ekonomi dan normalisasi dasar kewangan dalam ekonomi negara maju.

Di peringkat domestik, ekonomi Malaysia mencatatkan perkembangan yang lebih tinggi daripada jangkaan sebanyak 5.6% tahun-ke-tahun dalam suku tahun pertama 2017 (suku keempat 2016: 4.5% tahun ke tahun) didorong oleh permintaan domestik yang kukuh, aktiviti-aktiviti sektor swasta dan eksport yang lebih tinggi. Kebangkitan semula dalam aktiviti perdagangan global dijangka menghasilkan limpahan yang menggalakkan kepada ekonomi domestik. Dorongan untuk perkembangan disokong lagi oleh penggunaan sektor swasta dan prospek pelaburan yang lebih baik disebabkan oleh projek infrastruktur baru dan berterusan. Ekonomi Malaysia berada pada landasan untuk mencapai sasaran perkembangan rasmi sebanyak 4.3% hingga 4.8% pada 2017, disokong oleh peningkatan global secara beransur-ansur, pemulihan harga komoditi global dan perkembangan berterusan dalam keperluan domestik.

Inflasi keseluruhan menurun kepada 3.6% tahun-ke-tahun pada bulan Jun 2017 (Mei 2017: 3.9% tahun-ke-tahun) terutamanya disebabkan oleh harga pengangkutan yang sederhana akibat daripada harga bahan api yang lebih rendah dan harga makanan yang stabil. Bagi separuh pertama 2017, Indeks Harga Pengguna (CPI) meningkat kepada 4.1% tahun-ke-tahun (separuh pertama 2016: 2.7% tahun-ke-tahun). Pengurangan tekanan inflasi pada separuh kedua 2017 lebih cenderung mencerminkan kesan penurunan kos faktor global. Bank Negara Malaysia (BNM) mengekalkan inflasi keseluruhan pada 3.0% hingga 4.0% untuk tahun 2017.

Pada 13 Julai 2017, Jawatankuasa Dasar Monetari (MPC) BNM mengekalkan Kadar Dasar Semalaman (OPR) pada 3.00%. MPC menyatakan bahawa pendirian dasar monetari adalah tetap akomodatif dan menyokong aktiviti ekonomi sementara mereka

PERUTUSAN PENGERUSI (SAMB.)

terus menilai risiko yang menghalang prospek pertumbuhan dan inflasi domestik. OPR dijangka kekal tidak berubah bagi baki 2017 memandangkan peningkatan dalam CPI adalah ditolak kos. Pada jangka panjang, hala tuju dasar monetari boleh mengambil petunjuknya daripada pembangunan dasar monetari di negara maju yang diketuai oleh Amerika Syarikat.

Dengan peningkatan landskap yang baik, Sunway REIT mengharapkan pertumbuhan sederhana dalam DPU pada TK2018 yang akan dibincangkan dengan lebih teliti di seksyen "Perbualan Bersama Ketua Pegawai Eksekutif".

PENGIKTIRAFAN UNTUK KECEMERLANGAN

Kami percaya bahawa laporan korporat melangkaui keperluan undang-undang. Ia adalah alat komunikasi yang penting untuk berhubung dengan pihak berkepentingan secara amnya. Oleh itu, kami terus meningkatkan piawaian pelaporan korporat kami dan mengekalkan tahap ketelusan yang tinggi untuk berkomunikasi secara efektif dengan pihak berkepentingan kami.

Sukacita kami melaporkan, untuk lima tahun berturut-turut, Sunway REIT telah dianugerahkan Anugerah Laporan Korporat Tahunan Kebangsaan 2016 (NACRA) di bawah kategori Anugerah Kecemerlangan Industri untuk REIT dan Dana Tertutup.

Dalam usaha kami untuk memulakan laporan kemampanan, kami dengan rendah diri mengucapkan setinggi-tinggi terima kasih di atas pengiktirafan untuk usaha kami. Sunway REIT telah disenarai pendekkan sebagai salah satu daripada 24 laporan kemampanan untuk penilaian dalam Anugerah ACCA MaSRA 2016.

Kami amat teruja dengan pengiktirafan ini dan berjanji untuk terus berusaha untuk meningkatkan laporan korporat sejajar dengan piawaian antarabangsa.

Pencapaian yang ketara di peringkat hartanah yang perlu diketengahkan adalah Anugerah Pelancongan Datuk Bandar Kuala Lumpur 2017. Sunway Putra Mall muncul sebagai penerima anugerah taraf Emas, mengalahkan pesaing kuat daripada pusat membeli-belah terkemuka di Kuala Lumpur. Sunway Pyramid Shopping Mall dan Sunway Putra Mall menjaringkan kemenangan berganda untuk Anugerah Pemasaran Pengalaman Terbaik Pusat Membeli-belah Malaysia (PPK) 2016. Anugerah ini mengiktiraf kempen pemasaran kreatif yang memberi pengalaman membelibelah yang lebih baik. Sunway Resort Hotel & Spa merangkul anugerah Keselamatan dan Kesihatan Pekerjaan (OSH) Kebangsaan 2016 di bawah kategori hotel dan restoran. Anugerah ini mengiktiraf pencapaian cemerlang dalam bidang kepakaran Keselamatan dan Kesihatan Pekerjaan dan bertujuan untuk meningkatkan daya saing, produktiviti dan mewujudkan tanda aras kecemerlangan dalam amalan keselamatan dan kesihatan di kalangan perniagaan dan organisasi yang berlainan di Malaysia.

Kami ingin merakamkan ucapan terima kasih yang tulus ikhlas kepada badan kawal selia, persatuan-persatuan yang dihormati dan semua pihak berkepentingan di atas pengiktirafan kepada kami.

PENGHARGAAN SETULUS IKHLAS

Bagi pihak Lembaga Pengarah, saya ingin memanjangkan penghargaan ikhlas saya kepada pihak pengurusan kami, kakitangan Pengurus dan ahli Lembaga yang dihargai. Melalui komitmen dan dedikasi yang teguh, saya gembira kerana kami telah bertahan dengan baik dan mengharungi pelbagai cabaran. Saya yakin kepimpinan, kepelbagaian dan bakat Lembaga dan pasukan pengurusan akan membawa kami untuk mencapai kejayaan yang lebih besar pada tahun-tahun yang akan datang dan saya benar-benar menantikannya.

Pencapaian kami tidak akan dapat dicapai tanpa sokongan para pihak berkepentingan kami. Saya ingin mengucapkan terima kasih kepada para pihak berkepentingan kami - pemegang unit, pemegang amanah, pengurus hartanah, pasukan pengurusan kemudahan, rakan niaga, rakan penganalisis dan masyarakat pelaburan serta wakil media atas sokongan dan kepercayaan berterusan mereka pada Sunway REIT.

Tan Sri Ahmad Bin Mohd Don Pengerusi

Sila rujuk bahagian Lembaga Pengarah untuk profil Pengerusi dan peranan Pengerusi dibincangkan dalam bahagian Tadbir Urus Korporat & Akauntabiliti

Rekod latihan pengerusi dan maklumat berkaitan tadbir urus korporat selanjutnya boleh didapati di www.sunwayreit.com

A CONVERSATION WITH THE CEO **Dato' Jeffrey Ng Tiong Lip** Chief Executive Officer

Achieved better than expected DPU of 9.19 sen in FY2017

We embarked on integrated reporting journey to enhance remained as the pillar reporting standards

Retail segment of growth

Q: How has the year been for Sunway REIT?

A I would describe the financial year ended as eventful. Whilst we endeavoured to deliver commendable financial performance, we also actively planned ahead to pave ways for long-term sustainability in distribution per unit (DPU) which is a material factor to unitholders.

We have been busy ensuring that planned strategies are executed accordingly to overcome current and future challenges for business to operate as usual for the existing properties amidst tougher operating landscape. At the same time, we continued with our asset enhancement initiatives (AEIs) to ensure that our properties remain competitive and relevant over the longer term.

We also focused on solidifying the building blocks and key enablers to strive towards successful implementation of Sunway REIT's Key Strategic Objectives 2020. We have to be on our toes to stay ahead of the dynamic market place.

Q: Sunway REIT had expected a potential dip in DPU in FY2017. What was the overall performance of Sunway **REIT in FY2017?**

A The operating environment remained challenging during the financial year due to soft consumer sentiment and business confidence. This was further aggravated by intensified competition in the space we operate in arising from continuous inflow of new supply in the various property subsectors.

At the start of the financial year, we had expected a potential dip in DPU primarily due to the closure of Sunway Pyramid Hotel for refurbishment since April 2016 and the cessation of Manager's fee payable in units. In order to minimise the loss of income, the hotel was re-opened progressively with a soft re-launch in November 2016.

Through perseverance and stronger than expected 40 FY2017 performance by the retail and hotel segments, we managed to avoid a decline in DPU in FY2017. I am pleased to share that Sunway REIT has sustained the DPU at 9.19 sen in FY2017 (FY2016: 9.18 sen). Revenue rose by 3.1% year-on-year (y-o-y) to RM522.9 million and net property income (NPI) increased by 4.0% y-o-y to RM388.8 million.

Q: What were the key contributors to the set of financial performance?

The retail segment is definitely the main contributor. Revenue Α for the retail segment increased from RM382.8 million in FY2016 to RM405.0 million in FY2017, representing a growth of 5.8% y-o-y. NPI rose from RM269.4 million to RM289.9 million, translating into a growth of 7.6%. Our flagship asset, Sunway Pyramid Shopping Mall continues to be the driver of growth. Sunway Carnival Shopping Mall also enjoyed higher occupancy following the completion of the AEI to create a new food and beverage area. Meanwhile, Sunway Putra Mall demonstrated encouraging improvement in its second year of operation.

A CONVERSATION WITH THE CEO (CONT'D)

The hotel segment reported a decline in revenue and NPI in FY2017, primarily due to the loss of income arising from the closure of Sunway Pyramid Hotel which had undergone a rejuvenation exercise. Stripping off Sunway Pyramid Hotel, the hotel segment reported a revenue and NPI growth of 4.0% y-o-y and 4.5% y-o-y respectively. In a highly competitive market environment with a soft consumer sentiment and business confidence, the performance was satisfactory.

Following a lull period with low occupancy in 2 office properties in the asset portfolio, we are of the opinion that the worst is probably over for the office segment and we are beginning to see a ray of light at the end of the tunnel. Capitalising on the synergistic benefits of the 3-in-1 mixed use Sunway Putra, Sunway Putra Tower managed to secure new tenants which has contributed to the improvement in the financial performance of the office segment.

Q: What were Sunway REIT new initiatives during the year?

A Financial performance aside, we continuously explored opportunities to enhance corporate governance, disclosures and reporting standards.

We made conscious effort to continuously enhance the corporate governance practices as discussed by the Chairman in the Chairman's Message. In this financial year, the appointment of Tan Sri Ahmad Bin Mohd Don as an Independent Chairman to the Board is an obvious demonstration of the commitment to corporate governance best practices.

In the last financial year, we voluntarily adopted sustainability reporting in our annual report. This year, we took a step further to start the integrated reporting journey. We believe that an annual report should not be merely a document in compliance with regulatory requirement that discloses financial information. We leverage on annual reports as one of our communication platforms to reach out to the various stakeholders.

Through integrated reporting, we hope that our stakeholders will gain greater insights into Sunway REIT's strategy, business model and how we create value over the long term beyond financial performance.

- Q: In recent acquisition announcements, Sunway REIT has ventured beyond its conventional acquisitions strategy such as greenfield development and industrial asset. What is the motivation and is this the direction going forward?
- A Sunway REIT's strategy remained unchanged, where we will remain retail-focused within a diversified asset portfolio. Retail segment remains as the dominant revenue and NPI contributor, contributing 78% and 75% to total revenue and NPI respectively.

Rest assured, the recent developments are definitely not a diversion from our business strategy. We have definitely not lost sight of our strategic direction. The increasingly challenging operating environment coupled with intensifying competition across all segments have prompted us to explore new growth strategies. These are strategically planned which we have thoroughly deliberated and evaluated to drive the future growth of Sunway REIT.

While REIT may not be as robust as other businesses, there is still room for innovation and creativity.

We announced a greenfield development for the proposed expansion of Sunway Carnival Shopping Mall New Wing, and we subsequently received the waiver from the Securities Commission. The acquisition of the land was completed in December 2016. We have been busy with the planning of the design and layout of the mall with a target to commence construction by 10 CY2018.

Our venture into greenfield development is a demonstration of Sunway REIT staying ahead of the curve in maximising return to stakeholders. Inevitably, there were concerns raised with regard to elevated risks by venturing into greenfield development. From Sunway REIT's perspective, we have the relevant skills in undertaking complex and challenging project such as the refurbishment of Sunway Putra Mall, demonstrating our versatility.

We acknowledge the increasingly tough operating environment within the various property sub-sectors that we operate in. In fact, we anticipated that more supply of retail malls, hotels and offices are coming into the property market. Risks associated with business operations, such as lower rental reversion and higher vacancy, have risen in the last 2 years. We formulated a diversification strategy to form a "defensive" asset allocation, primarily investing in properties which generate a stable rental income stream with locked-in long tenure leases. In this financial year, we made our maiden foray into the industrial sub-sector through the acquisition of Sunway REIT Industrial - Shah Alam 1. The property is tenanted by an established corporation with a remaining tenure of approximately 18 years and expected to generate stable rental stream and rental upside. This property together with Sunway Medical Centre formed the "Others" segment in Sunway REIT's asset portfolio with a combined exposure of 6.3%. Under our investment mandate, we have set a cap to the "Others" segment with a maximum exposure of 15% of total asset value (TAV).

- **Q:** Based on the valuation as at 30 June 2017, Sunway REIT's property value stood at RM6.69 billion, which fell short of Sunway REIT's Strategic Objectives target of RM7 billion by FY2017. Please comment.
- A Yes, we have indeed fallen short of the RM7 billion target at the close of FY2017. We had several potential acquisitions

A CONVERSATION WITH THE CEO (CONT'D)

which did not proceed after much negotiations whilst the 2 acquisitions mentioned below respectively took longer than expected to materialise. Hence, taking into account these 2 acquisitions as described below, I am pleased to report that we have achieved the RM7 billion property value milestone that was set during IPO.

On 1 August 2017, we completed the acquisition of Sunway REIT Industrial – Shah Alam 1 which brought the property value from RM6.69 billion to RM6.78 billion. Subsequently, on 3 August 2017, Sunway REIT announced a proposed acquisition of the mixed-use Sunway Clio Property for RM340 million. The mixed-use property consists of a hotel, retail podium and car park bays. Upon completion of the proposed acquisition targeted in the fourth quarter of CY2017, Sunway REIT's property value will increase to RM7.1 billion.

In addition, Sunway REIT is always on the lookout for potential acquisitions including pipeline assets from the Sponsor. We are confident that we are on the right track to reach our target of RM10 billion by FY2020.



- Q: E-commerce and emergence of non-traditional businesses are here to challenge the traditional way of doing business. What is your view on these disruptive trends and what is the expected impact to Sunway REIT? How does Sunway REIT address these trends?
- A Consumers evolve with trends and lifestyle. In today's world, consumers are more sophisticated as technology is readily available. In the past, one needs to travel to see the world. Today, consumers are virtually exposed to experiences around the world, thanks to technology. Likewise, e-commerce has changed the consumers' lifestyle.

In Malaysia, the e-commerce market share is still at a single-digit. However, e-commerce is admittedly a growing trend and is gaining prominence. Consumers shop online for various reasons; more attractive pricing, convenience and other reasons.

Likewise, we need to evolve alongside trends and lifestyle in order to remain relevant. Instead of viewing it as a threat, we embrace them. Just like the saying goes, "If you can't beat them, join them". We see opportunities in embracing technology into our business, such as possibility of having our in-house online portal that supports our tenants to market their products and services to reach a wider market.

Besides, it is crucial for us to create favourable and engaging shopping experiences for the consumers. It is no longer a matter of coming to a mall to shop for a piece of fashion item, it is the experience that counts, which includes convenience, comfort and safety, along with making it a destination that shoppers will return for more. Attractive marketing and promotional activities are important to appeal and draw footfall to the mall.

Today, retail malls are more than a shopping destination, they are part of consumers' lifestyle and social gathering places. Interestingly, we are seeing a trend of online players setting up stores in the retail malls in order to allow consumers to experience and test their products.

- **Q:** Sunway REIT's gearing ratio is in the mid-range amongst M-REITs and is expected to increase further. Should unitholders be concerned of the rising gearing levels? What are your plans to mitigate refinancing risk?
- A Sunway REIT's gearing stood at 34.3% as at 30 June 2017. It is expected to increase to 38.1% following the completion of the acquisition of Sunway REIT Industrial –Shah Alam 1 and Sunway Clio Property.

We have enjoyed a prolonged period of low interest rate regime which has benefited Sunway REIT in our capital management programme. We capitalise on the low interest rate to optimise leverage through debt financing while we proactively manage the risk exposure. We are comfortable with a gearing level up to low 40s%.

In this financial year, we have undertaken an exercise to convert the existing Unrated MTN Programme to tradable Unrated MTN Programme with an upsize to RM10 billion over a duration of 35 years. The tradability of the programme provides the opportunity for a larger pool of investors to participate in the programme to fund Sunway REIT's future funding requirements.

Under Sunway REIT's current Commercial Paper (CP) programme, RAM has reaffirmed a P1 rating, the highest rating accorded, in their annual review in July 2017.

In mitigating refinancing risk, we optimise the debt profile by ensuring diversification of funding sources and tenures. Over the longer term, we may explore equity fund raising if market opportunities prevail.

A CONVERSATION WITH THE CEO (CONT'D)

Q: Sunway REIT launched an interesting community project known as the Clean Air Project at Sunway Pyramid Shopping Mall. What was the inspiration behind this project?

A Sunway REIT has outlined this project in its Sustainability Framework under the social pillar of engaging and giving back to the community. The Clean Air Project is an interesting proposition addressing social and environmental sustainability. The project is part of an extension of Sunway Group's aspiration to be a Smoke-Free township by 2018 and United Nation's Sustainable Development Goals (SDGs) Number 3 - "Good Health and Well-Being".

The project idea was inspired by our research and findings which revealed that deterrents carries a negative connotations. We have creatively pooled a group of renowned local artists using art as an instigation of change. Sunway REIT has also engaged the community and collected 1,665 pledges from the public advocating for clean air environment. In order to demonstrate our commitment to the community, Sunway REIT has launched a Smoke Cessation Programme in collaboration with Sunway Medical Centre and Johnson & Johnson. This programme is fully sponsored by Sunway REIT.

We also embed sustainability considerations into the daily operations of our assets and asset enhancement initiatives. We are pleased that some of the initiatives put in place in the recent years are bearing fruits. For instance, our energy management through various initiatives such as chillers management and replacement of lighting with energysavings LED lights amongst others have translated into the reduction in energy consumption by 3.4%.

We continue to evaluate the gap in our current sustainability practices with conscious effort to close the gap as part of our sustainability journey. We have identified that there is room for improvement in waste management.

Q: What is your outlook on the property sub-sectors in FY2018? What are the opportunities for Sunway REIT?

A An improving macro-economic environment and gradual improvement in consumer sentiment are expected to bode well for the retail industry. However, the abundance of retail supply in the market including those anticipated to come on stream in CY2017 and CY2018 in the Klang Valley coupled with continuous growth in online retailing will continue to pose challenges to mall owners and operators.

Leading shopping malls are expected to remain resilient due to their strong track record and established market catchment. The challenges lie in newly opened malls which are struggling with low occupancy rates where both tenants and shoppers are spoilt with choices. These malls need to establish its market positioning, segment and niche to capture the targeted shoppers. It is crucial for these malls to ensure exciting tenancy mix to attract footfall to the malls which ultimately lead to sustainability of the malls over the longer term. In view of the challenging operating environment, newly opened malls may face longer gestation period before achieving their optimal performance.

For the hospitality sector, major indicators are suggesting a promising year. In addition to the factors mentioned above, improving business confidence as well as favourable currency are impetus for the sector to perform well going forward. In addition, the hospitality sector is expected to benefit from major campaigns and events such as Visit ASEAN@50 campaign, SEA and ASEAN PARA Games 2017. The optimism, however, may potentially be impeded by the implementation of Tourism Tax to foreigners, new supply of hotels and emergence of unconventional hospitality offerings such as Airbnb, homestay and boutique hotels, amongst others.

In the office segment, the oversupply situation will persist or even deteriorate further. The total stock of office space in the Klang Valley stood at 104.6 million sq. ft. in 10 CY2017 with an estimated new supply of 6.3 million sq. ft. coming into the market in CY2017 and CY2018. Despite the massive disequilibrium between demand and supply, there are pockets of opportunities riding on preference for office buildings at decentralised locations, developments strategically located at transit oriented developments (TODs) and office buildings with MSC status.

We maintain that acquisition opportunities will prevail under the challenging environment where highly leveraged assets owners may need to de-leverage to strengthen the balance sheet. During the good days, vendors were demanding for highly compressed yield. We believe that the time has come where buyers may be able to strike deals at reasonable acquisition yields.

Q: What is in store for Sunway REIT in FY2018? What should investors expect in FY2018?

A Following a flattish year in FY2017 due to income disruption from Sunway Pyramid Hotel and barring any unforeseen circumstances, we expect the DPU to improve moderately in FY2018.

Dato' Jeffrey Ng Tiong Lip Chief Executive Officer

PERBUALAN BERSAMA KETUA PEGAWAI EKSEKUTIF

Pencapaian DPU, 9.19 sen, Kami memulakan laporan dalam TK2017 melebihi daripada jangkaan

berintegrasi untuk meningkatkan piawaian pelaporan

Segmen runcit kekal sebagai nadi utama pertumbuhan

S. Bagaimanakah pencapaian tahun ini untuk Sunway **RFIT?**

J Pada pendapat saya, tahun kewangan yang baru berakhir amat berperistiwa. Selain daripada usaha kami untuk menyampaikan prestasi kewangan yang baik, kami juga secara aktif merancang untuk penyediaan bagi kemampanan jangka panjang dalam pengagihan seunit (DPU) yang merupakan faktor penting kepada pemegang-pemegang unit.

Kami juga giat memastikan strategi yang dirancang dilaksanakan dengan sebaiknya untuk mengatasi cabaran semasa dan masa depan supaya perniagaan beroperasi seperti biasa untuk hartanah sedia ada di tengah-tengah lanskap operasi yang sukar. Pada masa yang sama, kami meneruskan inisiatif meningkatkan aset (AEIs). Kami memastikan aset-aset kami kekal berdaya saing dan relevan dalam jangka panjang.

Kami juga memberi tumpuan untuk memantapkan prestasi yang kukuh untuk mencapai Objektif Strategik Utama 2020 Sunway REIT dan selalu bersedia untuk kekal di hadapan pasaran yang dinamik.

S. Pengagihan seunit (DPU) dalam Tahun Kewangan 2017 (TK2017) Sunway REIT dijangka menurun. Apakah prestasi keseluruhan Sunway REIT pada TK2017?

Sentimen pengguna dan keyakinan perniagaan yang lemah J mengakibatkan persekitaran operasi terus mencabar pada tahun kewangan ini. Keadaan ini diburukkan lagi akibat peningkatan persaingan dalam persekitaran yang kami beroperasi disebabkan oleh peningkatan jumlah pesaing baru dalam pelbagai sub-sektor hartanah.

Pada permulaan tahun kewangan, kami telah menjangkakan potensi penurunan dalam DPU disebabkan oleh penutupan Sunway Pyramid Hotel untuk pengubahsuaian sejak April 2016 dan pemberhentian bayaran pengurus yang dibayar dalam bentuk unit. Untuk mengurangkan kehilangan pendapatan, hotel ini dibuka secara berperingkat dengan pelancaran secara tidak rasmi pada bulan November 2016.

Melalui ketabahan dan ketekunan kami, prestasi suku keempat TK2017 untuk segmen runcit dan hotel telah berjaya mengelakkan penurunan dalam DPU pada TK2017. Dengan sukacitanya, saya memaklumkan bahawa Sunway REIT telah mengekalkan DPU pada 9.19 sen dalam TK2017 (TK2016: 9.18 sen). Pendapatan meningkat sebanyak 3.1% tahun-ke-tahun

kepada RM522.9 juta dan pendapatan hartanah bersih (NPI) mencatat kenaikkan sebanyak 4.0% tahun-ke-tahun kepada RM388.8 juta.

prestasi S. Apakah penyumbang utama kepada kewangan?

J Segmen runcit adalah penyumbang utama. Pendapatan bagi segmen runcit meningkat dari RM382.8 juta pada TK2016 kepada RM405.0 juta pada TK2017, bersamaan kadar pertumbuhan sebanyak 5.8% tahun-ke-tahun. NPI mencatatkan kenaikan dari RM269.4 juta kepada RM289.9 juta bersamaan kadar pertumbuhan sebanyak 7.6%. Aset utama kami, Sunway Pyramid Shopping Mall terus menjadi pemandu pertumbuhan. Sunway Carnival Shopping Mall turut menikmati kadar penghunian yang lebih tinggi berikutan penyelesaian AEI yang mewujudkan kawasan makanan dan minuman baru. Sementara itu, Sunway Putra Mall turut menunjukkan peningkatan yang menggalakkan dalam tahun kedua operasinya.

Segmen hotel mencatatkan penurunan hasil pendapatan dan NPI pada TK2017 terutamanya disebabkan kehilangan pendapatan akibat penutupan Sunway Pyramid Hotel yang telah menjalani pengubahsuaian. Selain dari Sunway Pyramid Hotel, segmen hotel melaporkan pendapatan dan kadar pertumbuhan NPI sebanyak 4.0% tahun-ke-tahun dan 4.5% tahun-ke-tahun masing-masing. Dalam sentimen pengguna dan keyakinan perniagaan yang lemah serta persekitaran pasaran yang sangat kompetitif, prestasi ini dianggap memuaskan.

Berikutan tempoh yang kurang memberangsangkan dengan penghunian yang rendah dalam kedua-dua hartanah pejabat dalam portfolio aset, kami berpendapat bahawa tahap yang terburuk mungkin sudah berakhir untuk segmen pejabat dan keadaan akan berubah menjadi lebih baik. Memanfaatkan kelebihan synergistik penggunaan campuran 3-dalam-1 Sunway Putra, Sunway Putra Tower berjaya mendapatkan penyewa baru yang telah menyumbang kepada peningkatan prestasi kewangan segmen pejabat.

S. Apakah inisiatif baru Sunway REIT pada tahun ini?

J Selain daripada prestasi kewangan, kami terus meneroka peluang untuk meningkatkan taraf tadbir urus korporat, pendedahan dan pelaporan.

PERBUALAN BERSAMA KETUA PEGAWAI EKSEKUTIF (SAMB.)

Kami sesungguhnya berusaha untuk terus meningkatkan amalan tadbir urus korporat seperti yang disebutkan oleh Pengerusi dalam Perutusan Pengerusi. Pelantikan Tan Sri Ahmad Bin Mohd Don sebagai Pengerusi Bebas kepada Lembaga Pengarah dalam tahun kewangan ini adalah demonstrasi terbaik amalan tadbir urus korporat.

Pada tahun kewangan lepas, kami mula mengamalkan pelaporan kemampanan secara sukarela. Pada tahun ini, kami mengambil langkah seterusnya untuk memulakan perjalanan pelaporan berintegrasi. Kami berpendapat bahawa laporan tahunan bukan sekadar dokumen yang mematuhi keperluan kawal selia dan maklumat kewangan. Kami memanfaatkan laporan tahunan sebagai salah satu cara untuk berkomunikasi dengan pelbagai kumpulan pemegang berkepentingan.

Melalui pelaporan berintegrasi, kami berharap para pemegang berkepentingan akan mendapat maklumat yang lebih mendalam mengenai strategi Sunway REIT, model perniagaan dan cara kami menjana nilai jangka masa panjang selain daripada prestasi kewangan.

- S. Dalam pengumuman perolehan baru-baru ini, Sunway REIT meneroka strategi perolehan konvensional seperti pembangunan lapangan hijau dan aset perindustrian. Apakah motivasi strategi tersebut dan adakah ini hala tuju masa hadapan?
- J Strategi Sunway REIT tidak berubah. Kami akan kekal fokus pada segmen runcit di dalam portfolio aset yang pelbagai. Segmen runcit kekal sebagai penyumbang pendapatan utama dan NPI, masing-masing menyumbang 78% dan 75% kepada jumlah pendapatan dan NPI.

Kami memberi jaminan perkembangan baru ini bukan lencongan dari strategi perniagaan kami. Kami tidak hilang tumpuan terhadap perancangan strategik kami. Persekitaran operasi yang semakin sengit ditambah dengan persaingan yang semakin meningkat di semua segmen telah mendorong kami untuk meneroka strategi pertumbuhan baru. Perancangan secara strategik bersama dengan penilaian terperinci telah dibuat untuk memacu pertumbuhan masa depan Sunway REIT.

Walaupun REIT tidak begitu mantap sebagai pengusaha lain, namun, ia ada ruang untuk inovasi dan kreativiti.

Kami mengumumkan pembangunan lapangan hijau untuk cadangan pengembangan Sunway Carnival Shopping Mall New Wing yang kemudiannya telah menerima pengecualian dari Suruhanjaya Sekuriti. Perolehan tanah itu telah diselesaikan pada Disember 2016. Pembinaan dijangka bermula pada suku pertama 2018 dengan perancangan reka bentuk dan susun atur pusat membeli-belah sedang giat dijalankan. Usaha kami dalam pembangunan lapangan hijau adalah demonstrasi Sunway REIT untuk kekal di tangga teratas dalam memaksimumkan pulangan kepada pihak berkepentingan. Tidak dapat dielakkan, terdapat kebimbangan yang timbul berkaitan dengan risiko tinggi dengan meneroka pembangunan lapangan hijau. Dari perspektif Sunway REIT, kami mempunyai kemahiran yang relevan dalam menjalankan aktiviti pembangunan. Pengubahsuaian Sunway Putra Mall adalah projek yang kompleks, namun, kami telah menunjukkan kemahiran kami dalam projek tersebut.

Kami mengiktiraf persekitaran operasi yang semakin sukar dalam pelbagai sub-sektor hartanah yang kami beroperasi. Kami menjangkakan bahawa lebih banyak bekalan pusat membeli-belah, hotel dan pejabat akan masuk ke pasaran hartanah. Risiko yang berkaitan dengan operasi perniagaan, seperti penurunan harga sewa dan kadar kekosongan yang lebih tinggi, telah meningkat dalam tempoh dua tahun yang lepas. Kami merumuskan strategi kepelbagaian untuk membentuk peruntukan aset "defensif", terutamanya melabur dalam hartanah yang menjana aliran pendapatan sewa yang stabil dengan pajakan jangka panjang yang terkunci. Pada tahun kewangan ini, kami membuat pelaburan sulung kami ke sub-sektor perindustrian melalui pemerolehan Sunway REIT Industrial - Shah Alam 1. Hartanah ini disewa oleh sebuah syarikat yang telah lama beroperasi dengan baki tempoh sewa lebih kurang 18 tahun dan dijangka menjana aliran penyewaan stabil. Hartanah ini bersama-sama dengan Sunway Medical Centre membentuk kategori "Lain-lain" dalam portfolio aset Sunway REIT dengan pendedahan gabungan sebanyak 6.3%. Di bawah mandat pelaburan kami, kami telah menetapkan had kepada segmen "Lainlain" dengan pendedahan maksima sebanyak 15% daripada jumlah nilai aset (TAV).

- S. Berdasarkan penilaian pada 30 Jun 2017, nilai hartanah Sunway REIT berjumlah RM6.69 bilion, tidak mencapai sasaran Objektif Strategik Sunway REIT sebanyak RM7 bilion pada TK2017. Sila komen/beri pendapat anda.
- J Kami sememangnya tidak mencapai sasaran RM7 bilion pada akhir TK2017. Walaupun terdapat beberapa perolehan berpotensi namun ia tidak dapat diteruskan. Hanya 2 projek perolehan berjaya dilaksanakan walaupun mengambil jangka masa yang lama. Dengan mengambil kira 2 projek perolehan seperti yang dinyatakan di bawah, sukacitanya kami melaporkan bahawa kami telah mencapai sasaran RM7 bilion seperti yang telah ditetapkan semasa IPO.

Pada 1 Ogos 2017, kami telah menyelesaikan perolehan Sunway REIT Industrial-Shah Alam 1 yang membawa nilai hartanah dari RM6.69 bilion kepada RM6.78 bilion. Selepas itu, pada 3 Ogos 2017, Sunway REIT mengumumkan cadangan perolehan Sunway Clio Property sebanyak RM340 juta. Hartanah

PERBUALAN BERSAMA KETUA PEGAWAI EKSEKUTIF (SAMB.)

bercampur ini terdiri daripada blok hotel, podium runcit dan ruang letak kereta. Apabila selesai cadangan perolehan yang disasarkan pada suku keempat 2017, nilai hartanah Sunway REIT akan meningkat kepada RM7.1 bilion.

Di samping itu, Sunway REIT sentiasa berusaha untuk mencari peluang perolehan yang berpotensi termasuk aset dalam perancangan daripada Penaja. Kami yakin bahawa kami berada di arah yang betul untuk mencapai sasaran nilai hartanah RM10 bilion menjelang TK2020.

- S. E-dagang dan kemunculan cara perniagaan yang bukan tradisional mencabar cara tradisional menjalankan perniagaan. Apakah pandangan anda tentang trend ini dan apakah impaknya kepada Sunway REIT? Bagaimanakah Sunway REIT akan menangani trend ini?
- J Pengguna berevolusi dengan trend dan gaya hidup. Dalam dunia hari ini, pengguna lebih canggih dengan adanya teknologi. Pada masa lalu, seseorang perlu merantau untuk melihat dunia. Hari ini, pengguna terdedah kepada dunia melalui alam maya dengan adanya teknologi. Begitu juga, e-dagang megubah gaya hidup pengguna.

Di Malaysia, e-dagang masih berada pada tahap angka tunggal/peringkat awal. E-dagang masih dalam tahap permulaan dan semakin kerap digunapakai oleh para pembeli. Pembeli membeli atas talian untuk pelbagai sebab; harga yang lebih menarik, mudah dan sebab-sebab lain.

Oleh kerana itu, kami juga perlu berubah selari dengan trend dan gaya hidup semasa agar tetap kekal relevan. Kami menganggap ini satu trend yang amat positif dan kami akan mengikuti perkembangannya. Sama seperti kata pepatah, "Jika anda tidak boleh mengalahkan mereka, bergabung dengan mereka". Kami melihat potensi dalam mengguna teknologi dalam perniagaan kami, seperti kemungkinan mempunyai portal atas talian kami yang menyokong penyewa kami untuk memasarkan produk dan perkhidmatan mereka untuk mencapai pasaran yang lebih luas.

Selain itu, adalah penting bagi kami untuk mencipta pengalaman berbelanja yang baik dan menarik bagi para pembeli. Mereka bukan sahaja datang ke pusat membelibelah untuk membeli barang-barang fesyen, tetapi untuk pengalaman yang menyeluruh termasuk kemudahan, keselesaan dan keselamatan, dan menjadikannya destinasi dimana pembeli akan terus kembali. Aktiviti pemasaran dan promosi yang menarik adalah penting untuk menggalakkan pengguna ke pusat membeli-belah.

Hari ini, pusat membeli-belah bukan hanya destinasi membeli-belah tetapi merupakan sebahagian daripada gaya hidup masyarakat dan tempat perhimpunan sosial. Kami melihat trend peniaga atas talian menyewa kedai di pusat membeli-belah untuk membolehkan pengguna mencuba produk mereka.

- S. Nisbah penggearan Sunway REIT berada di pertengahan antara M-REIT dan dijangka terus meningkat. Perlukah pemegang unit prihatin terhadap tahap penggearan yang semakin meningkat? Apakah rancangan anda untuk mengurangkan risiko pembiayaan semula?
- J Nisbah penggearan Sunway REIT berada pada 34.3% pada 30 Jun 2017. Ia dijangka meningkat kepada 38.1% berikutan perolehan Sunway REIT Industrial - Shah Alam 1 dan Sunway Clio Property.

Kadar faedah rendah bagi tempoh yang agak panjang telah memberi manfaat kepada Sunway REIT dalam program pengurusan modal kami. Kami memanfaatkan kadar faedah yang rendah untuk mengoptimumkan genggaman melalui pembiayaan hutang sementara menguruskan pendedahan risiko secara proaktif. Kami selesa dengan penggearan sehingga tahap rendah 40%.

Pada tahun kewangan ini, kami telah menjalankan satu usaha untuk menukar Program MTN Unrated yang sedia ada kepada Program MTN Unrated yang diperdagangkan dengan peningkatan sehingga RM10 bilion dalam tempoh 35 tahun. Program ini memberi peluang kepada lebih ramai pelabur untuk menyertai program ini untuk membiayai keperluan pendanaan masa depan Sunway REIT.

Pada Julai 2017, RAM sekali lagi mengesahkan penilaian P1 untuk program Commercial Paper (CP) Sunway REIT, penilaian tertinggi yang diberikan dalam kajian tahunannya.

Dalam meringankan risiko pembiayaan semula, kami mengoptimumkan profil hutang dengan memastikan kepelbagaian sumber pembiayaan dan tempoh. Sepanjang tempoh jangka panjang, kami boleh meneroka peningkatan ekuiti jika peluang pasaran mengizinkan.

S. Sunway REIT melancarkan projek komuniti yang dikenali sebagai 'Clean Air Project' di Sunway Pyramid Shopping Mall. Apakah inspirasi di sebalik projek ini?

J 'Clean Air Project' telah digariskan dalam Rangka Kerja Kemampanan Sunway REIT di bawah tunggak sosial untuk memberi kembali kepada masyarakat. Ia adalah projek untuk menangani isu kemampanan sosial dan alam sekitar. Projek ini adalah sebahagian daripada aspirasi Kumpulan Sunway untuk menjadi sebuah bandar Bebas Rokok pada tahun 2018 dan Matlamat Pembangunan Kemampanan (SDGs) Nombor 3 oleh Pertubuhan Bangsa-Bangsa Bersatu untuk "Kesihatan dan Gaya Hidup yang Sihat".

Pengasulan idea projek ini adalah dari hasil penyelidikan dan penemuan yang mendedahkan bahawa pencegahan membawa konotasi negatif. Untuk mengatasinya, kami mengumpulkan kumpulan artis tempatan yang bercitacita tinggi dengan menggunakan seni sebagai dorongan
PERBUALAN BERSAMA KETUA PEGAWAI EKSEKUTIF (SAMB.)

perubahan untuk turut serta dalam projek ini. Sunway REIT juga melibatkan masyarakat setempat dan telah berjaya mengumpulkan 1,665 ikrar daripada orang ramai yang menyokong petisyen persekitaran udara yang bersih. Untuk menunjukkan komitmen kami kepada komuniti, Sunway REIT melancarkan Program Pemberhentian Merokok dengan kerjasama Sunway Medical Centre dan Johnson & Johnson. Program ini ditaja sepenuhnya oleh Sunway REIT.

Kami juga menggalakkan pertimbangan kemampanan di dalam operasi harian aset dan kegiatan peningkatkan aset. Kami amat berbangga dengan beberapa inisiatif yang dilaksanakan pada tahun-tahun kebelakangan ini telah menghasilkan pulangan yang memuaskan. Sebagai contoh, melalui pengurusan tenaga, pelbagai inisiatif seperti pengurusan penyejuk dan penggantian lampu dengan lampu penjimatan tenaga LED antara lain telah diterjemahkan kepada pengurangan penggunaan tenaga sebanyak 3.4%.

Kami secara berterusan menilai jurang dalam amalan kemampanan semasa kami, dan berusaha untuk merapatkan jurang ini sebagai sebahagian daripada perjalanan kemampanan kami. Kami telah mengenal pasti akan ruang untuk penambahbaikan dalam pengurusan sisa dan berharap untuk menuju ke arah pengasingan sisa dan meningkatkan proses melupuskan, mengolah dan mengitar semula sisa untuk melakukan bahagian kami dalam usaha memelihara alam sekitar ini.

S. Apakah pandangan anda mengenai sub-sektor hartanah pada TK2018? Apakah peluang untuk Sunway REIT?

J Persekitaran makroekonomi yang semakin baik berserta peningkatan secara beransur-ansur dalam sentimen pengguna dijangka dapat memanfaatkan industri runcit. Walau bagaimanapun, banyak bekalan runcit di pasaran termasuk jangkaan yang akan datang dalam 2017 dan 2018 di Lembah Klang ditambah dengan pertumbuhan berterusan dalam peruncitan atas talian, akan terus mencabar pemilik dan pengendali pusat membeli-belah.

Pusat membeli-belah terkemuka dijangka kekal berdaya tahan kerana rekod prestasi mereka yang kukuh dan telah menubuhkan pasaran tadahan. Cabaran-cabaran ini terletak di pusat membeli-belah baru yang berdepan dengan kadar penghunian rendah di mana penyewa dan pembeli mempunyai banyak pilihan. Pusat membeli-belah ini perlu menetapkan kedudukan pasaran, segmen dan *niche* untuk menarik pembeli yang disasarkan. Adalah penting bagi pusat-pusat membeli-belah ini untuk memastikan campuran para penyewa yang menarik bagi memastikan lebih ramai pengunjung ke pusat membeli-belah yang akhirnya membawa kepada kemantapan pusat membeli-belah dalam jangka panjang. Memandangkan persekitaran operasi yang mencabar, pusat-pusat membeli-belah yang baru dibuka mungkin menghadapi tempoh yang lebih lama sebelum mencapai prestasi optimumnya.

Bagi sektor hospitaliti, terdapat petunjuk yang mencadangkan bahawa tahun ini amat menggalakkan. Di samping faktorfaktor yang disebutkan di atas, meningkatkan keyakinan terhadap perniagaan serta mata wang yang menggalakkan adalah dorongan bagi sektor ini untuk terus maju. Sektor hospitaliti dijangka mendapat manfaat daripada kempen dan acara utama seperti kempen Visit ASEAN @ 50, SEA dan ASEAN PARA Games 2017. Walau bagaimanapun, keyakinan itu mungkin tergugat akibat pelaksanaan Cukai Pelancongan kepada pengunjung luar negara, hotel-hotel baru dan kemunculan kemudahan penginapan yang tidak konvensional seperti Airbnb, homestay, dan hotel butik antara lain.

Di segmen pejabat, keadaan lebihan bekalan akan berterusan atau semakin merosot. Jumlah stok ruang pejabat di Lembah Klang berjumlah 104.6 juta kaki persegi. Dalam suku pertama 2017. Bekalan baru dianggarkan akan bertambah sebanyak 6.3 juta kaki persegi antara 2017 dan 2018. Walaupun terdapat ketidaksamaan yang ketara antara permintaan dan penawaran, namun, masih ada peluang yang menggalakkan di segmen pejabat kerana ada yang memilih bangunan pejabat di lokasi yang desentralisasi, pembangunan yang terletak di lokasi strategik di pembangunan berorientasikan transit (TOD) dan bangunan pejabat berstatus MSC.

Kami yakin peluang perolehan akan terus ada di bawah persekitaran yang mencabar di mana pemilik aset yang mempunyai risiko tinggi mungkin perlu mengundurkan diri untuk mengukuhkan penyata kewangan. Pada hari yang baik, penjual menuntut hasil yang sangat mampat. Kami percaya bahawa waktunya telah tiba di mana pembeli dapat mencapai persetujuan perolehan yang munasabah.

S. Apa yang ada untuk Sunway REIT pada TK2018? / Apa yang boleh diharapkan oleh pelabur dalam TK2018?

J TK2017 kurang memberangsangkan berikutan penutupan Sunway Pyramid Hotel yang secara langsung menjejaskan hasil pendapatan. Namun, kami menjangka DPU akan bertambah baik dalam TK2018.

Dato'Jeffrey Ng Tiong Lip Ketua Pegawai Eksekutif

PULLING TOGETHER TO PROPEL FURTHER

The Manager aligns a common goal throughout the value chain in the REIT management ecosystem. The act of passing the baton in a relay team represents the team of passionate individuals of the Manager to coherently achieve the common objectives.

> 40 41

> 42 48

HOSPITAL

TRUST STRUCTURE & LEADERSHIP

Trust Structure
Organisation Structure
Board of Directors
Management Team & Key Personnel





Equity interest

Payments and services pursuant to contractual relationships under the Deed, the Master Leases and the Property Management
 Agreement

- - - Contractual relationships under the Master Leases
- ¹ Sunway Berhad has 37.3% investment in Sunway REIT as at 30 June 2017
- ² Sunway Resort Hotel Sdn Bhd (SRH) is the lessee for Sunway Resort Hotel & Spa and Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East)

Sunway Hotel (Seberang Jaya) Sdn Bhd (SHSJ) is the lessee for Sunway Hotel Seberang Jaya

Sunway Putra Hotel Sdn Bhd (SPH) is the lessee for Sunway Putra Hotel

Sunway Biz Hotel Sdn Bhd (SBH) is the lessee for Sunway Hotel Georgetown

Sunway Medical Centre Sdn Bhd (SMC) is the lessee for Sunway Medical Centre

IDS Manufacturing Sdn Bhd (IDS) is the lessee for Sunway REIT Industrial - Shah Alam 1

The hotel lessees are wholly owned subsidiaries of Sunway Berhad whilst SMC is a 98.9% owned subsidiary

³ The acquisition was completed on 1 August 2017

FINANCE TEAM

ORGANISATION STRUCTURE



BOARD OF DIRECTORS



Tan Sri Ahmad Bin Mohd Don Malaysian, Age 70, Male Chairman, Senior Independent Non-Executive Director



Dato' Jeffrey Ng Tiong Lip Malaysian, Age 60, Male Chief Executive Officer & Non-Independent Executive Director



Sarena Cheah Yean Tih, *s.m.s.* Malaysian, Age 42, Female Non-Independent Non-Executive Director



Ng Sing Hwa Malaysian, Age 71, Male Non-Independent Non-Executive Director



Tengku Nurul Azian Binti Tengku Shahriman Malaysian, Age 54, Female Independent Non-Executive Director



Chan Hoi Choy Malaysian, Age 57, Male Non-Independent Non-Executive Director



Elvin A/L Berty Luke Fernandez Malaysian, Age 68, Male Independent Non-Executive Director

Tan Sri Ahmad Bin Mohd Don

Date of Appointment 25 August 2010

Committee Membership



Educational and Professional Qualifications

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.

Work Experience

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 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.

Directorships in other public companies in Malaysia

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

Family relationship with any director and/or major unit holder of Sunway REIT

Nil

Conflict of interest with Sunway REIT Nil

Number of Meeting attended in the financial year 7 out of 7

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

Dato' Jeffrey Ng Tiong Lip

Date of Appointment 24 March 2010

Committee Membership Nil

Educational and Professional Qualifications

Dato' Jeffrey Ng 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 is a member of Malaysian Institute of Certified Public Accountants and Institute of Chartered Accountants, Australia and New Zealand. 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 and New Zealand. In 2009, he was conferred the patron of Real Estate and Housing Development Association (REHDA). Dato' Jeffrey Ng was awarded "REHDA Personality of the Year 2015" for his contribution to the real estate industry. He is currently a panel member of the Appeal Board under the Federal Territory (Planning) Act 1982, as well as Chairman of REHDA Institute and the Malaysian REIT Managers Association (MRMA). He is also a Capital Markets Services Representative's Licence (CMSRL) holder.

Work Experience

Dato' Jeffrey Ng 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 REHDA, Past Chairman of REHDA Wilayah Persekutuan (Kuala Lumpur) 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).

Directorships in other public companies in Malaysia

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

Family relationship with any director and/or major unit holder of Sunway REIT

Nil

Conflict of interest with Sunway REIT Nil

Number of Meeting attended in the financial year 7 out of 7

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

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Sarena Cheah Yean Tih, s.m.s.

Date of Appointment 25 August 2010

Committee Membership



Educational and Professional Qualifications

Graduated with a Bachelor of Commerce (Accounting and Finance) from University of Western Australia in 1994. She obtained her Masters in Business Administration from Melbourne Business School in 2001. She is also a member of the Association of Chartered Certified Accountants (ACCA) and Capital Markets Services Representative's Licence (CMSRL) holder.

Work Experience

Ms Sarena Cheah started her career with the Sunway Group since 1995 and served under various roles in the Corporate Finance, Internal Audit and Business Development departments. In 2006, she was made General Manager for the Sales & Marketing of the Group's Property Development division before assuming the position as the Director of Strategy & Corporate Development in 2009, during which she oversaw the successful merger and integration of Sunway Holdings Berhad and Sunway City Berhad. In May 2013, she was appointed as Joint Managing Director of Property Development Division, Malaysia/Singapore and subsequently, took on her current position as Managing Director of Property Development Division of Sunway in May 2015. She has led Sunway's property arm by multiple achievements including being ranked as Malaysia's Top Property Developer by The Edge Top Property Developer Awards since 2014.

Directorships in other public companies in Malaysia

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

Family relationship with any director and/or major unit holder of Sunway REIT

She is the daughter of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO.

Conflict of interest with Sunway REIT

Her father, Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, A0 is the major shareholder of Sunway Berhad, which is a major unitholder of Sunway REIT.

Number of Meeting attended in the financial year 6 out of 7

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

Ng Sing Hwa

Date of Appointment 18 November 2013

Committee Membership



Educational and Professional Qualifications

Mr Ng 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.

Work Experience

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. He 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. He is also a Director of Millennium Pavilion Sdn Bhd, a major shareholder of the REIT Manager.

Directorships in other public companies in Malaysia

He does not hold directorships in any other public companies in Malaysia.

Family relationship with any director and/or major unit holder of Sunway REIT Nil

Conflict of interest with Sunway REIT Nil

Number of Meeting attended in the financial year 7 out of 7

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

Tengku Nurul Azian Binti Tengku Shahriman

Date of Appointment 11 March 2016

Committee Membership



Educational and Professional Qualifications

Graduated with a law degree from the School of Oriental & African Studies, University of London. After her graduation, she obtained her Barrister of Law from the Honourable Society of the Inner Temple and was subsequently admitted and enrolled as an Advocate and Solicitor of the High Court in Malaya.

Work Experience

Tengku Azian is currently the Executive Vice President and Partner of PEMANDU Associates Sdn Bhd (with effect from 1 March 2017), a management consulting firm, focused on public sector transformation and business turnaround with global experience. Prior to the appointment, she was the Director of Education & Human Capital Development, National Transformation Programme of the Performance Management and Delivery Unit, Prime Minister's Department (PEMANDU) from 2010 to February 2017.

Before joining PEMANDU, she was in investment banking for 18 years, her last position was Head of Corporate Finance in RHB Investment Bank Berhad, a member of the RHB Banking Group.

Directorships in other public companies in Malaysia

She does not hold directorships in any other public companies in Malaysia.

Family relationship with any director and/or major unit holder of Sunway REIT

Nil

Conflict of interest with Sunway REIT Nil

Number of Meeting attended in the financial year 6 out of 7

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

Chan Hoi Choy

Date of Appointment 11 March 2016

Committee Membership Nil

Educational and Professional Qualifications

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.

Work Experience

Mr Chan 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 34 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).

Directorships in other public companies in Malaysia

He does not hold directorships in any other public companies in Malaysia. He is a Director of several subsidiaries of Sunway Berhad.

Family relationship with any director and/or major unit holder of Sunway REIT

Nil

Conflict of interest with Sunway REIT

Save as disclosed above, he does not have any conflict of interests.

Number of Meeting attended in the financial year 7 out of 7

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

Elvin A/L Berty Luke Fernandez

Date of Appointment 24 March 2010

Committee Membership



Educational and Professional Qualifications

Graduated from the Institution of Surveyors Malaysia (ISM), now known as The Royal Institution of Surveyors Malaysia (RISM).

Mr Elvin Fernandez is a National Committee Member of FIABCI, a Member of Malaysian Institute of Estate Agents, 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.

He is the President of the Business Valuers Association Malaysia (BVAM) and a Member and Qualified Business Valuation Instructor of the International Association of Consultants, Valuators 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. He is also the current Secretary General of the ASEAN Valuers Association.

Work Experience

Mr Elvin Fernandez 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 until 31 May 2016. He is also a former Director of Malaysian Property Incorporated.

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. In 2013, he was invited by the China Appraisal Society to advise them 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.

Mr Elvin Fernandez has received the following awards:-

- a) "Property Consultant of the Year 2005" by the Board of Valuers, Appraisers & Estate Agents Malaysia on 12 January 2006.
- b) "Professional Excellence" Award in the "Engineering, Construction & Property" category by the Malaysian Professional Centre or Balai Ikhtisas Malaysia on 21 May 2011.
- c) "Valuer of the Year 2013" Award by the Valuation Division of the Royal Institution of Surveyors Malaysia on 10 January 2014.

- d) Presented with a Honorary Membership of the International Association of Consultants, Valuators and Analysts (IACVA) in recognition of his contributions to the global valuation profession on 12 December 2015.
- e) "Million Dollar Roof Top" Award by the Malaysian Institute of Estate Agents (MIEA) on 1 October 2016.
- f) RISM Excellence Award 2017 "Malaysian Surveyor of the Year" on 20 May 2017.

Directorships in other public companies in Malaysia

He does not hold directorships in any other public companies in Malaysia.

Family relationship with any director and/or major unit holder of Sunway REIT Nil

Conflict of interest with Sunway REIT Nil

Number of Meeting attended in the financial year 6 out of 7

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

Nomination & Remuneration Committee

Note:

AC	Audit	Committee
AG	Audit	Committee

NRC

C

Chairman

MANAGEMENT TEAM & KEY PERSONNEL



Dato' Jeffrey Ng Tiong Lip Malaysian, Age 60, Male Chief Executive Officer & Non-Independent Executive Director

Please refer to Board of Directors for detailed information.



Wai Sow Fun Malaysian, Age 50, Female Chief Financial Officer

Date of Appointment 16 May 2010

Educational and Professional Qualifications

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).

Work Experience

Ms Wai 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 REIT Manager.

Directorships in other public companies in Malaysia

She is currently a director of Sunway Lagoon Club Berhad

Family relationship with any director and/or major unit holder of Sunway REIT Nil

Conflict of interest with Sunway REIT Nil

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

MANAGEMENT TEAM & KEY PERSONNEL (CONT'D)



Raymond Ng Meng Chun Malaysian, Age 34, Male Investment/Business Development, Senior Manager

Date of Appointment 10 July 2017

Educational and Professional Qualifications

Graduated with a Bachelor of Engineering (Hons) Electronics Majoring in Telecommunications from Multimedia University, Malaysia. Mr Raymond Ng obtained his Master of Science in Biomedical Engineering from University of Oxford, United Kingdom. He is also a Chartered Financial Analyst (CFA) charterholder.

Work Experience

Prior to joining the Manager, he gained his experience in the real estate sector working for Employees Provident Fund (EPF) and Iskandar Investment Berhad where he was involved in investment analysis, financial modelling and deal structuring. He also has experience in the banking industry performing strategy and investment functions, having been involved in the acquisition of a local investment banking group.

Directorships in other public companies in Malaysia

He does not hold directorships in any other public companies in Malaysia.

Family relationship with any director and/or major unit holder of Sunway REIT Nil

Conflict of interest with Sunway REIT Nil

List of convictions for offences within the past 10 years other than traffic offences, if any Nil



Crystal Teh Lay Ling Malaysian, Age 41, Female Investor Relations, Senior Manager

Date of Appointment 2 January 2015

Educational and Professional Qualifications Graduated with a Bachelor of Science (Hons) Banking and Finance from University of London.

Work Experience

Prior to joining the Manager, Ms Crystal Teh was attached to Westports Holdings Berhad, and was instrumental in the formation of the investor relations functions of the company. She started her career as Investment Analyst in Kuala Lumpur City Asset Management Sdn Bhd in 2000. She has a diverse experience in investor relations, equity research and fund management.

Directorships in other public companies in Malaysia

She does not hold directorships in any other public companies in Malaysia.

Family relationship with any director and/or major unit holder of Sunway REIT Nil

Conflict of interest with Sunway REIT Nil

List of convictions for offences within the past 10 years other than traffic offences, if any Nil



Samantha Khoo May Lin Malaysian, Age 39, Female Compliance Officer

Date of Appointment 23 October 2012

Educational and Professional Qualifications Bachelor of Laws and Bachelor of Commerce from Monash University, Melbourne, Australia.

Work Experience

Ms Samantha Khoo joined the Sunway Group on 16 May 2012 and was subsequently appointed as the compliance officer for Sunway REIT 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 a boutique law firm in Kuala Lumpur, after which she joined ZICOlaw (then Zaid Ibrahim & Co) and specialized 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 bio-pharmaceutical company with predominantly European operations.

Directorships in other public companies in Malaysia

She does not hold directorships in any other public companies in Malaysia.

Family relationship with any director and/or major unit holder of Sunway REIT Nil

Conflict of interest with Sunway REIT Nil

List of convictions for offences within the past 10 years other than traffic offences, if any Nil

SETTING THE WHEELS IN MOTION

Making the right investment through yield accretive acquisitions is pivotal to drive sustainable DPU growth. The Manager builds the motion in order to sustain the growth momentum.

MANAGEMENT DISCUSSION & ANALYSIS

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FINANCIAL HIGHLIGHTS

				Ringgit	Malaysia (RM)
Statement of Comprehensive Income - Key Data & Financial Ratios	FY2017 RM'000	FY2016 RM'000	FY2015 RM'000	FY2014 RM'000	FY2013 RM'000
Gross revenue	522,868	507,013	453,454	427,788	415,946
Net property income	388,817	373,851	340,826	320,977	309,196
Income available for distribution (realised)	271,099	270,588	256,577	245,017	231,062
Earnings per unit (realised) (sen)	9.19	8.92	8.25	7.93	7.87
Distribution per unit (DPU) (sen)	9.19 ¹	9.18	8.73	8.36	8.30
Distribution yield (%)	5.2	5.5	5.7	5.8	5.4
Management expense ratio (%)	0.85	0.88	0.80	0.78	0.82
Statement of Financial Position - Key Data & Financial Ratios	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000	As at 30 June 2015 RM'000	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Investment properties	6,689,200	6,433,000	6,324,000	5,520,000	5,184,000
Other non-current assets	9,063	8,698	5,268	3,039	8,823
Current assets	141,630	95,561	100,750	83,452	76,709
Total asset value	6,839,893	6,537,259	6,430,018	5,606,491	5,269,532
Current liabilities	(2,556,024)	(998,538)	(986,214)	(858,141)	(403,257)
Non-current liabilities	(72,149)	(1,487,491)	(1,461,544)	(1,060,279)	(1,359,806)
Total liabilities	(2,628,173)	(2,486,029)	(2,447,758)	(1,918,420)	(1,763,063)
Net Asset Value (NAV)	4,211,720	4,051,230	3,982,260	3,688,071	3,506,469
Total Unitholders' Funds	4,211,720	4,051,230	3,982,260	3,688,071	3,506,469
NAV per unit (before income distribution) (RM)	1.4301	1.3761	1.3555	1.2593	1.2011
NAV per unit (after income distribution) (RM)	1.4074	1.3549	1.3350	1.2390	1.1809
Lowest NAV during the period (RM)	1.3547	1.3349	1.2337	1.1787	1.0964
Highest NAV during the period (RM)	1.4074	1.3549	1.3350	1.2390	1.1809
Unit Price as at 30 June (RM)	1.78	1.66	1.54	1.44	1.54
Premium to NAV (%)	26.5	22.5	15.4	16.2	30.4

¹ Comprising income distributed for the period from 1 July 2016 to 31 March 2017 of 6.92 sen and proposed final income distribution of 2.27 sen

United States Dollar (USD					
Statement of Comprehensive Income - Key Data & Financial Ratios	FY2017 USD'000	FY2016 USD'000	FY2015 USD'000	FY2014 USD'000	FY2013 USD'000
Gross revenue	125,606	129,895	129,790	134,219	131,193
Net property income	93,404	95,779	97,553	100,707	97,523
Income available for distribution (realised)	65,125	69,324	73,439	76,874	72,879
Earnings per unit (realised) (cent)	2.21	2.29	2.36	2.49	2.48
Distribution per unit (DPU) (cent)	2.21 ¹	2.35	2.50	2.62	2.62
Distribution yield (%)	5.2	5.5	5.7	5.8	5.4
Management expense ratio (%)	0.85	0.88	0.80	0.78	0.82
Statement of Financial Position - Key Data & Financial Ratios	As at 30 June 2017 USD'000	As at 30 June 2016 USD'000	As at 30 June 2015 USD'000	As at 30 June 2014 USD'000	As at 30 June 2013 USD'000
Investment properties	1,557,802	1,595,684	1,675,232	1,718,288	1,639,469
Other non-current assets	2,111	2,158	1,395	946	2,790
Current assets	32,983	23,704	26,689	25,977	24,260
Total asset value	1,592,896	1,621,546	1,703,316	1,745,211	1,666,519
Current liabilities	(595,255)	(247,684)	(261,249)	(267,126)	(127,532)
Non-current liabilities	(16,802)	(368,967)	(387,164)	(330,048)	(430,046)
Total liabilities	(612,057)	(616,651)	(648,413)	(597,174)	(557,578)
Net Asset Value (NAV)	980,839	1,004,895	1,054,903	1,148,037	1,108,941
Total Unitholders' Funds	980,839	1,004,895	1,054,903	1,148,037	1,108,941
NAV per unit (before income distribution) (USD)	0.3330	0.3413	0.3591	0.3920	0.3799
NAV per unit (after income distribution) (USD)	0.3278	0.3361	0.3537	0.3857	0.3735
Lowest NAV during the period (USD)	0.3155	0.3311	0.3268	0.3669	0.3467
Highest NAV during the period (USD)	0.3278	0.3361	0.3537	0.3857	0.3735
Unit Price as at 30 June (USD)	0.41	0.41	0.41	0.45	0.49
Premium to NAV (%)	26.5	22.5	15.4	16.2	30.4

¹ Comprising income distributed for the period from 1 July 2016 to 31 March 2017 of 1.66 cents and proposed final income distribution of 0.55 cents

DISTRIBUTION PER UNIT (SEN)



				Since IPO	5-year
DPU CAGR				5.7%	2.6%
Total DPU (sen)				57.84	43.76
	FY2013	FY2014	FY2015	FY2016	FY2017
10	2.03	2.00	2.28	2.12	2.27
20	2.19	2.23	2.27	2.57	2.28
30	2.06	2.10	2.13	2.37	2.37
40	2.02	2.03	2.05	2.12	2.27
Total DPU	8.30	8.36	8.73	9.18	9.19
Annual DPU Growth	10.7%	0.7% ¹	4.4%	5.2%	0.1 %²

¹ DPU grew marginally for FY2014 at 0.7% due to the loss of income contribution from Sunway Putra Mall which was closed for a major refurbishment from May 2013 to February 2015 and the adverse impact the refurbishment had on the performance of the adjoining Sunway Putra Hotel

² DPU was flattish for FY2017

Please refer to Financial Review for the reasons behind the flattish DPU

PROPERTY VALUE (RM MILLION)



				Since IPO	5-year
Property value growth, con	Property value growth, contributed by				
- Acquisition growth				29%	10%
- Capex				21%	15%
- Fair value gain				43%	19%
	FY2013	FY2014	FY2015	FY2016	FY2017
Existing Asset	4,630	5,184	5,520	6,324	6,433
Capex	67	157	361	46	87
Acquisition ¹	313	-	136	-	17
Fair Value Gain ²	174	179	307	63	152
Property Value	5,184	5,520	6,324	6,433	6,689

¹ Including incidental costs on acquisition i.e. acquisition fee, legal fee and valuation fee

² Fair Value Gain - net of capex incurred

DISTRIBUTION YIELD & ANNUAL TOTAL RETURN (%)



				Since IPO	5-year
Price Movement				97.8%	30.9%
Average Annual Total Return				16.2%	11.3%
	FY2013	FY2014	FY2015	FY2016	FY2017
Distribution Yield	5.4%	5.8%	5.7%	5.5%	5.2 %
Price Movement	13.2%	(6.5%) ¹	6.9%	7.8%	7.2%
Annual Total Return	18.6%	(0.7%)	12.6%	13.3%	12.4 %

¹ The unit price dropped 6.5% from RM1.54 (as at 30 June 2013) to RM1.44 (as at 30 June 2014) pursuant to the announcement on quantitative easing by the Federal Reserve of the United States in May 2013 which triggered a sell down on M-REITs



UNIT PRICE (RM) / NAV PER UNIT (RM) / PREMIUM TO NAV (RM/%)

				Since IPO	5-year
CAGR for NAV per unit				6%	4%
	FY2013	FY2014	FY2015	FY2016	FY2017
NAV per unit (RM)	1.1809	1.2390	1.3350	1.3549	1.4074
Premium to NAV (%)	30.4%	16.2%	15.4%	22.5%	26.5 %
Premium to NAV (RM)	0.3591	0.2010	0.2050	0.3051	0.3726
Unit price as at 30 June (RM)	1.54	1.44	1.54	1.66	1.78

SEGMENTAL PERFORMANCE



VALUE ADDED STATEMENT

	FY2017 RM'000	FY2016 RM'000	FY2015 RM′000	FY2014 RM′000	FY2013 RM'000
VALUE ADDED					
Total turnover	522,868	507,013	453,454	427,788	415,946
Purchases of goods and services	(134,051)	(133,162)	(112,628)	(106,811)	(106,750)
Interest & other income	158,198	71,822	295,119	181,859	172,177
TOTAL VALUE ADDED	547,015	445,673	635,945	502,836	481,373
RECONCILIATION					
Total comprehensive income for the year	424,804	327,381	535,913	412,868	392,507
Add:					
Finance costs	89,295	86,242	70,751	63,031	63,604
Manager's fees	31,650	30,802	28,121	25,834	24,271
Trustee's fees	1,266	1,248	1,160	1,103	991
TOTAL VALUE ADDED	547,015	445,673	635,945	502,836	481,373
VALUE DISTRIBUTED					
Trust Expenses					
Manager's fees	31,650	30,802	28,121	25,834	24,271
Trustee's fees	1,266	1,248	1,160	1,103	991
Providers of capital					
Finance costs	89,295	86,242	70,751	63,031	63,604
Income distribution ¹	270,652	270,075	256,163	244,533	230,893
Reinvestment and growth					
Undistributed income ²	154,152	57,306	279,750	168,335	161,614
TOTAL VALUE DISTRIBUTED	547,015	445,673	635,945	502,836	481,373

¹ Income distribution in respect of each financial year. The proposed final income distribution will be recognised and paid in the immediate subsequent financial year.

² Mainly comprises unrealised income.

TRADING PERFORMANCE (5-year)

TRADING PERFORMANCE OF SUNWAY REIT

TRADING SUMMARY	FY2017	FY2016	FY2015	FY2014	FY2013
Closing Unit Price (RM)	1.78	1.66	1.54	1.44	1.54
52-Week Highest Traded Price (RM)	1.84	1.69	1.76	1.56	1.70
52-Week Lowest Traded Price (RM)	1.63	1.43	1.39	1.22	1.33
Price Movement (%)	7.2	7.8	6.9	(6.5)	13.2
Annual Total Return (%)	12.4	13.3	12.6	(0.7)	18.6
Number of Units in Circulation (unit '000)	2,945,078	2,943,918	2,937,777	2,928,715	2,919,423
Market Capitalisation (RM '000)	5,242,239	4,886,905	4,524,176	4,217,349	4,495,912
Free Float (%)	62.7	62.7	63.9	65.4	65.6
Free Float (unit '000)	1,845,386	1,845,248	1,877,240	1,915,380	1,915,141

Source: Sunway REIT, Bloomberg

UNIT PRICE PERFORMANCE OF SUNWAY REIT VERSUS FTSE BURSA MALAYSIA KLCI INDEX AND GPR APREA COMPOSITE REIT INDEX - MALAYSIA (JUNE 2012 TO JUNE 2017)



Source: Sunway REIT, Bloomberg

TRADING PERFORMANCE (5-year) (cont'd)

MARKET CAPITALISATION, UNIT PRICE AND UNITS IN CIRCULATION



Source: Sunway REIT, Bloomberg



Note: The foreign unitholding from June 2013 to June 2016 has been reinstated due to a reclassification of an unitholder Source: Sunway REIT

TRADING PERFORMANCE (1-year)

SUNWAY REIT'S MONTHLY TRADING PERFORMANCE



Source: Sunway REIT, Bloomberg

ANNUAL UNIT PRICE PERFORMANCE OF SUNWAY REIT VERSUS FTSE BURSA MALAYSIA KLCI INDEX AND GPR APREA COMPOSITE REIT INDEX - MALAYSIA



Source: Sunway REIT, Bloomberg

TRADING PERFORMANCE (1-year) (cont'd)

COMPARATIVE YIELDS AS AT 30 JUNE 2017



Source: Sunway REIT, Bloomberg, Bank Negara Malaysia, Employees Provident Fund



SUNWAY REIT MONTHLY YIELDS COMPARISON

Note: All information is based on month-end data Source: Sunway REIT, Bloomberg

FINANCIAL REVIEW

OVERVIEW OF SUNWAY REIT

Sunway REIT is a real estate investment trust formed to own and invest in a diverse portfolio of real estate that will provide stable cash distributions with the potential for sustainable growth in net asset value (NAV) per unit.



Please refer to Strategic Objectives for detailed information

Please refer to Details of the Properties for detailed information

FINANCIAL REVIEW

Sunway REIT managed to deliver a flattish DPU of 9.19 sen for FY2017 (FY2016: 9.18 sen) despite the closure of Sunway Pyramid Hotel for refurbishment from April 2016. The hotel was fully re-opened in June 2017 with a soft re-launch in November 2016.

	FY2017 RM'000	FY2016 RM'000	Growth %
Gross Revenue	522,868	507,013	3.1
Net Property Income	388,817	373,851	4.0
Profit for the year (realised)	270,586	262,473	3.1
Income available for distribution (realised)	271,099	270,588	0.2
EPU (sen) (realised)	9.19	8.92	3.0
DPU (sen)	9.19	9.18	0.1

	GROSS REVENUE			NET PROPERTY INCOME		
	FY2017 RM'000	FY2016 RM'000	Change %	FY2017 RM'000	FY2016 RM'000	Change %
Sunway Pyramid Shopping Mall	303,460	294,958	2.9	229,620	220,633	4.1
Sunway Carnival Shopping Mall	46,143	44,249	4.3	29,361	28,350	3.6
SunCity Ipoh Hypermarket	4,916	5,002	(1.7)	4,607	4,696	(1.9)
Sunway Putra Mall	50,526	38,610	30.9	26,268	15,756	66.7
Total for Retail Segment	405,045	382,819	5.8	289,856	269,435	7.6
Sunway Resort Hotel & Spa	40,066	40,554	(1.2)	38,401	39,030	(1.6)
Sunway Pyramid Hotel	4,435	15,093	(70.6)	3,979	14,620	(72.8)
Sunway Hotel Seberang Jaya	3,432	3,527	(2.7)	3,226	3,319	(2.8)
Sunway Putra Hotel	11,543	9,068	27.3	10,183	7,474	36.2
Sunway Hotel Georgetown	4,986	4,552	9.5	4,779	4,345	10.0
Total for Hotel Segment	64,462	72,794	(11.4)	60,568	68,788	(11.9)
Menara Sunway	16,470	16,258	1.3	11,236	10,731	4.7
Sunway Tower	3,339	3,682	(9.3)	(593)	(921)	35.6
Sunway Putra Tower	5,097	3,580	42.4	1,981	493	301.8
Wisma Sunway	6,571	6,738	(2.5)	3,885	4,183	(7.1)
Total for Office Segment	31,477	30,258	4.0	16,509	14,486	14.0
Sunway Medical Centre	21,884	21,142	3.5	21,884	21,142	3.5
Total for Others Segment	21,884	21,142	3.5	21,884	21,142	3.5
Total Portfolio	522,868	507,013	3.1	388,817	373,851	4.0

BUSINESS REVIEW

Sunway REIT achieved a revenue of RM522.9 million in FY2017, a moderate growth of 3.1% against RM507.0 million achieved in FY2016. Net property income (NPI) grew by 4.0% to RM388.8 million from RM373.9 million in FY2016. Sunway REIT achieved moderate performance despite the loss of income arising from the closure of Sunway Pyramid Hotel for refurbishment as mentioned, underpinned by resilient performance of the retail segment.





NPI contribution by segment



RETAIL SEGMENT

The retail segment remained as the key contributor to Sunway REIT with contribution to revenue and NPI of 78% (FY2016: 76%) and 75% (FY2016: 72%) respectively. The revenue and NPI contribution from the retail segment was higher in FY2017 due to a contraction in income from Sunway Pyramid Hotel. Revenue recorded an increase of 5.8% to RM405.0 million from RM382.8 million in FY2016. NPI grew 7.6% from RM269.4 million to RM289.9 million.

Sunway Pyramid Shopping Mall maintained its position as the major contributor to Sunway REIT with revenue and NPI contribution to the total portfolio of 58.0% (RM303.5 million) and 59.1% (RM229.6 million) respectively. Sunway Pyramid Shopping Mall's revenue and NPI recorded a resilient growth of 2.9% and 4.1% respectively during the financial year from rental reversion and marginally lower operating expenses.

Sunway Carnival Shopping Mall achieved revenue and NPI growth of 4.3% and 3.6% respectively. Average occupancy rate improved from 94.4% in FY2016 to 97.6% with the completion of the remodelling works involving a net lettable area of approximately 16,000 sq. ft. from entertainment to food and beverage (F&B) area.

Sunway Putra Mall recorded higher revenue and NPI of RM50.5 million (FY2016: RM38.6 million) and RM26.3 million (FY2016: RM15.8 million) respectively as performance improved in the second year of operations. Tenants were given 2.5 months rent-free and rebates in the previous financial year in view of weak consumer spending post implementation of GST in April 2015. Meanwhile, for the current financial year, rebates were granted on a selective basis.

HOTEL SEGMENT

The hotel segment's contribution to Sunway REIT's total revenue and NPI dropped to 12% and 15% respectively due to loss of income from Sunway Pyramid Hotel as mentioned. Revenue slid 11.4% (from RM72.8 million in FY2016 to RM64.5 million) and NPI dropped 11.9% (from RM68.8 million in FY2016 to RM60.6 million).

Sunway Resort Hotel & Spa's lease rental declined marginally by 1.2% (from RM40.6 million in FY2016 to RM40.1 million). Although occupancy at 81.5% was similar to the previous year of 81.2%, the average daily rate achieved was lower as a result of a weaker leisure market coupled with soft business demand.

Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East) was closed for refurbishment since April 2016. The soft opening was in November 2016 and it was fully re-opened in June 2017. Consequently, lease rental declined by 70.6% during the financial year (from RM15.1 million in FY2016 to RM4.4 million).

Sunway Hotel Seberang Jaya achieved a higher average occupancy of 71.1% compared to 65.5% in FY2016. The improvement in average occupancy during the financial year was due to the implementation of tactical strategy to increase revenue per available room in view of prevailing soft corporate demand and increased competition from new hotels. Lease rental for the year was RM3.4 million, marginally lower by RM0.1 million compared to FY2016.

Sunway Putra Hotel recorded a 27.3% growth in lease rental (from RM9.1 million in FY2016 to RM11.5 million) as business gained traction post refurbishment in 2016. Average occupancy rate improved to 68.2% from 50.2% in the previous year.

Sunway Hotel Georgetown achieved an average occupancy of 87.7% during the year compared to 74.0%. The higher occupancy was the result of tactical strategy to improve revenue per available room with lower average daily rate. Lease rental was accordingly higher by 9.5%.

OFFICE SEGMENT

The office segment's contribution to the total portfolio revenue and NPI was stable at 6% and 4% respectively. Revenue and NPI improved by 4.0% and 14.0% respectively following the improvement in occupancy for the segment from 52.6% as at 30 June 2016 to 58.2% as at 30 June 2017.

Menara Sunway's average occupancy rate improved from 89.3% in FY2016 to 92.1%. Revenue increased marginally by 1.3% whilst NPI improved by 4.7% with better cost management.

Sunway Tower's performance remained lacklustre with continued low average occupancy at 20.7% (FY2016: 19.6%) under the current challenging oversupply condition. Revenue was lower at RM3.3 million compared to RM3.7 million in FY2016. However, with tighter control on operating costs, net property loss was lower at RM0.6 million compared to RM0.9 million in the previous year.

Sunway Putra Tower's performance improved during the financial year pursuant to higher average occupancy of 36.6% (FY 2016: 26.4%). Occupancy as at 30 June 2017 improved to 42.4% compared to 25.7% as at 30 June 2016. Both revenue and NPI grew by RM1.5 million during the year.

Wisma Sunway saw a drop in average occupancy rate during the year from 90.1% to 86.9% due to downsizing by a tenant. Consequently, revenue and NPI declined by RM0.2 million and RM0.3 million respectively.

OTHERS SEGMENT

This segment comprises Sunway Medical Centre which is based on a triple net basis master lease with fixed rental and annual increase of 3.5%. It contributed RM21.9 million (FY2016: RM21.1 million) to revenue and NPI.

PROFIT FOR THE YEAR

Sunway REIT closed the year with a profit of RM424.5 million (FY2016: RM323.7 million). Profit for the year comprised realised profit of RM270.6 million (FY2016: RM262.5 million) and unrealised profit of RM153.9 million (FY2016: RM61.2 million).

Realised profit was moderately higher by 3.1% or RM8.1 million contributed by higher NPI of RM15.0 million but partially offset by lower other income of RM3.0 million and higher finance costs of RM3.1 million. Sunway REIT received a one-off income in both FY2017 and FY2016 of RM3.2 million and RM6.2 million respectively being court award for Sunway Putra. The higher finance costs was mainly attributable to higher outstanding balance to fund capital expenditure. The unrealised profit of RM153.9 million mainly comprised fair value gain after accounting for capex incurred. The higher net fair value gain for the year was mainly attributable to Sunway Pyramid Shopping Mall which completed its major rental reversion covering approximately 55.4% of net lettable area.

DISTRIBUTION PER UNIT (DPU)

Total income available for distribution for FY2017 was RM271.1 million (FY2016: RM270.6 million), of which 99.8% was distributed. DPU for FY2017 was flattish at 9.19 sen compared to 9.18 sen in the previous year.

Due to the resiliency of the retail properties and diversified nature of Sunway REIT's portfolio, it was able to maintain the DPU for FY2017 despite adverse impact from the following: -

- Closure of Sunway Pyramid Hotel for refurbishment with DPU impact of 0.36 sen
- During the financial year, the Manager's fees in units have ceased from 25% in the previous year. The Manager made the decision in FY2016 after taking into consideration, amongst others, the implication arising from the implementation of the Goods and Services Tax (GST) effective from 1 April 2015, to optimise the income distribution to unitholders and to achieve a positive impact on future DPU growth rate. The impact of the reduction in Manager's fees in units to the current year DPU was a reduction of 0.27 sen.
- The one-off court award mentioned above with DPU impact of 0.10 sen

STATEMENT OF FINANCIAL POSITION

Sunway REIT's total asset value (TAV) increased to RM6.8 billion as at 30 June 2017 compared to RM6.5 billion in the previous year. The increase of RM0.3 billion was mainly due to the revaluation gain and capex incurred.

Total borrowings had increased to RM2.3 billion from RM2.2 billion to fund current year capex. Total unitholders' funds was at RM4.2 billion an increase of RM0.2 billion attributable to the fair value gain recorded for the financial year.

STATEMENT OF CASH FLOWS

Operating activities

Net cash generated from operating activities was RM359.0 million in FY2017, higher by RM3.9 million than FY2016 mainly attributable to higher net property income but partially offset by expenses for the previous year paid in the current financial year.

Investing activities

Sunway REIT used RM119.4 million for investing activities during the financial year compared to RM68.5 million in the previous year. The main investing activities in the current year relate to the refurbishment of Sunway Pyramid Hotel and the acquisition of land for the expansion of Sunway Carnival Shopping Mall.

Financing activities

Sunway REIT drew additional borrowings of RM142.0 million during the financial year to fund capex and acquisitions compared to RM70.1 million drawn in the previous year for capex. Interest paid during the year amounted to RM84.5 million. Distribution paid

in the current year was RM266.2 million compared to RM267.9 million in the previous year.

Hence, as at 30 June 2017 cash and cash equivalent was at RM100.5 million, an increase of RM30.8 million from RM69.7 million.

PERFORMANCE BENCHMARK

Performance benchmark	FY2017	FY2016	Commentary
i. Management expense ratio (%)	0.85%	0.88%	Management expense ratio of 0.85% (FY2016: 0.88%) is comparable to the top five M-REITs (in terms of market capitalisation) which ranges from 0.61% - 0.93%.
ii. Total return (%)	12.4 %	13.3%	Total return for the financial year was 12.4% (FY2016: 13.3%) contributed by capital gain of 7.2% (FY2016: 7.8%) and distribution yield of 5.2% (FY2016: 5.5%).
iii. Average annual total return (5 years) (%)	11.3%	14.4%	The 5-year average annual return was 11.3% (FY2016: 14.4%). The 5-year average annual return for FY2016 was higher contributed by the higher return achieved in FY2012 of 28.0%.
iv. Average annual total return (3 years) (%)	12.8 %	8.4%	The average annual return for the last 3 years was 12.8% (FY2016: 8.4%). The average for FY2016 was lower due to the negative return achieved in FY2014 of 0.7%.
v. Distribution yield (%)	5.2 %	5.5%	Distribution yield dropped from 5.5% in FY2016 to 5.2% in FY2017 due to the higher closing price of RM1.78 compared to RM1.66 in FY2016.
vi. NAV per Unit (after income distribution) (RM)	1.4074	1.3549	NAV per unit was RM1.4074 (FY2016: RM1.3549), an increase of 3.9% arising from revaluation of the properties.

i. The ratio of expenses incurred in operating Sunway REIT of RM35.2 million (FY2016: RM35.0 million) to the NAV of Sunway REIT of RM4,144.9 million (after income distribution) (FY2016: RM3,988.8 million)

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

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

v. Based on DPU of 9.19 sen (FY2016: DPU of 9.18 sen) divided by its closing price as at 30 June 2017 of RM1.78 (30 June 2016: RM1.66)

vi. Net asset value of Sunway REIT is determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units

FAIR VALUE OF INVESTMENT PROPERTIES

The value of Sunway REIT's properties increased to RM6.7 billion as at 30 June 2017 from RM6.4 billion in the previous year. The increase of RM256.2 million was attributable to capex of RM86.6 million, acquisition of RM17.5 million and net fair value gain (after accounting for capex) of RM152.1 million.

The portfolio property yield was maintained at 5.81%. Improvement in property yield for all segments was dragged down by the hotel segment. The decline in the yield for the hotel segment is mainly caused by the closure of Sunway Pyramid Hotel for refurbishment since April 2016. The hotel was progressively re-opened since November 2016 with full re-opening in June 2017.

	Fair Value @ 30.6.2017	Fair Value @ 30.6.2016/ Acquisition Cost ¹	Change in Value	Property Yield FY2017	Property Yield FY2016
	RM million	RM million	RM million	%	%
Retail					
Sunway Pyramid Shopping Mall	3,450	3,300	150	6.66	6.69
Sunway Carnival Shopping Mall	398	380	18	7.38	7.46
SunCity Ipoh Hypermarket	61	61	-	7.55	7.70
Sunway Putra Mall	595	595	-	4.41	2.65
	4,504	4,336	168	6.44	6.21
Hotel					
Sunway Resort Hotel & Spa	530	530	-	7.25	7.36
Sunway Pyramid Hotel	360	295	65	1.11	4.96
Sunway Hotel Seberang Jaya	63	68	(5)	5.12	4.88
Sunway Putra Hotel	335	335	-	3.04	2.23
Sunway Hotel Georgetown	72	72	-	6.64	6.03
	1,360	1,300	60	4.45	5.29
Office					
Menara Sunway	169	164	5	6.65	6.54
Sunway Tower	128	135	(7)	(0.46)	(0.68)
Sunway Putra Tower	113	110	3	1.75	0.45
Wisma Sunway	62	62	-	6.27	6.75
	472	471	1	3.50	3.08
Others					
Sunway Medical Centre	336	326	10	6.51	6.49
	336	326	10	6.51	6.49
Acquisition during the year					
Land for Sunway Carnival expansion ²	17	17	-	N/A	N/A
	17	17	-	N/A	N/A
TOTAL PORTFOLIO	6,689	6,450	239	5.81	5.81
Less : Capital expenditure			(87)		
Fair Value Gain			152		

¹ Acquisition cost comprise purchase consideration and incidental costs on acquisition i.e. acquisition fee, legal fee and valuation fee

² Please refer to Operations Review: Acquisition Growth for detailed information

N/A - Not applicable



OPERATIONS REVIEW

ACQUISITION GROWTH



¹ Including acquisitions during the financial year
 ² Including incidental costs on these acquisitions, i.e. acquisition fee, legal fee and valuation fee

ACQUISITIONS DURING THE FINANCIAL YEAR



Commercial land for expansion of Sunway Carnival Shopping Mall

1 st Acquisition	Land for expansion of Sunway Carnival Shopping Mall
Property description	Vacant land ¹
Location	Seberang Jaya, Penang
	Adjacent to Sunway Carnival Shopping Mall
Purchase price	RM17.2 million
Land area	143,225 sq.ft.
Vendor	Commercial Parade Sdn Bhd
	Subsidiary of Sunway Berhad
Date of SPA	20 June 2016
Completion date	27 December 2016
Funding	100% debt

¹ Please refer to Operations Review: Planned AEIs for detailed information



Sunway REIT Industrial - Shah Alam 1

2 nd Acquisition	Sunway REIT Industrial - Shah Alam 1
Property description	Factory with office and warehouse
Location	Section 23, Bandar Shah Alam, Selangor Darul Ehsan
Purchase price	RM91.5 million
Land area	673,684 sq. ft.
Vendor	Champion Edge Sdn Bhd
Date of SPA	11 January 2017
Completion date	1 August 2017
Funding	100% debt
NPI Yield	6.12% and expected to increase in January 2019 being the next rent review date ¹

¹ Please refer to Property Details: Others for detailed information

ACQUISITION SUBSEQUENT TO THE END OF FINANCIAL YEAR



Sunway Clio Property

Property	Sunway Clio Property
Property description	Mixed-use development comprising • 4-star hotel with 401 rooms • Retail space with NLA of approximately 88,834 sq.ft. • 732 carpark bays
Location	Bandar Sunway, Selangor Darul Ehsan
Title details	H.S. (D) 259881, Lot No. PT 1333, Bandar Sunway, District of Petaling, Selangor Darul Ehsan
Land area	77,403 sq.ft.
Acquisition price	RM340.0 million
Market value	RM340.0 million
Valuation date	17 April 2017
Valued by	Knight Frank Malaysia Sdn Bhd
Vendor	Sunway Forum Hotel Sdn Bhd Subsidiary of Sunway Berhad
Date of SPA	3 August 2017
Completion date	Pending fulfilment of condition precedents, expected completion in the fourth quarter of CY2017 (4Q CY2017)
Guaranteed NPI ¹	RM20.23 million per annum for 4 years
Target Funding	100% debt

¹ Excluding the Podium Car Park comprising 374 bays

The hotel shall be leased to Sunway Resort Hotel Sdn Bhd with the following terms:

Tenure	Initial term of 10 years with an option to renew for a further term of 10 years
Total Rent	The higher of variable rent or minimum rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses
Minimum rent	RM10.9 million for the first 2 fiscal years RM8.2 million for each subsequent years for the initial term

ORGANIC GROWTH & KEY OPERATION DATA ASSET ENHANCEMENT INITIATIVES



A) Completed AEIs

Sunway REIT completed the refurbishment of Sunway Pyramid Hotel during the financial year with the creation of an additional 15 guestrooms.

Project	Sunway Pyramid Hotel Refurbishment
Estimated cost	RM88.8 million
Duration	April 2016 – June 2017 Hotel closed from April 2016 and progressively re-opened from November 2016
Room inventory	Before refurbishment – 549 rooms After refurbishment – 564 rooms
Star rating	From a superior to a deluxe category 4-star international-class hotel
New feature	Incorporated 21 new family rooms and suites, purpose-built to accommodate a growing increase in family and leisure travellers





Refurbished lobby

Refurbished room

B) Planned AEIs

Sunway REIT will be embarking on the expansion of Sunway Carnival Shopping Mall New Wing (Phase 1) from 3Q FY2018. Upon the completion of the expansion project, the existing wing of the shopping mall shall undergo a refurbishment exercise (Phase 2) (details will be provided upon commencement of the refurbishment exercise).

Phase 1	Expansion of Sunway Carnival Shopping Mall
Estimated cost	RM339.0 million
Duration	Approximately 3 years from 30 FY2018
NLA (sq. ft.)	Approximately 337,000
Project objectives	 To enhance the depth and breadth of the tenancy mix so as to meet discerning lifestyle demand by shoppers To meet larger retail space requirement sought after by international and regional retailers To stay ahead of competition with updated relevance to the mall
Sustainability features	 Rainwater harvest system Electric car charger Volatile organic compound (VOC) free paint Light-emitting diode (LED) lighting High efficient chiller Low-E glass to reduce heat penetration for facade facing East and West directions



Artist impression on the expansion of Sunway Carnival Shopping Mall Phase 1

RETAIL SEGMENT

	FY2017	FY2016
No. of assets	4	4
NLA (sq.ft.) ¹	2,982,298	2,973,405
Occupancy as at 30 June	96.5 %	95.2%
Segment contribution by property value	68 %	68%
Segment contribution by revenue	78%	76%
Segment contribution by NPI	75%	72%

¹ Includes Sunway Pyramid Convention Centre and Sunway Carnival Convention Centre

Key milestone

Acquisition of land adjacent to Sunway Carnival Shopping Mall for its expansion.

Please refer to Operation Review: Planned AEIs for detailed information

Challenges

• The supply of retail malls continue to grow thus exerting pressure on tenants' performance due to dilution of their businesses as well as pressure on occupancy and rental rates.

Please refer to Detailed Market Report for detailed information

- Consumers remained cautious with their spending with higher cost of living caused by the weaker ringgit as well as global and domestic uncertainties.
- Growing threat from online shopping.
- The above result in moderating rental reversion rate.

Strategies

- The Facilities Management team will continue to leverage on the integrated township of Sunway City and the excellent infrastructure (the bus rapid transit (BRT) system which is linked to the light rail transit (LRT) system at USJ 7) and connectivity to drive footfall and business synergies to Sunway Pyramid Shopping Mall.
- To cultivate customer loyalty with Sunway's loyalty card, Sunway Pals. Members can enjoy exclusive discounts, special privileges and earn points which can be converted into cash rebates at participating outlets.
- To organise relevant and interesting marketing and promotion activities to encourage visitorship and spending, e.g. Rogue One: A Star Wars Story, Star Wars 40th Anniversary, collaboration with Disney for movie launches – Beauty and the Beast etc.
- Continuously revamp tenancy mix to remain relevant by securing popular and renowned brands and introduce first in Malaysia/flagship retail stores. Some of the tenants secured during the financial year include Michael Kors, Jo Malone, Sulwhasoo and Monki.
- Continuously enhance facilities for convenience and safety of shoppers such as baby rooms, phone charging stations, well trained concierge to assist shoppers etc.
- Enhance shoppers experience and convenience with mobile application.

Prospects

- Retail Group Malaysia (RGM) expects the retail sector to grow at 3.9% in CY2017, lower than the GDP growth forecast of 4.3 4.8% by Bank Negara Malaysia.
- The Manager expects a moderate increase in rental reversion in the coming year in view of the continued softness in consumer spending.
- Hence, the Manager expects the retail segment to grow moderately in the coming financial year.

HOTEL SEGMENT

	FY2017	FY2016
No. of assets	5	5
No. of rooms	2,108	2,093
Average Occupancy ¹	72.9%	66.7%
Segment contribution by property value	20 %	20%
Segment contribution by revenue	12 %	14%
Segment contribution by NPI	15%	18%

¹ Based on saleable rooms. Sunway Pyramid Hotel with 549 rooms was closed for refurbishment since April 2016 and was progressively re-opened since November 2016. The hotel was fully re-opened in June 2017 with 564 rooms

Key milestone

Sunway Pyramid Hotel's refurbishment was completed during the financial year.

Challenges

- The hotel industry continued to face challenges amidst growing supply, weak corporate demand and rising costs.
- The new tourism tax to be implemented is an added cost which may adversely affect the hotels' financial performance if the tax cannot be absorbed by guests.
- The weaker ringgit was surprisingly not able to boost tourist arrivals significantly in CY2016 where the increase was only 4.3% compared to CY2015.
- Shortage of service staff affects service level as well as pushing up staff costs.

Strategies

- The hotel operators shall continue to deploy effective yield management to optimise the revenue per available room.
- To improve operating efficiency to better manage operating expenses e.g. change to LED lighting, menu re-engineering etc.
- To emphasise on providing excellent customer service and experience.
- To refurbish older properties e.g. Sunway Resort Hotel & Spa to maintain competitiveness and relevance and enhance guests experience.
OPERATIONS REVIEW (CONT'D)

- To penetrate new markets such as China, India and other Middle Eastern countries.
- To supplement traditional internet booking engine e.g. Tripadvisor, Agoda, Booking.com etc, with Sunway's own booking portal to widen marketing channels.

Prospects

The Manager expects the contribution from the hotel segment to improve in the coming financial year with the full re-opening of Sunway Pyramid Hotel post refurbishment.

OFFICE SEGMENT

	FY2017	FY2016
No. of assets	4	4
NLA (sq.ft.)	1,048,271	1,048,271
Occupancy as at 30 June	58.2 %	52.6%
Segment contribution by property value	7%	7%
Segment contribution by revenue	6%	6%
Segment contribution by NPI	4%	4%

Challenges

The office sub-sector remained subdued due to the prevailing massive oversupply situation with no catalyst to boost demand in the near term.

Strategies

- In view of the current challenging environment, the Facilities Management team's priority is to improve the occupancy rate of the office portfolio.
- To provide higher incentives to tenants e.g. lower rental, rent free period, fit out etc.
- To secure long-term tenancies at attractive rates.
- The Facilities Management team will also take the opportunity to improve the tenancy mix of the office building and reduce tenant concentration risk where possible.
- Other plans/initiatives include upgrading the office buildings to MSC status if required by tenants and managing operating costs.
- To provide excellent customer service.

Prospects

The Manager expects contribution from the office segment to gradually improve in the coming financial year as the Facilities Management team continues to secure new tenants. In view of the challenging market condition which results in a tenants' market, the Facilities Management team cautions that it may take longer to secure replacement tenants for the vacant space and potentially at lower effective rent.

KEY OPERATING INFORMATION

RENTAL RENEWALS



Sunway REIT recorded a lower average rental reversion of 3.91% (FY2016: 4.51%) for the portfolio's 1,555,569 sq. ft. (FY2016: 854,789 sq. ft.) new/renewed tenancies during the financial year. The reversion rate was adversely affected by rental reduction for the renewals at SunCity Ipoh Hypermarket, Sunway Putra Mall and Sunway Tower due to the prevailing market condition. Excluding the aforesaid rental reduction, the rental reversion for the portfolio was similar to last financial year at 4.5%.

The retail segment renewed/secured new tenants for 1,495,464 sq.ft. (FY2016: 539,711 sq. ft) with a renewal rate of 99.1% (FY2016: 96.0%) of total space due for renewal. The office segment managed to renew 60,105 sq. ft. (FY2016: 315,078 sq. ft.) or 83.2% (FY2016: 86.4%) of total space due for renewal.

¹Increase for 3 years including step up rent

LEASE EXPIRY PROFILE AND LEASE STRUCTURE



The weighted average lease expiry (WALE) as at year end was lower at 1.81 years (FY2016: 1.98 years) as tenure for the long term hotel and hospital master leases reduces over the years.

The portfolio has 17.5%, 12.0% and 63.0% of NLA expiring in FY2018, FY2019 and after FY2019 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 four terms of three years each. Included in the tenancies expiring in FY2018 are monthly tenancies occupying 1.0% (FY2016: 0.5%) of the total space.

OPERATIONS REVIEW (CONT'D)

The hotel and hospital master leases are for a term of 10 years with option to renew for another 10 years. These master leases represent 45% of the total space of the portfolio. The expiry of the hotel and hospital master leases are as follows:

Property	Expiry of first 10-year term
Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Hotel Seberang Jaya	July 2020
Sunway Putra Hotel	September 2021
Sunway Medical Centre	December 2022
Sunway Hotel Georgetown	January 2025



TOP 10 TENANTS

Sunway REIT has a diverse tenant mix of approximately 1,292 tenancies (FY2016: 1,268), four hotel master leases and a hospital master lease. The 10^1 largest tenants contribute approximately 12.1% (FY 2016: 11.6%) of total revenue.



Ton 10 tenants by total revenue

Tenant	Trade	Tenancy expiry date ¹	% of total revenue²
Parkson Corporation Sdn Bhd	Department Store	18 July 2019 to 31 August 2019	2.0
GCH Retail (Malaysia) Sdn Bhd	Hypermarket/ Supermarket	23 January 2018 to 30 April 2020	1.7
TGV Cinemas Sdn Bhd	Cinema	22 July 2018 & 14 September 2018	1.6
Aeon Co. (M) Bhd	Department Store	29 September 2019	1.5
Padini Dot Com Sdn Bhd	Fashion	27 May 2018 & 6 September 2019	1.0
Sunway Resort Hotel Sdn Bhd	Convention Centre	31 December 2017	0.9
Cotton On (Malaysia) Sdn Bhd	Fashion	27 May 2018 to 20 January 2020	0.9
H&M Retail Sdn Bhd	Fashion	28 October 2018 to 27 November 2020	0.9
Sunway Management Sdn Bhd	Management Services	30 June 2018 to 31 December 2019	0.8
JD Sports Fashion Sdn Bhd	Fashion	27 May 2018 to 30 September 2019	0.8
			12.1

¹ In cases where leases have more than one expiry date (i.e. the tenants have several leases), lease expiry dates are shown as a range ² Based on total gross income for the month of June 2017, excluding hotel and hospital master lease rental income and carpark tenancies

OPERATIONS REVIEW (CONT'D)

TRADE SECTOR ANALYSIS

Sunway REIT has a 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 & beverage. For the office properties, the top three sectors are government agency, property & construction and management services.



Trade sector analysis – Retail Properties



CAPITAL MANAGEMENT

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

Track record

	FY2017	FY2016	FY2015	FY2014	FY2013
Total borrowings (RM billion)	2.344	2.176	2.142	1.742	1.633
Average cost of debt (%)	3.95	3.93	3.93	3.85	3.77
Fixed : Floating ratio	89 : 11	94 : 6	88 : 12	76 : 24	81 : 19
Average maturity period (years)	0.4	1.0	1.7	2.2	3.1
Interest service cover ratio (times)	4.1	4.9	3.7	5.0	5.0
Gearing ratio (%)	34.3	33.3	33.3	31.1	31.0

Review of FY2017

	Targets	FY2017	Commentary
Total borrowings (RM billion)	N/A	2.344	Sunway REIT's outstanding borrowings increased by RM168 million during the financial year mainly to fund the refurbishment for Sunway Pyramid Hotel and AEIs completed in the previous year.
Unutilised facility (RM million)	N/A	734	Based on gearing of 45% allowed under the loan covenant, total unutilised facility amounts to RM734 million as at 30 June 2017.
Average cost of debt (%)	< 4.00	3.95	Within target.
Fixed : Floating ratio	80 – 90 % fixed	89:11	Within target.
Average maturity period (years)	N/A	0.4	The average maturity period has shortened to 0.4 year compared to 1.0 year as at 30 June 2016 as the long term borrowings are reaching their maturity period in FY2018. However, the average maturity of the portfolio lengthens to 1.0 year (FY2016: 2.0 years) if computed based on the 7-year tenure of the Commercial Paper (CP) Programme (expiring in April 2019) instead of the tenure of the CPs which are rolled over on a monthly basis. The Manager does not foresee any problem in refinancing the RM1.4 billion due in the next financial year underpinned by the quality of the underlying asset, strong financial covenant compared to requirements and adequate liquidity in the market.
Interest service cover ratio (times)	1.5 (loan covenant)	4.1	Above requirement of loan covenant.
Gearing ratio (%)	45 (loan covenant)	34.3	At the current gearing level, Sunway REIT has debt headroom of approximately RM700.0 million – RM900.0 million to fund its ongoing and future capex plans as well as future acquisitions before reaching an optimum level of low 40s%.
Unencumbered assets - RM'mil - % of TAV	N/A	89.2 1.3	During the financial year, Sunway Medical Centre and Wisma Sunway with a total value of RM398.0 million were pledged as securities for Sunway REIT's existing debt facilities. Hence, the amount available for use was increased by RM179.1 million (based on Ioan-to-value ratio of 45%). The remaining unencumbered assets are Sunway Hotel Georgetown and the land for Sunway Carnival expansion.

N/A – Not applicable

CAPITAL MANAGEMENT (CONT'D)

Capital Management Activity

During the financial year, the Manager undertook an exercise to convert the existing Unrated MTN programme as follows:

	Initial Programme	Revised Programme
Amount (RM billion)	1	10
Duration of programme (years)	15	35
Tradability	Non-tradable	Tradable

The exercise was undertaken with the objective to enable more investors to participate in the refinancing of the RM1 billion Unrated MTNs due in FY2018 and to cater for the future funding requirements of Sunway REIT.

Salient Features of Debt Programmes

	Commercial Paper (CP) Programme	Unrated Medium Term Note (MTN) Programme
Year established / revised	2012 / NA	2013 / 2017
Programme size (RM'billion)	1.6	10.0
Amount utilised as at 30 June 2017 (RM'billion)	0.9	1.0
Programme tenure (years)	7	35
Programme expiry	2019	2048
Rating	P1 by RAM Rating Services Berhad. Rating had been reaffirmed by RAM in their annual review dated July 2017	Unrated
Underwriting	Fully underwritten by a financial institution	Nil





¹ 7-year CP Programme (expiring in April 2019) of RM1.6 billion in nominal value and it is fully underwritten by financial institution for the entire duration of the CP Programme. The CPs are rolled over on a monthly basis.

² Fully hedged via a cross currency swap.

RISK MANAGEMENT

The Board places importance on, and is committed to maintaining effective risk management practices as an integral process in achieving Sunway REIT's business objectives. The Manager adopts a robust risk management framework that enables it to continuously identify, assess, treat and manage 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 embedded into key activities and business processes, enabling proper risk management at operation level of each property as well as 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.

Please refer to Statement on Risk Management & Internal Control for detailed information

Key risk areas	Mitigating action plans	Residual risk rating	Risk trend
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 a set of approved investment criteria All acquisition proposals are evaluated by the Investment Appraisal Working Group prior to recommendation to the Board and Trustee Due diligence will also be performed prior to acquisition 		J
Valuation risk Risk that assets may suffer a decline in value thus affecting profitability and gearing. Such a situation may occur if the asset suffers a decline in occupancy and rental rates	 The Manager strives to ensure that all the assets under management maintains its high occupancy level and rental rates by adopting various asset management strategies The Manager continuously reviews the quality of asset management to ensure it meets relevant needs at both the REIT and asset level Office properties For two of the office properties with low occupancy due to the prevailing challenging office market, the Manager continuously engages with the Facilities Management team to review its progress and strategy to secure new tenants. Office properties represent 7.0% of the total portfolio value of RM6.7 billion as at 30 June 2017. During the year, the average occupancy rate at Sunway Putra Tower improved from 25.7% as at 30 June 2016 to 42.4% as at 30 June 2017. Meanwhile the occupancy at Sunway Tower remained low at 20.7% as at 30 June 2017 resulting in a decline in value of RM7.0 million. However, the decline was fully mitigated by an increase in value of the other properties within the portfolio which resulted in a net fair value gain of RM152.1 million after accounting for capex incurred.		Image: Contract of the second seco

RISK MANAGEMENT (CONT'D)

Key risk areas	Mitigating action plans	Residual risk rating	Risk trend
Financing & refinancing risk Risk that fundings will not be available from banks or debt capital market to meet requirements when due	 Diversification of sources of debt funding The Manager has established a Commercial Paper (CP) programme and unrated medium term note (MTN) programme in addition to term loan and revolving loan facilities. Different maturity profile The Manager strives to spread the loan maturity profile of borrowings. Adequate unutilised facility The Manager ensures there is adequate unutilised facility to meet Sunway REIT's funding requirements. Refinancing of RM1.4 billion due in FY2018 Please refer to Capital Management for detailed information 		<u> </u>
Liquidity risk Risk that funds are inadequate to meet obligations	 The Manager, working together with the Facilities Management team actively and continuously monitors the debtors ageing record of tenants The Facilities Management team shall promptly engage with tenants who are slow in making payments and will take necessary action against such tenants As at 30 June 2017, debtors turnover was approximately 10.8 days and do not pose any significant risk to Sunway REIT Interest service cover ratio as at 30 June 2017 was 4.1 times 		<u>)</u>
Interest rate risk Risk that adverse movements in floating interest rates will affect financial performance	 The Manager strives to maintain a high fixed rate borrowings ratio to mitigate the risk of interest rate movements Please refer to Capital Management for detailed information Outstanding borrowings on floating rate basis amount to RM264.4 million as at 30 June 2017. In addition, approximately RM1.4 billion is due for refinancing in FY2018 and the Manager expects the refinancing to be at a higher cost of debt Every 25 bps change in interest rate in respect of the RM264.4 million floating rate borrowings and the RM1.4 billion due for refinancing would result in change in finance cost by RM4.2 million and DPU by 0.14 sen 		<u> </u>

RISK MANAGEMENT (CONT'D)

Key risk areas	Mitigating action plans	Residual risk rating	Risk trend
Business/ Market risk Risk that the properties face decline in revenue due to poor market condition, competition and geographical concentration	 Sunway REIT maintains a diversified asset portfolio which is able to mitigate the risks of weaker performance of certain property subsector The Manager will ensure that the Facilities Management team collaborates closely with the Sponsor, Sunway Bhd, 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 City by its strategy to acquire properties at other key growth cities throughout Malaysia To provide further stability to earnings, the Manager has implemented the strategy to invest in properties such as industrial, logistics, warehouses etc., with long term fixed leases. These assets will be classified under the "Others" segment and shall not exceed 15% of TAV 		L
Tenant concentration risk Risk on revenue of Sunway REIT which is dependent on anchor tenants. Termination or non-renewal of tenancy by the anchor tenants will negatively impact the performance of the properties	Sunway REIT does not have any tenant concentration risk as its top ten tenants represent 12.1% of total revenue with no tenants contributing more than 2.0% of total revenue	****	J
Currency risk Risk that Sunway REIT is exposed to foreign currency and exchange rate fluctuations	 Sunway REIT's properties are all located in Malaysia, hence there is no exposure to foreign currency risks arising from business operations Sunway REIT has a 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 	****	J
Compliance risk Risk that Sunway REIT fails to comply with applicable laws and regulations at the fund level	 Sunway REIT has a compliance officer who is responsible for ensuring compliance with the Deed, all applicable Securities Commission (SC) Guidelines and Securities laws at the fund level A compliance programme comprising compliance reviews, questionnaires, on-the-job training and advisory is in place Separately, operational compliance is reported by the Facilities Management team to the Manager 		J

RISK MANAGEMENT (CONT'D)

Key risk areas	Mitigating action plans	Residual risk rating	Risk trend
Human capital risk Risk that the Manager fails to attract and retain	 The Manager has a strong and prevailing employee engagement philosophy and strategy which reinforces the importance of having an engaged workforce 	****	
competent staff force to manage its portfolio and to execute its strategies for	 The Manager has an established salary structure that is reviewed annually in line with the general market 		
sustainable growth	 The Manager also practices annual talent review which is a talent retention and development programme besides providing various trainings for employees' career progression 		
	 The Manager has a succession planning policy which identifies and nurtures successors for key positions 		
	 The Manager is able to tap into the talent pool of the Sponsor when necessary to ensure continuity of positions/ job functions 		
Cyber risk The risk of operations disruptions and loss of	The maintenance of Sunway REIT's IT system is outsourced with the following controls in place: • Enforcement of acceptable use policy	****	
confidential data due to cyber attack on the IT systems	 Effective controls including firewalls, antivirus, system contingency plan 		-
,	 Data centre disaster recovery procedure with annual walkthrough 		
	Password management policy and access control policy		
	System backup and stored at different sites		
Reputational risk Risk of financial losses	 Established standard operating procedures on crisis management 	~~~~	
arising from damage to the reputation of Sunway REIT caused by adverse events	• Dedicated personnel to handle communication in the event of crisis		<u>U</u>
	Periodic training and simulation		
	• Transparent communication in the event of crisis		
Operational risk Risk of loss due to	 Ensure strict compliance with regulatory requirements and relevant standard operating procedures 	****	
occurrence of incidents resulting from inadequate or failed internal processes, systems or external events	• Effective internal controls to prevent occurrence of adverse events		<u>()</u>

Residual Risk Rating

Risk Rating	Risk Description	Action Required
****	Low	Acceptable – risk management practices are effective
****	Moderate	Acceptable – risk management practices are effective but require mitigating action on certain areas of weaknesses
****	High	Not acceptable – appropriate mitigating action plans required to reduce risk to an acceptable level
****	Very Significant	Not acceptable – immediate attention required to ensure that the risk is managed and mitigated
Risk Trend		

Risk Trend

Green	-	Decreasing
Yellow	_	Stable
Red	_	Increasing



INVESTOR AND PUBLIC RELATIONS

Sunway REIT maintains a multi-channels communication platform to reach out to the stakeholders. It is our philosophy to practise high level of transparency in our communication to stakeholders. We endeavour to continuously enhance our communication channels in reaching out to a wider group of stakeholders. This is made possible by leveraging on technology.

INVESTOR RELATIONS COMMUNICATION CHANNELS AND STAKEHOLDERS ENGAGEMENT

COMMUNICATION CHANNEL	MEDIUM OF COMMUNICATION	STAKEHOLDERS
ANALYST AND INVESTOR BRIEFING	 Briefings are held for: Quarterly financial earnings release Material development Corporate exercise 	Institutional investorsAnalysts
PROPERTY TOUR	Group tourOne-on-one tour	Institutional investorsAnalysts
MANAGEMENT MEETING	Small group meetingOne-on-one meeting	Institutional investorsAnalysts
CONFERENCE	 Investors conference Non-deal roadshow Industry conference Retail investors workshop 	 Institutional investors Retail investors Analysts Industry affiliates
CORPORATE WEBSITE & INVESTOR RELATIONS PORTAL	 www.sunwayreit.com Public releases and corporate announcements Enquiry contact: irsunreit@sunway.com.my 	 Institutional investors Retail investors Analysts Media
RESEARCH COVERAGE	• 13 research coverage as at 30 June 2017	 Institutional investors Retail investors Analysts Media
MEDIA ENGAGEMENT	 Media briefing Media release Media interview Roundtable discussion 	- Media - Public
ANNUAL GENERAL MEETING & ANNUAL REPORT	 Reporting of financial performance which includes Management Discussion and Analysis and Business Strategies 	

NEW INITIATIVES

The accessibility for retail investors to the management of the Manager may not be easily available in comparison to institutions investors. We recognise the growing sophistication of retail investors leading to higher expectation of higher accessibility of information from this group of stakeholder. The existing communication channels for retail investors include the following:

- 1) Sunway REIT's website
- 2) Annual report
- 3) IR enquiry
- 4) Retail investors workshops

In this financial year, we have made the following enhancement to the communication channels mentioned above. Sunway REIT's website was upgraded during the financial year to incorporate new features and additional information in order to facilitate our stakeholders in making informed decisions.

Sunway REIT has embarked on our Integrated Reporting journey with the objective to make this annual report a user-friendly document that extends beyond historical financial information by sharing forward looking insights such as strategy and business directions.

In addition, the Manager proactively participates in retail investors workshops to play our role in sharing REIT investment knowledge to the public.





Sunway REIT's corporate website and first publication of Integrated Report

Please login to *www.sunwayreit.com* to access the full website

INVESTOR RELATIONS ACTIVITIES

Sunway REIT continues to engage its stakeholders through a series of investor relations activities throughout the financial year. We conducted financial earnings release conference calls on a quarterly basis to international and local investment community. For best corporate governance practices, financial earnings are released immediately after the Board of Directors Meetings followed by the conference calls to the investment community to share on the financial performance, performance analysis of the assets and outlook for the coming quarter and financial year.

Sunway REIT's 4th Annual General Meeting (AGM) was held in Sunway Resort Hotel & Spa, a venue that is conveniently accessible through public transportation. During the AGM, unitholders were encouraged to share their concerns, views and feedback to the Board of Directors and Senior Management. The minutes of the AGM is also made available in the website.

We maintain our investor relations strategy focusing on effective communication with institutional unitholders and the investment community. Private one-on-one and small group meetings were held throughout the financial year for this group of stakeholder.

INVESTOR RELATIONS EVENT CALENDAR

EVENT
• 4 th Quarter FY June 2016 financial earnings release
Sunway REIT 4 th Annual General Meeting
• 1 st Quarter FY June 2017 financial earnings release
• 2 nd Quarter FY June 2017 financial earnings release
• 3 rd Quarter FY June 2017 financial earnings release



Sunway REIT 4th Annual General Meeting

During the financial year, the Manager has conducted 29 one-on-one and small group meetings to analysts and fund managers. Similarly, property tours recorded stood at 8 in FY2017. The level of activities recorded in FY2016 was primarily due to strong demand for meetings and property tours related to Sunway Putra Mall following the re-opening of the mall in May 2015.



Property Tours (FY2015 – FY2017)



Source: Sunway REIT

RESEARCH COVERAGE

The number of research coverage remained at 13 for the financial year ended 30 June 2017. In FY2017, AmInvestment Bank initiated coverage on Sunway REIT while Credit Suisse has ceased coverage in the interim period. Based on the research coverage universe, the average target price has increased from RM1.68 (as at 30 June 2016) to RM1.81 (as at 30 June 2017), representing an increase of 7.7% in target price for Sunway REIT.



Research Recommendations for Sunway REIT

SUNWAY REIT REMAINS AS ONE OF THE LEADING M-REITS

The property value and market capitalisation of M-REITs stood at RM6.7 billion and RM5.2 billion respectively as at 30 June 2017. Sunway REIT remained as the second largest REIT in Malaysia measured by property value. Sunway REIT's market capitalisation increased by 7.3% from RM4.9 billion as at 30 June 2016 to RM5.2 billion as at 30 June 2017, maintaining its fourth ranking.



Source: Bursa Malaysia, M-REITs' financial statement

Note:

¹ Information as at 30 June 2017

² Information as at 31 March 2017

All other information as at 31 December 2016



Sunway REIT has recorded a total return of 12.4% in FY2017, contributed by 7.2% in capital appreciation and distribution yield of 5.2%. Sunway REIT's 5-year average total return stood at 11.3% for the period from 1 July 2012 to 30 June 2017, ranked 4th after Pavilion REIT, IGB REIT and UOA REIT.



ANNUAL TOTAL RETURN FOR THE PERIOD FROM 1 JULY 2016 TO 30 JUNE 2017 (%)

Notes:

Distribution yield is computed based on consensus DPU for FY2017

Sunway REIT's distribution yield was computed based on actual DPU for FY2017 of 9.19 sen

Information of KIP REIT is computed from its IPO on 6 February 2017 to 30 June 2017 based on IPO price of RM1.00



5-YEAR AVERAGE TOTAL RETURN FOR THE PERIOD FROM 1 JULY 2012 TO 30 JUNE 2017 (%)

We Use all a sea a low astronget Darah	HLIB Research		-				
HongLeong Investment Bank	PP 9484/12/2012 (031413)		RHB	300	Malaysia Results Review 17 results announced on 3 May 2017 are within expectation		
Sunway REIT (HOLD ← →, EPS ← →) INDUSTRY: NEUTRAL COMPANY INSIGHT Inorganic Growth Focus	Price Target: RM Share Pri	March 2017 M1.70 (€→) Ice: RM1.73	4 May 2017 Sunway Still Sturdy D		Property REITS Neutral (Mantainut) Target Price: MYR1.84 Price: MYR1.84		
Highlights Actively looking for assets. Growing inorganically is th focus for SKEIT as they continue to search or yield accretiv assets from sponsors & third party to further diversify an grow their portfolio as rental reversion has slowed since las year. Potential injections from sponsors include Pyrami Phase 3 (including Cleo Hotel) and the Pinnacle when SKEIT has the ROFR, which is more straight forwar compared to the first right to match for Sumway Giza an Sumway Velocity, which are owned by JV vehicle. Still banking on its flagship mall. Sumway Pyramid Ma	e jeemhühilb.hongleang.d d (63) 2168 1121 d Expected share price return e Expected dividerd intern d Expected total return d Share price	1745.8 -1.7% 5.7% 3.9%	argectations, he segments. Despi managed to reco Pyramid remaine 3%. We maintai MYR-1.84 (b% op 9MFY17 earninge profit of MYR203.8 our and contents Despit of MYR203.8 our and contents Despit 5 contents	MPTT (Juni) core set profil use willing and by a store phoning phone of the monusi for a subled consumer sentimest. He heating use the set of the sentimest of suble of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the max within any set of the	our and market Burne Cost medial segment As Daty Turnov (WYR/SB) 1 able grow by Tee Tour (WYR/SB) 1 able grow by Tee Tour (W) 1		
(SPM) remains the main income contributor which makes u circa 60% of total income. Despite the softer rental reversio trend at mid-single digit; potential positive surprise coul	P te	M	Positive growth in 76% of the REITs despite a weak co	retail segment. The retail segment, which total inverse, has managed to record a 6 isumer sentiment. This is mainly due to mi ntal reversion growth at Sunway Pyramid I	committuited over Associate (0.0) 0.0 (3.4) 0.9 .3% YoY growth Relative (8.0) (1.5) (8.0) (10.9) (0.4) d-shigle digit and		
SUNWAY REIT	PROPERTY	NO/	MURA		TY AN		
AmInvestment Bank (SREIT MK EQUITY, SUMMARL) 9MFY17 within expectations	04 May 2017	First	take on A	EJ results			
Company report Aminvestment Bank	HOLD (Maintained)	EQUITY: PR	OPERTY				
www.amsecurities.com 03-2036 1290 Rationale for report: Company results		- 200 - Å	<mark>ay REIT</mark> ck Note		Global Markets Research 4 May 2017		
Pito RM1.71 Investment Highlights Pair Value RM1.84 52-week High Low RM1.84/RM1.59	commendation on Sunway				Research analysts		
Key Charges REIT (SREIT) with an Foir value I RM1.84/share, based on	unchanged fair value of a DCF valuation (terminal ty 7.0%, risk-free rate 4.2%).	(Buy; TP I Results bri	efing scheduled o	017 close price MYR1.71)	Malaysia Property Reyston Tan - NSL roysion tan@nomura.com +05 (ch35 069)		
(+3.2% YoY and +6.1% Q	toQ) bringing the 9MFY17 (+1.8%) accounting for	the 1H p	erformance, 9MF	Y17 DPU of 6.9Sens (-2.0%y-y) i	a in line and Min Chow Sai - NSL minchow sai@nomura.com		
January 17, 3817 (Maybank IB Research	Negarati, i Pigunga nakananan i Konseel mit, pit Me		СІМВ	J.P.Morgan			
Sunway REIT (SEGT (AK) BUY	n A pool start			Asia Paullic Kasily Research	12 desert 2017		
phase Rest growth the reacting and the r	An refer but 7 tool tert An refer but 7 tool t	nge of PMOs the parks in last at 200- tectations. 200 year start readly driver by the relation hatting washed contribution from its for and read VOPVIET DRV of 2.21 mas, in the	of bolk cur well the raisests, seemely Services had well office segments.	Sunway REIT (SREIT Proposes acquisition of industria	MIK) Price M01.73 11 Jan 2017		
Post management meeting, we remain positive on the trust as its result. She high live (IVR) 1.84/1.6	turety as Pre-tech-commence	parampana non room promptia car to hang t	a survision pas and pole-		asset for M\$91.5MM Price Target M0175 PT Ked Date: 38 Jan 2017		
The set growth catalyse as opticities areas where it is guarant and the analysis of the set of the	eth Darwer FED report total stroke total s	Next In SQFWIT revenue and core our Next causes were in two at 200 of the fine groups. NPI and gave 40% years year values on the basis of Mgm lines report. In the cause SQFWITT In the years DPU for each of CD I was. In SQFWITT to cause and the I for all years DPU for each of CD I was.	n ine with our costmolo. Deing forward, we expect	translating to an implied initial yield of 6. segment. The acquisition mixes our FY18. be classified as an "Others" segment (alor 5.0% to 6.4% of the REIT's total asset val	of an industrial complex in Shuh Alam for MSPI. SMM in cash, Ny verso uto 6,7% asset, yield for Axis RET in the industrial DPU by just used 1% what the full impacts in first. The property will g with the group's medical assets), with this segment taking from are of MSS-220 spens completions of far acquisition. The RET shee fars' segment will not exceed 15% or 15 and assets what gring.		
Sumay Protectification, or track to complete its region inhibitation to y Press Pretramance Apr 2017, end (1) Sumay Press Tomes, as it is accounted not transmit in Dec 2016 which is expected to increase its accugancy rate to 475 from up 1345 (and 1679Y). Sumaways, we are cardidated of Sumay Pression 1.1	Restance and the second	In the proven by the result assesses to sense of the second second second dominant second provide and second second second tables and the second second second second second second RBM 155 m. As for its invalid sequences, a 3 m and RBM 156 m. respectively, does y Pyromai Haad Baad 329480; the news	reported by trajture accurate memory accurate france July () for the reduit accurate	forward as it intends to remain retail focus compelling and we see better value now However, we maintain a Neutral on SRI	ed. With rising bond yields, valuations for REITs are less in developers (top picks: Eeo World and Sumway Berhad). IT at current levels, as we continue to see growth to be driven by the		
has remained strong based on the prime location and high stopper traffic.	and 210% yes to Plant, and the second	On and HM15.4rt respectively, day Pyrenal Hale End (3PH0) for new over for office segment but o ris-resent office segment see in se	to the logs of inspine from the works. willook will worft renue, and NPI star 11,000	pipeline from its sponsor.	Mail and related assets, as well as from the visible acquisition 5MM cash acquisition in Shah Alam, comprising a complex of		
Currently, the potential pipeline assets are worth e.MYR2bn-3bn in total		there for other angement can be as and MSI NV, respectively can be as an MSI NV, respectively can be as an and MSI NV, respectively can be as also approach as a control that the societ rate (as our for the other spectrament invents to be as al- ter to approach and the society of the ment of our processing spectra as a ment of our processing spectra as a spec-		factory, wanhouse and office buildings term tenure of 18 years expiring in De-	Ar out to 105 Manufacturing under a triple-not level with a long- code of the equirent to recover for a further 5 years on the same an implied yield of 61 by Sverma the 6.75 was tyield of listed port, a to 53% first the existing SRETE portfolio. However, the implied 25 is stress the same transitions in 2019.		
UOBKayHian			Company Sunw	Guide			
Regional Morning Notes	Friday, 28 October 2016			g SREET MK Rooters SUMW.KL	Refer to important disclosures at the end of this report 15 Feb 2017		
COMPANY RESULTS	BUY		BUY		Still positive		
Sunway REIT (SREIT MK)	(Maintained)		Last Traded Price (1	4 Feb 2017): RM1.77 (KLCI : 1,708.90) RM1.90 (7% upsidel (Prev RM1.95)	Still positive about its prospects. We cut our Pr12/Pr18/Pr19 figures by 12%/13%/15% to take into account the weak performance of its fintel and office segments due to the weak		
1QFY17: Retail Remains The Growth Engine Sunway REIT's 1QFY17 earnings are in line with expectations. Although its hotel and office segments' performances remained lacklustre, its retail business stayed robust, contributing 77% to top-line. We are expecting better quarters absed as more	Target Price F Upside	RM1.77 RM1.85 +4.5%	Potential Catalyst: Ye Where we differ: In I	d-accretive accounters, highly revenuess	market conditions. Must notably, in 20PTT Survey Pyremid Hotel & Spa MP planged by 31% y-avy to 8MT.7m. Monorea, reversions from the tetal segment were postive but lower than its historical figures. However, we remain positive on Survey RET SurREDT given its attractive distribution yield and growth		
spaces are filled up at Sunway Tower and Sunway Putra Tower. In addition, the	Sunway Real Estate Investmen			gs below expectations ed by poor performance of hotel	potential from the asset-enhancement work done on Sunway Pyramid Hotel, slated to be fully completed by 4QPY17.		
holiday and festive season in December should lead to better hotel occupancy. Maintain BUY, Target price: RM1.85.	in retail, office, and hotel proper	tes.	and office seg	nents	Asset enhancement underway. Surway Pyramid Hotel was closed for reflatishment. In April 2016 but has been		
	in retail, office, and hotel proper STOCK DATA GICS sector Bloomberg ticker: Shares issued (m):	Real Estate SREIT MK 2 945 1	 Retaining posi contributions, asset-injection 	nents live outlook on rising Surway Putra asset-enhancement initiatives and	Appet of the content undersamp. Survive Parential Hopkines does all for influences the second base function of the first that have programming operated from 20°H71, its 20°H71, the average occursamy part for the heat is stored 7.37, 2%, based on total influences of all first content. The occursamy level before charare waves at 15% with total investment of 564 occore. The hotel is expected to fully an open in 40°H717. The NMT foregone		
Maintain BUY, Target price: RM1.85. 10PYT7 RESULTS opq yoy Yeer to 30 Am (RMm) 40PY16 10PY17 % obg % obg Gross merue 123.6 125.8 4.3 6.3	STOCK DATA GICS sector Bloomberg ticker:	Real Estate SREIT MK	and office seg • Retaining posi contributions, asset-injection • DPU of 2.28 se	nents live outlook on rising Sunway Putra asset-enhancement initiatives and opportunities	cload for infutishment in April 2016 but has been progressively operand from 2024717, its 2024712, the average occupancy rate for the hotel stood at 78.2% based on total infutishmed rooms of 316 none. The occupancy level before obscieve was at 55% with total inventory of 564 sooms. The		
Maintain BUY. Target price: RM1.85. 10FYT RESULTS Yeer to 30 Am (Wing) 40FY16 10FY17 50 dg 500 Support to 20 Am (Wing) 40FY16 10FY17 50 dg 500 Support to 20 Am (Wing) 40FY16 10FY17 50 dg 500 <td cols<="" td=""><td>STOCK DATA GICS sector Bioomberg licker: Shares: lecued (m/r Research by xenange Tit averg titte Sunway REIT</td><td>Real Estate SREIT MK 2 945 1</td><td>and office seg • Retaining posi- contributions, asset-injection • DPU of 2.28 se Reb</td><td>Herits Here outlook on rising Surway Putes seet-enhancement Initiatives and opportunities was declared with ex-date of 27 Quick Billies RM +> Hold</td><td>cload for infutishment in April 2016 but has been progressively operand from 2024717, its 2024712, the average occupancy rate for the hotel stood at 78.2% based on total infutishmed rooms of 316 none. The occupancy level before obscieve was at 55% with total inventory of 564 sooms. The</td></td>	<td>STOCK DATA GICS sector Bioomberg licker: Shares: lecued (m/r Research by xenange Tit averg titte Sunway REIT</td> <td>Real Estate SREIT MK 2 945 1</td> <td>and office seg • Retaining posi- contributions, asset-injection • DPU of 2.28 se Reb</td> <td>Herits Here outlook on rising Surway Putes seet-enhancement Initiatives and opportunities was declared with ex-date of 27 Quick Billies RM +> Hold</td> <td>cload for infutishment in April 2016 but has been progressively operand from 2024717, its 2024712, the average occupancy rate for the hotel stood at 78.2% based on total infutishmed rooms of 316 none. The occupancy level before obscieve was at 55% with total inventory of 564 sooms. The</td>	STOCK DATA GICS sector Bioomberg licker: Shares: lecued (m/r Research by xenange Tit averg titte Sunway REIT	Real Estate SREIT MK 2 945 1	and office seg • Retaining posi- contributions, asset-injection • DPU of 2.28 se Reb	Herits Here outlook on rising Surway Putes seet-enhancement Initiatives and opportunities was declared with ex-date of 27 Quick Billies RM +> Hold	cload for infutishment in April 2016 but has been progressively operand from 2024717, its 2024712, the average occupancy rate for the hotel stood at 78.2% based on total infutishmed rooms of 316 none. The occupancy level before obscieve was at 55% with total inventory of 564 sooms. The	
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Maintain BUY. Target price: RM1.85. 10FYT RESULTS Yeer to 3 Am (MVm) 40FY16 10FY17 500 500 Source of the second o	STOCK DATA GICS sector Bioomberg licker: Shares: lecued (m/x) Research by xenange T2 zerogram Sunway REIT Foray into Industrial Assets P Were with ansettfermations	Real Estate SREIT MK 2 945 1	and office seg • Retaining posi- contributions, asset-injection • DPU of 2.28 se Reb	Herits Here outlook on rising Surway Putes seet-enhancement Initiatives and opportunities was declared with ex-date of 27 Quick Billies RM +> Hold	closed for inforbalityment in 4 pdf 2016 but has been propersistively counted from 25/477 J. Br. and an entry instructively received from 25/477 J. Br. and St. and St. and but and the second from 25/47 J. Br. Mill foregoen but and the second from 25/47 J. Br. Mill foregoen the second from 25/47 J. Br. Mill foregoen Support and the second from 25/47 J. Br. Mill foregoen A good start <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen</u> <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and the second from 25/47 J. Br. Mill foregoen <u>Networks and 1</u></u></u></u></u></u></u></u></u></u></u></u></u></u></u>		
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Sunway REIT maintains performance for 9MFY17

Performance attributable to resilient showing in retai segment, coupled with gradual improvement in office segment

by IZZAT RATNA

SUNWAY Keal Estate Inves-ment Trust (REIT) Manage ment Sdn Bid, the manager to Sunway REIT, recorded a 1.8 increase in revenue to RM.390, million for the nine-mont period from July 1, 2015, 1 March 31, 2017 (MEY17) from

9MFY17 with revenue up by 6.3% YoY to RM306.2 million and NPUncreased by 8.2% YoY

focused REIT, we e ahead of the market on to remain relevant to s. says Ng According to Su

ported by lower online -pring postentian rate in M sa, As a retail-focused we strive to be algod o market competition to re relevant to commens. Merimemance for the hole ment moderated for MIDIA and NFT of R million a ANT of the million a CMT of the million (revenue) and R million (revenue) and R million (revenue) and R and NPI increases by S2N 502 to 2020 and NPI increases by S2N 502 to 2020 and NPI increases and the second seco

Despite the growing threat online shopping based on bal trend, our retail assets

Sunway REIT to acquire land and buildings for RM91.5mil

PETALING JAYA: Sunway Real Estate Investment Trust (SunREIT) has entered into a conditional sale and purchase agreement with Champion Edge Sdn Bhd to acquire a piece of land and buildings in Shah Alam for RM91.5mil in cash. "The proposed acmisition is in Shah Alam for KM91.5mil in cash. "The proposed acquisition is in line with the key investment objec-tive of Sunway REIT Management Sdn Bhd or the manager to contin-uously pursue an acquisition strat-egy to acquire and invest in prop-erties that are yield-accretive with the potential to contribute to the long-term growth in SunREITS dis-tribution per unit (DPU) or net tribution per unit (DPU) or net

Malaysia yesterday. The buildings that are on the land consist of a two-storey office with an manaxed one-storey lactory with a mezzanine floor, a three-storey office together with an annexed one-storey warehouse and an inte-gral two-storey office together with a two-storey office together with a two-storey factory-cum-ware-house with an adjoining mechani-cal and electrical building and other ancillary buildings. It faild the property is an in unexpired lease term of 18 years. As such, the manager believes

and the DPU to Sur and the DFO to same ers upon the compl posed acquisition. "SunREIT will b increase in the enl weighted average based on the secu-income

based on the securi income. The weighted a expiry of SunREIT folio will increase to the completion of acquisition from 1 june 30, 2016. "SunREITs proj size will increase

size will increas RM6.43bil as at Ju

theedgemarkets.com

SC grants waiver to Sunway REIT for Penang land buy

BY SUPRIYA SURENDRAN

KUALA LUMPUR: The Securities Commission Malaysia (SC) has granted a waiver to Sunway Real Estate Investment Trust (Sunway REIT) that will allow the company to acquire land to construct an extension of the Sunway Carnival Mall in Seberang Perai, Penang.

Sunway REIT said the SC, in a letter yesterday, approved its appli-cation for the exemption of Paragraph 8.44(b) and (c) of the REIT Guidelines, which provides that a fund is not permitted to conduct property development activities and the acquisition of a vacant land.

"The approval granted by the SC for the exemption is subject to the condition that Sunway REIT continues to hold the expanded Sunway Carnival for at least two years from the date of completion of the construction of the extension to the existing mall," it said in a filing with Bursa Malaysia.

On June 20, Sunway REIT an-

143,225 sq ft (13,306 sq m), that is adjacent to Sunway Carnival from its parent Sunway Bhd for RM17.2 million cash.

The acquisition is to facilitate its plans to expand Sunway Carnival's net lettable area. The extension will comprise a nine-storey shopping mall that also includes a six-storey parking bay above the retail space. with a one-floor basement parking.

The acquisition is to facilitate its plans to expand Sunway Carnival's net lettable area.

Sunway REIT expects the mall extension to enhance its earnings in the future, and thus create value for its unitholders.

Its shares ended the day up four sen or 2.3% at RM1.74 yes-

Sunway REIT gains upper hand on prices

Acquisition market has changed to become buyer's market over past eight to nine months'

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黄中立连任MRMA主席

吉隆坡8日讯 | 大马房地产 房产信托股)的宾都米农则分别 投资信托管理人公会 (MRMA) 担任财政及秘书。 今日宣布,双威房地产投资信托 (SUNREIT,5176,主板房产信 大马房地产投资信托管理 人公会,是在今年1月20日举行 托)首席执行员拿督黄中立连任 会员代表大会,遴选新一届的理

> 事。 黄中立表示,「MRMA作为 产业信托企业和政府、大马交易 所及证券监督委员会之间的沟通 桥梁,会继续努力探讨法律或其 他课题,以加强我国产业投资信 托在本区域的表现。」 截至2月6日为止,产托领 域的市值为451亿令古,共有18 只房产信托。



Stronger retail, office segments lift Sunway REIT NPI

BY AHMAD NAQIB IDRIS

该公会主席职。

与此同时,贺达房地产基 会(HEKTAR,5121)首席执行 员拿督希山奥斯曼,以及雅饰房 地产(AXREIT,5106)首席执行

员架洁美,则被推选为副主席。 来自柏威年房产信托

(PAVREIT,5212,主板房产信 托設)的王慧玲(译音)及KLCC 产业信托(KLCC, 523555, 主板

KUALA LUMPUR: Sunway Real Estate Investment Trust (Sunway REIT) reported a 4% rise in net property income (NPI) to RM100.18 million in its third quarter from RM96.69 million a year ago, which it attributed to a resilient retail segment as its office segment improved.

The REIT declared 2.37 sen of distribution per unit (DPU) for the quarter ended March 31, 2017 (3QFY17), comparable with the

ised contribution from Sunway Putra Mall, which had granted a 2.5-month rent-free period to tenants during the initial opening of the mall last year. Sunway Pyramid Shopping mall and Sunway Carnival Shopping mall's performance also grew moderately during the quarter.

The office segment, meanwhile, recorded a 16.4% y-o-y growth in NPI due to higher occupancy rate at Sunway Putra Tower.

The two segments' performance mitigated a slowdown



MARKET REPORT SUMMARY

ECONOMIC OVERVIEW

Economic Indicators - CY2016 and CY2017 Forecast

Indicator	CY2016	CY2017 Forecast	Remarks
GDP	4.2%	4.3% - 4.8% 🕇	The Malaysian economy grew at a slower pace of 4.2% in CY2016 (CY2015: 5.0%) amid external and internal headwinds. The economy is estimated to record a growth of 4.3% - 4.8% in CY2017 driven by private sector activity.
CPI	2.1%	3.0% - 4.0% 🕇	Consumer Price Index (CPI) was recorded at 4.3% in 1Q CY2017 (4Q CY2016: 1.7%) due primarily to higher global oil prices.
Unemployment Rate	3.5%	3.6% - 3.8% 个	Job growth may not be sufficiently robust to absorb new entrants to the labour force, causing the unemployment rate to edge higher in CY2017.
OPR	3.00%	3.00%	Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 3.00% on 13 July 2017, stating the current level is accommodative and supportive of economic activity.

Source: Bank Negara Malaysia

RETAIL MARKET OVERVIEW

An estimated growth in retail sales and improved Consumer Sentiment Index (CSI) are expected to drive consumer spending in CY2017 and these in turn would sustain demand for retail spaces in the country.



Source: Retail Group Malaysia (RGM)



Average Occupancy Rates of Retail Centres

Source: Malaysian Institute of Economic Research (MIER)



Source: Valuation and Property Services Department

MARKET REPORT SUMMARY (CONT'D)

HOSPITALITY MARKET OVERVIEW

With higher tourist arrivals and receipts targeted by Tourism Malaysia for CY2017, the Government has announced various measures to boost inward tourism and these would lead to higher demand for hotel accommodations.

National Tourist Arrivals and Tourist Receipts



Source: Tourism Malaysia

OFFICE MARKET OVERVIEW

The office market is expected to remain subdued, especially in the Klang Valley, due to the high incoming supply and weaker demand as more companies embark on austerity drive.

Occupancy Rates and Supply of Office Spaces



🖉 Please refer to Detailed Market Report for detailed information

DETAILED MARKET REPORT

1. ECONOMIC OVERVIEW

The Malaysian economy continues to grow, albeit at a slower pace in CY2016 recording a 4.2% growth compared to 5.0% in CY2015, despite considerable external and domestic headwinds. The global economic landscape was challenging given the subdued global demand and low commodity prices. International financial markets were also subjected to heightened uncertainty with significant reversal of capital flow from emerging economies. Domestically, the economy continued to face headwinds from higher cost of living amid soft employment conditions. Concurrently, business and consumer sentiments were affected by a confluence of global and domestic factors, including the heightened volatility in financial markets and the significant underperformance of the ringgit.

Based on the latest figures released by Bank Negara Malaysia (BNM), the GDP registered a growth of 5.6% in 10 CY2017 (40 CY2016: 4.5%). Private sector activity was higher and remained as the main driver of growth. Going forward, the Malaysian economy is expected to remain on a sustainable growth path of 4.3% - 4.8% in CY2017, despite challenging economic environment globally and domestically. Domestic demand will continue to be the principal driver of growth, underpinned by private sector activity. Notwithstanding higher inflation, private consumption growth is expected to be sustained by continued wage growth and the increase in disposable income due to selected Government measures and higher global commodity prices. In an environment of cautious business sentiment and continued uncertainty in the economy, investment growth is projected to remain modest.

According to the Malaysian Investment Development Authority (MIDA), the country secured total approved investments amounting to RM207.9 billion in CY2016, an 11.4% increase in value compared to RM186.7 billion in CY2015. Of the total investments approved, some RM148.9 billion or 71.6% was contributed by domestic direct investments (DDI) while RM59 billion or 28.4% came from foreign sources. Foreign investors continue to capitalise on Malaysian growth and its regional synergies as foreign direct investments (FDI) increased by 63.4% from RM36.1 billion in CY2015. The Malaysian economy is expected to continue to grow in CY2017 despite the challenging external environment. As an open economy, Malaysia is not immune to external uncertainties, but its economic and financial reforms and policies have somewhat buffered the challenging external impact. The country's fundamentals remain strong with a stable labour market, manageable inflation, healthy foreign reserves and sound financial systems to support a sustained momentum in economic growth.

Private investment grew at a robust pace of 12.9% in 10 CY2017 (40 CY2016: 4.9%), following continued capital spending in the services and manufacturing sectors. Investments in machinery and equipment were higher during the quarter, supported by the implementation of several large-scale projects in the manufacturing sector.

Private consumption grew by 6.6% in 10 CY2017 (40 CY2016: 6.1%). Household spending remained supported by continued

expansion in employment and wage growth. The implementation of selected Government measures, including the higher amount of Bantuan Rakyat 1Malaysia cash transfers, also provided additional impetus to household spending.

Public consumption recorded a stronger growth of 7.5% in 10 CY2017 (40 CY2016: -4.2%) attributed to higher spending on both emoluments and supplies and services.

Public investment also registered a higher growth of 3.2% in 10 CY2017 (40 CY2016: -0.4%), driven mainly by higher spending on fixed assets by public corporations.

Inflation is on an upward trend where the Consumer Price Index (CPI) was higher at 4.3% in 10 CY2017 (40 CY2016: 1.7%). The increase in inflation reflected mainly the pass-through impact of higher global oil prices and temporary global oil supply disruptions that led to higher food prices. The higher inflation is expected to moderate in the second half of the year. However, the trend of domestic headline inflation will be dependent on future global oil prices which remain highly uncertain. The cost-push inflation is not expected to have a significant impact on the broader price trends given the stable domestic demand conditions. Underlying inflation, as measured by core inflation, is expected to increase only modestly. BNM expects inflation to be contained within 3.0% - 4.0% in CY2017 barring any unforeseen circumstances.





Source: Bank Negara Malaysia

The Monetary Policy Committee (MPC) decided to maintain the Overnight Policy Rate (OPR) at 3.00% in the recent MPC meeting on 13 July 2017. The Malaysian economy performed better than expected in 10 CY2017, lifted by stronger domestic demand with additional impetus from exports. On the external front, encouraging global growth prospects will lead to sustained export performance and generate positive spillovers to the local economy. Moreover, the improved investment outlook is being driven by new and ongoing infrastructure projects and stronger capacity expansion in the manufacturing and services sectors in the country. The MPC will continue to assess the balance of risks surrounding the outlook for domestic growth and inflation.

The Consumer Sentiment Index (CSI) improved by 6.8 points to 76.6 points in 10 CY2017 (40 CY2016: 69.8 points), but was still below the threshold level of confidence. Consumer confidence level is improving and still above the same quarter of last year (10 CY2016:

72.9 points). It shows that in general consumers are more optimistic about the economy. As their confidence level is improving, consumers indicated cautious ambitious spending plans.

Figure 1.2 : Employment Index and Consumer Sentiment Index, 10 CY2012 – 10 CY2017



Source: Malaysia Institute of Economics Research (MIER)

The Malaysian retail industry recorded another disappointing growth rate of -1.2% in retail sales in 1Q CY2017 compared with the same period in 2016 (-4.4%), due to weak Chinese New Year sales in January 2017, according to Retail Group Malaysia (RGM). RGM maintains its forecast of 3.9% growth rate for the Malaysian retail industry in CY2017.

Figure 1.3: Retail Sales Growth, CY2000 - CY2017



Source: Retail Group Malaysia & AREM (Malaysia) Sdn Bhd, June 2017

The tourism industry indicated signs of recovery in CY2016 with latest figures showing more tourists visiting the country after the slowdown in CY2015. Tourist arrivals for CY2016 registered a hike of 4.3% compared to the same period in CY2015. The country received 26.8 million tourists in CY2016 compared to 25.7 million tourists in CY2015. Correspondingly, tourist receipts rose by 18.8%, contributing RM82.1 billion to the country's revenue against RM69.1 billion in CY2015, which translates to an average per capita expenditure of RM3,068. Total receipts in shopping also recorded a positive growth, with RM26 billion in CY2016 compared to RM21.6 billion in CY2015, an increase of 20.3%.

For CY2017, the number of tourist arrivals is targeted at a fairly unrealistic 31.8 million. However, the Government has announced some of these following measures:

 Promote Malaysia through Visit ASEAN@50 Year Campaign in conjunction with the 50th anniversary of ASEAN as well as Malaysia hosting the 2017 SEA and ASEAN PARA Games.

- Extend e-visa to countries in the Balkans and South Asia regions.
- Recently gazetted four standard sales period: New Year Sale (March 1 to March 30), Mega Carnival Sale (June 15 to August 31), Year End Sale (November 1 to December 31) and another to be jointly set by traders. This will enable tour packages to be planned to coincide with the periods.
- Visa programmes for China tourists, namely the electronic visa (e-visa) and electronic travel registration and information (Entry) that allow Chinese tourists to enter Malaysia via online visa application has been extended to 31 December 2017.

Figure 1.4: Foreign Tourist Arrivals and Receipts



Source: Tourism Malaysia

2. SELANGOR - PETALING JAYA/SUBANG JAYA

Selangor's economy remains resilient and continues to attract investments. The state is still one of the most popular destinations in the country for investments, industry and trade. It has attracted RM7.8 billion in foreign investments in CY2016 second after the state of Johor, based on statistics released by MIDA. That consisted of domestic investment of RM4.5 billion while foreign investment was at RM3.3 billion.

The future outlook for Selangor is expected to be promising backed by various ongoing and proposed State Government projects. Under the Selangor Budget 2016, several initiatives have been formulated to ensure that Selangor's property market performance is sustainable.

2.1 RETAIL

The retail sub-sector recorded a slightly lower average occupancy rate of 84.7% in CY2016 as compared to 87.7% recorded in CY2015. The sub-sector witnessed an annual take-up of 1.05 million sq.ft. (CY2016). Eight new shopping complexes were completed, adding a further 2.34 million sq. ft. of retail space within the state in CY2016.

As at 10 CY2017, Klang Valley has 251 shopping complexes (malls, arcades and hypermarkets) offering 68.86 million sq.ft. of total retail space based on the Property Market Report 10 CY2017 by the National Property Information Centre (NAPIC). The average occupancy rate for these shopping complexes is around 81% which translates to a retail space provision of approximately 8.85 sq. ft. per capita which is considered adequate compared to other states in the country.

There is a total of 11.79 million sq.ft. of retail space in Petaling Jaya and its surrounding area as at 10 CY2017. About 43% of the total space is concentrated in Subang Jaya/Sunway and the overall occupancy rate as at 10 CY2017 was at 83%.

Table 2.1: Supply and Occupancy of Retail Centres in Petaling Jaya and Surroundings, 10 CY2017

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Location	NLA (sq. ft.)	Total Occupied	Occupancy (%)
Petaling Jaya	2,713,022	2,015,775	74%
Subang Jaya/ Sunway	5,054,668	4,417,779	87%
Damansara	4,021,020	3,377,657	84%
Total	11,788,710	9,811,211	83 %

Source: NAPIC & AREM (Malaysia) Sdn Bhd, June 2017

Petaling Jaya remains an attractive location for malls given its high population density, continued high population growth and high households income level. Sunway Pyramid Shopping Mall continues to maintain its position as one of the premier regional malls, catering to both local as well as tourists, given the integration with Sunway Resort Hotel & Spa, Sunway Pyramid Hotel, Sunway Clio Hotel and Sunway Lagoon. At an occupancy rate of about 98% with mid-to-upper-mid outlets, various leisure and entertainment opportunities are available. Sunway Pyramid Shopping Mall has a fairly strong catchment of 1.6 million within a 10 km radius which has a mixed population of middle to high income households. The performance of the mall is expected to remain healthy.

In CY2016, 10 malls were completed contributing 3.06 million sq. ft. of additional retail space in the state of Selangor. The new completions are AEON Shah Alam, DA MEN Mall, Sunway Pyramid Phase 3, Utropolis Marketplace, The Square @ One City, The Starling Mall, M Square Mall, Centrus Mall, Gallerie @ De Centrum and Glo Damansara. In CY2017, eight new shopping malls with retail space of approximately 4.5 million sq. ft. will enter the market. Empire City Damansara Mall in Damansara Perdana will contribute approximately 2.3 million sq. ft. while the other notable upcoming completions include Selayang Star City Mall (550,000 sq.ft.) and Pacific Star (240,000 sq. ft.) in Section 13, Petaling Jaya (PJ). The remaining 1.4 million sq. ft. of retail space will be located in Sepang, Cyberjaya, Bangi and Balakong.

The upcoming shopping malls in Petaling Jaya, Subang Jaya/ Bandar Sunway and Damansara are tabulated in Table 2.2.

Table 2.2. Future Completed Chaming	Malla in Dataling Java Cuban	I lava /Dandar Commune and Damanaan
lable 2.2: Future Supply of Snopping	ivialis in Petaling Jaya, Suban	g Jaya/Bandar Sunway and Damansara

mpire City Mall VO Shopping Mall A Square Shopping Mall Aelawati Mall acific Star elayang Star City JCC, Subang Jaya he Wharf Puchong	Damansara Perdana Bangi Puchong Taman Melawati Section 13, PJ Selayang Subang Jaya	2,300,000 250,000 380,000 620,000 270,000 550,000	2017
A Square Shopping Mall Aelawati Mall acific Star elayang Star City JCC, Subang Jaya he Wharf Puchong	Puchong Taman Melawati Section 13, PJ Selayang	380,000 620,000 270,000	2017
Aelawati Mall acific Star elayang Star City JCC, Subang Jaya he Wharf Puchong	Taman Melawati Section 13, PJ Selayang	620,000 270,000	2017
acific Star elayang Star City JCC, Subang Jaya he Wharf Puchong	Section 13, PJ Selayang	270,000	2017
elayang Star City JCC, Subang Jaya he Wharf Puchong	Selayang		2017
JCC, Subang Jaya he Wharf Puchong		550,000	
he Wharf Puchong	Subang Jaya		
0		400,000	
	Puchong	302,000	
emix Mall	USJ 1	1,000,000	
otal		6,072,000	
entral Plaza Mall	Shah Alam	1,000,000	
ropicana Gardens Mall	Kota Damansara	1,000,000	
J Sentral Garden	Petaling Jaya	1,000,000	
he TWO Wholsesale and Premium Outlet Malls	Rawang	990,000	
orizon Village	Serina City	400,000	2018
TDI Sentralis	Shah Alam	150,000	
1itsui Outlet Phase 2	KLIA	250,000	
mporia Mall	Shah Alam	1,350,000	
SL City Mall 2	Klang	900,000	
otal		7,040,000	
DI City Mall 2	Putrajaya	900,000	
LIO	Sepang	400,000	
1itsui Outlet Phase 3	KLIA	n/a	
kypark @ Cyberjaya	Cyberjaya	500,000	2019
yberjaya City Centre	Cyberjaya	350,000	
ropicana Metropark Mall	Batu Tiga	600,000	
etia City Mall Phase 2	Setia Alam	700,000	
otal		3,450,000	
otal Mall Supply		16,562,000	

Source: AREM (Malaysia) Sdn Bhd, June 2017

The outlook for the retail sector is expected to face stiff competition in the next few years, with more ongoing construction of retail malls slated for completion in CY2017 to CY2019. The uncertainties in both global and local economic outlook will adversely impact consumer spending which may later affect shopper traffic and retail sales in particular for those retail malls located in less strategic locations.

2.2 HOTEL

In CY2016, 2 new hotels were completed, namely Empire City (300 rooms) and Le Meridian Putrajaya (350 rooms).

The room stock is largely provided by 5-star hotels accounting for 5,295 rooms (29.8%) and 4-star hotels accounting for 3,704 rooms (20.9%) out of the total stock of 17,769 rooms in 10 CY2017. Average occupancy rate of selected 4/5-star hotels within the selected localities in Selangor remained flat ranging between 65% - 68% in 10 CY2017.

Figure 2.1: Average Occupancy Rate of 4-star and 5-star Hotels in Petaling Jaya



Source: AREM (Malaysia) Sdn Bhd, June 2017

During FY2017, the average occupancy rate for Sunway Resort Hotel & Spa was at 81.5% and Sunway Pyramid Hotel was at 56.8%, attracting mainly corporate guests and tourists. The drop in occupancy rate for Sunway Pyramid Hotel was due to the hotel closure in 20 CY2016 for refurbishment.

The performance of both the hotels are expected to remain stable in the medium to long term supported by the initiatives of Tourism Malaysia and the private sector. Malaysia's improved tourism competitiveness, coupled with the tourism and hotel-related measures announced in the recent Budget 2017 are positive for the country's tourism and hotel industry. This optimism, however, may potentially be negated by the uncertainties arising from the proposed implementation of Tourism Tax, new supply of hotel spaces and emergence of disruptive and unconventional hospitality offerings such as Airbnb and homestay amongst others.

2.3 OFFICE

The office segment recorded an average performance with occupancy rate contracted slightly to 75.5% (CY2016), down from 75.7% recorded in CY2015. This sub-sector witnessed an annual take-up rate of 0.65 million sq.ft. (CY2016), lower than 1.85 million sq.ft. recorded in CY2015. There were 2 notable office buildings which were completed in CY2016 that include UOA Business Park, Shah Alam (1 million sq. ft.) and Mercu Mustapha Kamal (Tower 2), Petaling Jaya (180,000 sq. ft.).

The total stock of office space in Petaling Jaya/Subang Jaya/ Bandar Sunway is at 20.53 million sq. ft. (10 CY2017), reflecting an increase of 2.6% from 20.02 million sq. ft. (10 CY2016).

Future supply of office space in Petaling Jaya and its surrounding area is expected to grow by approximately 4.30 million sq. ft. and will be scheduled for completion by end of CY2017. Post CY2018, there would be an additional 4.12 million sq. ft. of office space.

Figure 2.2: Office Stock in Selangor and Petaling Jaya/Subang Jaya/Bandar Sunway



Source: NAPIC & AREM (Malaysia) Sdn Bhd, June 2017

Table 2.3: Future Supply of Offices in Petaling Jaya and Its Surroundings

Office Building	Location	NLA (sq.ft.)	Expected Completion
Sunway Geo Tower	Bandar Sunway	180,000	
Pacific Star	Section 13, PJ	270,000	
PJ Sentral Garden City (Celcom Axiata Tower)	Section 52, PJ	450,000	
HCK Tower @ Empire City	Damansara Perdana	440,000	
The Pinnacle	Petaling Jaya	400,000	2017
PJ Sentral Garden (Tower 1)	Section 52, PJ	598,000	2017
PJ Sentral Garden (Tower 2)	Section 52, PJ	860,000	
PJ Sentral Garden - MBSB Tower (Tower 3)	Section 52, PJ	280,000	
PJ Sentral Garden (Tower 5)	Section 52, PJ	535,000	
PJ Sentral Garden (Tower 6)	Section 52, PJ	295,000	
Total		4,308,000	
Empire City	Damansara Perdana	1,150,000	
Paramount (Tower 1)	Petaling Jaya	278,000	
Paramount (Tower 2)	Petaling Jaya	294,000	
KUB Tower	Petaling Jaya	n/a	
Uptown 8	Damansara Uptown	450,000	
PJCC	Petaling Jaya	290,000	2018
Petaling Tin Berhad (site)	Petaling Jaya	300,000	2010
The Prime @ The Altium	Damansara Perdana	n/a	
MRCB Office Building	Petaling Jaya	184,000	
Corporate Tower P1 @ i-City	Shah Alam	1,300,000	
Corporate Tower P2 @ i-City	Shah Alam	780,000	
Fraser Square (F&N)	Damansara Perdana	240,000	
Total		5,266,000	
Lot 8131 (Proposed Mixed Development)	SS15, Subang Jaya	300,000	
Office Development (Lot 15 & PT26)	Jalan Kemajuan	558,000	Post 2019
Olives Commercial Tower	SS16, Subang Jaya	450,000	
Total		1,308,000	
Total Office Supply		10,882,000	

Source: AREM (Malaysia) Sdn Bhd, June 2017

Some of the established and growing decentralised office locations such as Bandar Utama, Bandar Sunway, Shah Alam and Kelana Jaya have maintained strong occupancy rates, recording more than 81%, higher than the Selangor state's overall occupancy level of 75.5% in CY2016.

Figure 2.3: Office Occupancy Rates in Petaling Jaya and Its Surroundings



Source: AREM (Malaysia) Sdn Bhd, June 2017

Average rental rates for purpose-built office space in Selangor have remained fairly stable, averaging between RM3.15 - RM3.25 psf/m, over the past six years (CY2010 to CY2015). In CY2016, the overall average rental rate was recorded at RM3.30 psf/m.

The average gross rental rates in Petaling Jaya and Subang Jaya remained stable with rentals ranging from RM3.30 - RM5.50 psf/m. However, effective rentals achieved at new and modern office buildings range from RM3.30 - RM4.50 psf/m with many landlords offering various incentives to attract new tenants.

The average occupancy rate for Menara Sunway in Bandar Sunway was at 92.1% and Wisma Sunway in Shah Alam was at 86.9% for FY2017. The occupancy rates for both the buildings are expected to be stable going forward due to their captive markets.

Moving forward, it is anticipated that there will be a slower takeup rate in the overall office market sub-sector in the state within the next 2 to 3 years due to the incoming supply of approximately 8.5 million sq.ft. which is expected to be completed between 2H CY2017 to CY2018. Market rentals and occupancy are expected to come under pressure due to the large incoming supply.

However in the short term, demand for good grade dual-compliant (MSC Status and GBI certified) office buildings, particularly those forming part of integrated mixed-use developments in the established fringe and upcoming office locations, are expected to remain stable due to limited availability of such space.

3. KUALA LUMPUR

The Kuala Lumpur property market would remain on a positive path backed by various ongoing and proposed development projects. Transport infrastructure development is being stepped up in Greater Kuala Lumpur/Klang Valley, having been outpaced by the rapid urbanisation in the ASEAN region.

The completion of Mass Rapid Transit 1 (MRT Line 1) from Sungai Buloh to Semantan involving key stations (Taman Tun Dr Ismail, Phileo Damansara, Pusat Bandar Damansara and Semantan) as well as the completion of MRT Line 1 Phase 2 (Semantan – Kajang) in July 2017 will reinvigorate the property market within the vicinity.

Amongst the infrastructure projects that are expected to improve accessibility and connectivity are:

- MRT Line 2 (Sungai Buloh Serdang Putrajaya), which has commenced construction and expected to be completed in 2022.
- High Speed Rail (HSR), which will facilitate the journey between Kuala Lumpur and Singapore within 90 minutes and connect six transit locations, namely Putrajaya, Seremban, Ayer Keroh, Muar, Batu Pahat and Iskandar Puteri.

3.1 RETAIL

As at 10 CY2017, the retail stock in Kuala Lumpur had grown to 31.79 million sq.ft., a marginal increase of 8.46% from the preceding year mainly due to the opening of GLO Damansara, Damansara City Mall, Giant Hypermarket (Jalan Genting Klang) and Sunway Velocity.

In the pipeline, there will be a total of 8.09 million sq.ft. of retail space to be completed between CY2017 and CY2018 in Kuala Lumpur. This pipeline excludes mega projects that are still under planning such as Bandar Malaysia, Tun Razak Exchange, Warisan Merdeka and Bukit Bintang City Centre, which will come onstream within the next 3 years.

Performance of the retail sub-sector moderated with an average occupancy rate of 86.9% in CY2016, down slightly compared to 87.4% recorded in CY2015. The annual take-up rate increased to 1.55 million sq.ft. in CY2016 against 0.475 million sq.ft. in CY2015. The retail market would face intense competition amid a sluggish consumer environment coupled with uncertainties in all aspects and intensified by the influx of retail space supply. The weak ringgit and rising cost of living will continue to negatively impact the local purchasing power, with consumer discretionary spending being crimped.

Despite the current challenging market environment, occupancy rates of prime and established shopping malls in Kuala Lumpur continue to remain stable with average occupancy rate of over 97%. These malls include Pavilion Kuala Lumpur, Suria KLCC, Mid Valley Megamall and The Gardens Mall.

Overall, rental of prime retail space continues to record higher rates from new and renewed leases. Average monthly rental rates in prime retail malls are in the range of RM13 – RM43 psf/m and are expected to remain resilient, albeit registering slower rental growth. However, less established shopping centres will be under growing pressure with heightened competition amid a high supply in the pipeline and a weak retail market.

Sunway Putra Mall which re-opened about 2 years ago after its major refurbishment and expansion exercise, registered an average occupancy rate of 86.3% in FY2017.

Table 3.1: Future Supply of Shopping Malls in Kuala Lumpur

Shopping Mall	Location	NLA (sq.ft.)	Expected Completion
My Town @ Cochrane	Jalan Cochrane	1,300,000	
KL Gateway Boutique Mall	Kerinchi	150,000	
Pavilion KL Mall (Extension)	Jalan Bukit Bintang	225,000	
Melawati Mall	Taman Melawati	620,000	
Selayang Star City	Jalan Ipoh	550,000	2017
Four Seasons Place	Jalan Ampang	300,000	
KLCC (Lot K)	KLCC	399,000	
KL Eco City	Abdullah Hukum	313,000	
Kiara 163	Mont Kiara	180,000	
Total		4,037,000	
8 Conlay Podium	Jalan Conlay	188,000	
Paradigm KL	Jalan Awan Besar	1,700,000	
Pavilion 2	Bukit Jalil	2,000,000	2018
Eko Cheras	Cheras	1,000,000	
Quartza Mall	Desa Melawati	635,000	
Total		5,523,000	
Total Retail Supply		9,560,000	

Source: AREM (Malaysia) Sdn Bhd, June 2017

Table 3.2: Average Gross Rentals of Selected	Shopping Malls in Kuala Lumpur
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Shopping Mall	Location	Estimated Average Gross Rental (RM psf/m)
Suria KLCC	KLCC	33.00 - 42.00
Pavilion	Bukit Bintang	22.00 - 25.00
Sungei Wang Plaza	Bukit Bintang	6.00 - 9.00
The Gardens	Mid Valley	13.00 - 15.00
Mid Valley Megamall	Mid Valley	15.00 - 17.00

Source: AREM (Malaysia) Sdn Bhd, June 2017

The outlook is very challenging as consumers are expected to remain cautious in their spending on retail goods due to continued rising cost of living and reduced purchasing power. The retail landscape is facing strong headwinds and the impending incoming supply will further heighten competition in an already crowded market. Shopping centre owners and retailers will have to step up their marketing efforts and re-strategise to continue to attract customers.

Over the last few years, many "brick and mortar" retailers have transformed into "clicks and mortar" by incorporating internet sales into their businesses. PEMANDU (Performance Management and Delivery Unit) has urged local retailers to improve their internet sales from online shopping as there is huge potential in the rapidly growing e-commerce market.

3.2 OFFICE

The office sub-sector portrayed downward performance as the average occupancy rate contracted to 77.9% in CY2016 compared to 81.2% in CY2015. The annual take-up remained positive at 0.265

million sq.ft. compared with a negative take-up rate of 0.237 million sq.ft. in CY2015.

There were seven buildings completed in CY2016, namely Menara Guocoland @ Damansara City (247,000 sq.ft.), Vertical Suites @ Bangsar South Block A & B (777,000 sq.ft.), Designer Officer, Sunway Velocity (189,000 sq.ft.), Vertical 38 Tower A & (Bangsar South Phase III) (1.24 million sq.ft.), Menara Hong Leong @ Damansara City (506,000 sq.ft.), KL Eco City Office Tower (Signature Office) (272,000 sq.ft.) and Ken TTDI (215,000 sq.ft.). These new buildings contributed a combined space measuring 3.45 million sq.ft. to the market.

As at 10 CY2017, the stock of purpose-built office space in Kuala Lumpur stood at 93.77 million sq.ft., a growth of 4.3% from 10 CY2016. Majority of the space, approximately 29.6% is concentrated in the Golden Triangle (GT), 14.6% in the Central Business District (CBD) and the remaining 55.5% is distributed amongst Kuala Lumpur decentralised areas.

Table 3.3: Existing Supply of Purpose Built-Office in Kuala Lumpur (10 CY2017)

Location	No. of Buildings	Total Space (sq.ft.)	Total Space Occupied (sq.ft.)	Occupancy (%)
KLCC/Golden Triangle	91	27,990,730	22,252,630	80%
Central Business District	90	13,725,869	11,529,730	84%
Within City Centre	143	32,237,157	25,144,982	78%
Suburban	111	19,814,432	14,662,679	74%
Total	435	93,768,188	73,590,021	78 %

Source: AREM (Malaysia) Sdn Bhd, June 2017

Table 3.4: Selected Future Supply of Purpose-Built Office in Kuala Lumpur (10 CY2017)

Office Building	Location	NLA (sq.ft.)	Expected Completion
JKG Tower	Jalan Raja Laut	390,000	
Public Mutual Tower	Jalan Raja Chulan	700,000	
KL Gateway Corporate Office Tower 1 & 2	Bangsar South	792,000	
Damansara City Tower A	Damansara Heights	506,000	
KL Eco City - Tower 1	Abdullah Hukum	700,000	2017
KL Eco City (Setia Tower) - Tower 2	Abdullah Hukum	540,000	
KL Eco City (DBKL Tower) - Tower 3	Abdullah Hukum	400,000	
KL Eco City - Boutique	Abdullah Hukum	700,000	
Mid Valley Southpoint	Mid Valley City	900,000	
Total		5,628,000	
The Vertical Corporate Tower	Bangsar South	693,000	
Redevelopment of MAS Building (PNB Lot 1194)	Jalan Sultan Ismail	357,000	
Office Tower (former Bombay Palace)	Jalan Tun Razak	331,000	2018
Prudential Tower	TRX	415,000	
Equatorial Plaza	Jalan Sultan Ismail	470,000	
Etiqa Insurance	Bangsar	390,000	
Total		2,656,000	
Onyx Tower	Jalan Sultan Ismail	270,000	
Tradewinds Tower	Jalan Raja Laut	1,000,000	
Lot K (KLCC)	KLCC	1,720,000	
Affin Group HΩ	TRX	n/a	Post 2019
Oxley Tower	Jalan Ampang	n/a	
Sapura Corporate HQ	KLCC	n/a	
Merdeka PNB 118	Jalan Stadium	1,920,000	
Total		4,910,000	
Total Office Supply		13,194,000	

Source: AREM (Malaysia) Sdn Bhd, June 2017

The average occupancy rate for Sunway Tower and Sunway Putra Tower was at 20.7% and 36.6% respectively for FY2016. Due to the oversupply situation in Kuala Lumpur, improving the occupancy rate for both the buildings would remain challenging.

There is a high impending supply of office space currently under construction and in the planning pipeline, with an estimated 6.92 million sq. ft. of office space expected to enter the market within the next 2 years. Post CY2018, there is an estimated 8.7 million sq.ft. of space to be added further.

Average prime office rents in Kuala Lumpur remained stable in CY2016 with some downward pressure on older office buildings. Prime A office space in the GT has consistently commanded higher rental rates compared to those located in the CBD. Rental rates of Prime A office buildings in the GT range from RM6.50 - 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 RM4.00 - RM7.50 psf/m and KL city fringe rental rates for prime office buildings range from RM3.50 - RM7.00 psf/m.

Moving forward, the Kuala Lumpur office market is expected to remain subdued with no catalysts to boost demand in the short-term. With the widening mismatch between supply and demand, office vacancies are expected to trend upwards due to the high incoming supply and weaker demand as more firms downsize and consolidate their business operations. Owners of newly completed office buildings which have not been pre-let are expected to offer more competitive rental packages to secure tenants while those of older and secondary office buildings are expected to be more flexible in negotiations as they seek to retain their existing tenants.

3.3 HOTEL

In CY2016, there were four new hotels completed, namely St Regis (112 rooms), Oasis Suites Kuala Lumpur (208 rooms), V E Hotel & Residence (427 rooms) and The Kuala Lumpur Journal

Table 3.5: Selected Future Supply of Hotels in Kuala Lumpur

(247 rooms) offering a combined 994 rooms into the market.

As at 10 CY2017, there are a total of 205 tourist accommodations providing a total of 37,063 rooms in Kuala Lumpur. Out of the 37,063 hotel rooms in Kuala Lumpur, 33.4% of them are of 5-star category, 27.0% of 4-star category and 22.6% are of 3-star category. The remaining 17.0% belong to other categories.





Source: AREM (Malaysia) Sdn Bhd, June 2017

As at 10 CY2017, there are a number of proposed hotels in the incoming and planned supply, totalling 5,294 rooms. Selected future supply of hotels under construction and planning stages are tabulated in Table 3.5.

The average occupancy rate of Sunway Putra Hotel was at 68.2% for FY2017. The hotel completed its refurbishment exercise end of CY2015 and the occupancy is expected to improve going forward.

Hotel and Serviced Apartment	Location	No. of Rooms	Expected Completion	
Four Seasons	Jalan Ampang	230		
The Ruma Hotel and Residence	Jalan Kia Peng	253		
W Hotel	Jalan Ampang	150		
Alia Bangsar	Jalan Ang Seng	126	2017	
Fairmont Hotel	KLCC	750		
Hyat House4	Jalan Kiara	275		
KLCC Ibis Styles Hotel	Jalan Yap Kwan Seng	678		
Hotel Equatorial	Jalan Sultan Ismail	452		
M101 Dang Wangi	Jalan Dang Wangi	170	2010	
M101 Bukit Bintang	Jalan Bukit Bintang	100	2018	
Royale Pavilion	Jalan Bukit Bintang	329		
Total		3,513		

Source: AREM (Malaysia) Sdn Bhd, June 2017

The Kuala Lumpur hospitality landscape is expected to remain challenging with slower economic growth amidst increased competition with 5,294 rooms likely to enter the market within the next 2 years.

The Government will promote Malaysia through Visit ASEAN@50 Year Campaign in conjunction with the 50th anniversary of ASEAN as well as Malaysia hosting the 2017 SEA and ASEAN PARA Games. The Government will extend e-visa, currently available to Chinese tourists, to countries in the Balkans and South Asia regions.

4. PENANG

The performance of the Penang property market performance softened in CY2016. The state's property market will remain on a positive path backed by various ongoing and proposed development projects.

Transport infrastructure development remains the state's focus in line with Penang Transport Master Plan for long-term highway projects. The Penang mega projects, part of the RM6.3 billion infrastructure package, comprise three highways and an undersea tunnel linking the island to the mainland.

- The 10.5 km paired road from Tanjung Bungah to Teluk Bahang.
- The 5.1 km elevated four-lane expressway from Ayer Hitam to Tun Dr Lim Chong Eu Expressway.
- The 4.1 km Gurney Drive to Tun Dr Lim Chong Eu Expressway Bypass.
- The Penang Underpass Tunnel is the key infrastructure project which spans 7.2 km. The tunnel will connect Butterworth, Seberang Perai in the east to Georgetown, Penang Island in the west. Upon completion in CY2025, it will become the first undersea tunnel in Malaysia and the second in Southeast Asia.

In the construction segment, the residential subsector is expected to be sustainable given the ongoing construction of housing projects including affordable housing developments. Summary of the affordable housing projects in the state include:

- 600 units of affordable housing in Ujung Batu, Bagan Dalam and another 1,200 units of low cost housing by Penang Development Corporation (PDC).
- 520 units of affordable houses in Bandar Cassia which are currently under construction and expected to be completed in 1H 2017 with the selling price of between RM72,500 to RM220,000.
- 2,644 units of PR1MA housing projects have been approved by the State Government in Batu Ferringhi and Bukit Gelugor.

The proposed development of Business Process Outsourcing (BPO) Prime, an integrated mixed-development between PDC, Temasek and Economic Development Innovation Singapore (EDIS), is located in Bayan Baru on a 2.7-hectare site. It will provide commercial space for BPO events.

In the industrial sub-sector, the State Government has planned for SME projects encompassing 27 factories in Taman Perindustrian Bukit Minyak, which are currently pending approval for Certificate of Completion and Compliance (CCC).

All the proposed and ongoing developments as well as various initiatives by the State Government are expected to bring about a positive impact on the market.

4.1 RETAIL

The performance of the retail sub-sector remained moderate as the overall occupancy rate showed a marginal decline to 71.0% in CY2016 compared with 71.8% in CY2015. The total existing supply of retail space in the state stood at 18.32 million sq.ft. (island and mainland) as at 10 CY2017. The retail space per capita for the state of Penang is 10.65 sq.ft. per capita, which indicates an oversupply situation compared to 8.85 sq.ft. per capita in the Klang Valley.

Penang Design Village in Batu Kawan, the first outlet mall in the northern region was opened in CY2016 and the current occupancy is about 55%. IKEA is scheduled to be opened by the end of CY2018 or 10 CY2019, located in Bandar Cassia. Retail malls in the planning stages include Sunshine Tower (900,000 sq.ft.), The Light Waterfront Mall (1,000,000 sq.ft.), City Mall Tanjong Tokong (300,000 sq.ft.), Sunway Valley City Shopping Mall (1,000,000 sq.ft.), Penang World City (1,000,000 sq.ft.), Southbay Plaza Mall (420,000 sq.ft.), Sunway Carnival Mall extension (450,000 sq.ft.), IKEA and IKANO Power Centre (n/a) and Penang Sentral Phase 2 (n/a).

Prime shopping malls in the state have maintained their occupancy rate of above 90% whilst occupancy rates of secondary malls range from 58% - 80%. Sunway Carnival Shopping Mall located in Seberang Jaya still remains as the leading mall in the mainland with an occupancy rate of 97.6% for FY2017. Sunway Carnival Shopping Mall's performance is expected to remain resilient going forward as there is no significant amount of new supply entering the market within the next 12 months.

The average rental rates for ground floor space in shopping centres in Penang were stable between RM4.30 and RM40.00 psf/m, depending on the mall, location and size of the retail space. Overall, the state's retail sector is generally expected to be stable over the next 12 months due to a balanced level of demand and supply of retail space.

The retail climate in Penang is expected to become more challenging with the increasing supply in the next three to five years, with some 5 million sq.ft. of retail space coming onstream. Nonetheless, retail malls with strong tenant mix and situated within strategic locations, equipped with large and ready catchment population will continue to take the lead. Aged retail malls are likely to see a dip in occupancy where tenants may seek to relocate upon expiration of tenancy in view of the poor building conditions.

Hotel	Rating	No. of Rooms
Seberang Jaya		
Light Hotel	5	303
Sunway Hotel Seberang Jaya	3	202
Summit	3	108
Pearl View	3	308
lxora	3	326
Aroma	3	155
Georgetown		
Eastern & Oriental Hotel	5	222
St Giles Wembley	4	415
Olive Tree Hotel	4	196
Bayview Hotel Georgetown	4	333
Georgetown City Hotel	4	320
Eastin Hotel	4	328
Marinatime Waterfront Hotel	4	60
Cititel Express	3	234
Hotel Neo+	3	196
Sentral Hotel Penang	3	137

Source: AREM (Malaysia) Sdn Bhd, June 2017

4.2 HOTEL

As at 10 CY2017, there are a total of 9,199 hotel rooms in the state provided by hotels ranging from 3-star to 5-star. The nine 5-star hotels located in the state offer a total of 3,285 rooms, while the 4-star category offers a total of 4,111 rooms provided by thirteen hotels and the 3-star category offers a total of 1,803 rooms contributed by twelve hotels. There was no additional supply of 3-star to 5-star hotel rooms in the state compared with 10 CY2016.

Penang is placed second in the list of "17 best places to visit in 2017" by CNN. Penang is arguably one of Asia's best street food destinations. It offers a mix of traditional Malay, Chinese and Indian dishes, as well as fusion cuisines such as Baba Nyonya or Peranakan, which incorporates regional ingredients and Chinese and Malay cooking methods, as reported by CNN.

Penang is turning increasingly trendy since its inception as a UNESCO World Heritage Site back in CY2008. Old districts have been carefully renovated. Many of the old houses of Penang capital city, Georgetown have been renovated and are home to boutique hotels, hipster coffee shops, art galleries or museums. Coupled with the benefits of a weak ringgit, tourist arrivals are on the rise. Domestic tourism is particularly booming as many Malaysians are deterred to travel abroad due to their weakening currency versus most other regional currencies. Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown can expect to benefit from the tourism sector, medical tourism and the robust industrial sector in Penang.

5. PERAK

The state property market moderated in CY2016. Market activity in all subsectors was down with the exception of the agricultural subsector. The future prospect for the state is expected to be bright, supported by various Government projects. Under the Perak State Budget 2017, a number of initiatives and plans have been drawn up to ensure that the property market in 2017 remains strong, especially in supporting the supply of affordable housing and attracting foreign investors into the state. Some of these initiatives are:

- Re-establishment of the State Economic Action Council (NEAC) to ensure the economic sectors can be mobilised immediately with an emphasis on the following:
- Develop low cost houses for low-income people to own houses.
- Complete the infrastructure in industrial areas to attract investors to set up their plants in the state.
- Address the cost of living such as introducing mobile shops 1Amanjaya and give food to the poor.
- Promote tourism to the state in conjunction with Visit Perak Year 2017.

- Establishment of the Perak Housing and Real Property Board (LPHP), for the purpose of regulating, promoting, coordinating, facilitating and implementing housing development and real estate in the state, particularly public housing and affordable housing.
- Provide incentives to private developers to build low cost houses by means of 71% to 75% discount on land premium renewal. These incentives can be claimed after the construction is completed.
- Development charges reduced by 5% from 10% for the construction of low cost houses.
- Full fee exemption for planning permission, earthwork, research and development plan, hoarding board, share house permit, signage permit and street light plan for construction of low cost houses. The exemption is effective from 1 January 2017 till 31 December 2018.
- The implementation of connection of Natural Gas Pipeline Project from Ayer Tawar, Manjung District Lembah Kinta with total cost of RM180 million to ensure the industrial sector continues to drive the economy. This project is expected to begin early in CY2017 and will take 24 months to complete.
- Remission of 25% on premium rates for the disposal of state land or conversion of land for industrial and residential development. The incentive is from 1 January 2017 until 31 December 2018.
- The state has launched the Visit Perak Year 2017 with the aim to attract 8 million tourists. Tourism products will mainly involve the relics of history in Ipoh, Taiping, Lenggong, Pasir Salak and ecotourism in Belum Forest Reserve area. Perak State and Federal Government have drawn the National Plan of Eco-tourism 2016 to 2025. Five core areas in the national plan:
- Investment in eco-tourism area.
- Concession tourism in National parks / State parks.
- Synergies between eco-tourism and conservation.
- Eco-tourism marketing.
- Eco-tourism cluster development.
- Organise several international conferences and festivals, namely:
 - Pangkor Dialogue Conference.
 - World Conference on Islamic Thought and Civilization (WCIT).
 - Poetry Festival and International Folk Songs Pangkor (PULARA).

• The development involves the alignment from Sabak Bernam Intercharge to Taiping interchange, which is expected to have a positive spillover effect on the value of lands in the vicinity, especially agricultural land and residential properties in Manjung.

These developments are expected to boost the state's economic and property sectors.

5.1 RETAIL

The performance of the retail sub-sector was less encouraging in CY2016. The overall occupancy rate of shopping complexes declined to 85.3% in CY2016 compared with 88.2% recorded in CY2015. The sub-sector saw a negative annual take-up of 0.12 million sq. ft. in CY2016. There were three new completions in CY2016, namely Billion Mall @ Silibin in Ipoh, Pasaraya TF in Taman Melor in Telok Intan and TF Value Mark @ Panorama Lapangan Perdana which injected a total of 327,104 sq. ft. of retail space.

The current total stock of retail space in the state as at 10 CY2017 is at 10.50 million sq. ft. (Ipoh accounts for approximately 6.23 million sq. ft.) offered by 74 shopping complexes. Of these, 37 are hypermarkets of which 12 are located in Ipoh. The retail space stock increased by 2.8% compared with 10 CY2016.

Generally, rental of retail space remained stable for most shopping complexes. Positive rental movements were recorded in selected complexes due to tenancy and rental renewals.

The current rentals of hypermarket space in Ipoh range from RM2.00 to RM2.80 psf/m depending on the location and conditions agreed between the owner and hypermarket operator. The prospect for hypermarket is expected to continue to be challenging as there has been a growing number of hypermarkets opening in Ipoh over the last 2 years.



PUSHING THE LIMITS

Foresight allows us to expand our asset portfolio to create value. Similar to a squash player strategising his moves to be ahead of his opponent, the Manager's strong business acumen enables us to stay ahead of the curve.

PROPERTY DETAILS

Portfolio at a Glance Portfolio Summary & Details 106 108



PORTFOLIO AT A GLANCE

GEOGRAPHICAL CONTRIBUTION BY PROPERTY VALUE OF RM6.69 BILLION AS AT 30 JUNE 2017





PROPERTY SUMMARY (RETAIL)



SUNWAY PYRAMID SHOPPING MALL

LOCATION SELANGOR

DATE OF ACQUISITION 8 JULY 2010

ACQUISITION PRICE (RM MILLION) 2,132

TITLE, EXPIRY DATE & YEARS REMAINING

- PN 17414 Lot No. 62059 21 February 2102 (85 years remaining)
- PN 9495 Lot No. 32 1 April 2097 (80 years remaining)
- H.S(D) 259957 Lot No. PT 1312 1 April 2097 (80 years remaining)
- PN 9500 Lot No. 51175 1 April 2097 (80 years remaining)
- H.S(D) 233143 Lot No. PT 891 14 August 2105 (88 years remaining)

All in Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment

- Driveto Covert by Dublic Bank Barbad
- Charged to HSRC Amanah Malaysia Barba

YEAR OF COMPLETION Phase 1 in 1997; Phase 2 in 2007

APPRAISED VALUE (RM MILLION) 3,450

DATE OF LATEST VALUATION* JUNE 2017

Vacant land for expansion of Sunway Carnival Shopping Mall
Please refer to Operation Review: Planned AEIs for detailed information
*NOTE: Valued by C H Williams Talbar & Woog Sdo Rbd



SUNWAY CARNIVAL SHOPPING MALL / VACANT LAND FOR EXPANSION¹

LOCATION PENANG

DATE OF ACQUISITION 8 JULY 2010 / 27 DECEMBER 2016¹

ACOUISITION PRICE (RM MILLION) 232/171

TITLE, EXPIRY DATE & YEARS REMAINING

- PN 1816 Lot No. 5497 21 October 2092 (75 years remaining)
- PN 1817 Lot No. 5498 21 October 2092 (75 years remaining)
- PN 1818 Lot No. 5499 21 October 2092 (75 years remaining)
- PN1814 Lot No. 5493 21 October 2092 (75 years remaining)¹

All in Mukim 1, Daerah Seberang Perai Tengah, Negeri Pulau Pinang

TENURE Leasehold - 99 years

Loudoniola do your

ENCUMBRANCE

- Charged to Affin Hwang Investment Bank Berhad - NIL¹

YEAR OF COMPLETION 2007 / NA¹

APPRAISED VALUE (RM MILLION) 398 / 17¹

DATE OF LATEST VALUATION* JUNE 2017
PROPERTY SUMMARY (RETAIL) (CONT'D)



SUNCITY IPOH HYPERMARKET

LOCATION PERAK

DATE OF ACQUISITION 8 JULY 2010

ACQUISITION PRICE (RM MILLION) 46

TITLE, EXPIRY DATE & YEARS REMAINING

 PN 258216 Lot No. 331232 - 22 February 2100 (83 years remaining)

Mukim Hulu Kinta, Daerah Kinta, Negeri Perak

TENURE Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berha
- Private Caveat by Public Bank Berhad

YEAR OF COMPLETION

APPRAISED VALUE (RM MILLION) 61

DATE OF LATEST VALUATION* JUNE 2017



SUNWAY PUTRA MALL

LOCATION KUALA LUMPUR

DATE OF ACQUISITION 19 April 2011

ACQUISITION PRICE (RM MILLION) 219

TITLE, EXPIRY DATE & YEARS REMAINING

• Geran 10012, Lot No. 38, Seksyen 51

Kuala Lumpur, Wilayah Persekutuan

TENURE

Freehol

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berha
- Pending registration of lease renewal for further 30 years to Lembaga Letrik Tanah Melayu (Tenaga Nasional Berhad)
- Private Caveat by Trustee

YEAR OF COMPLETION

1988; Refurbished in 2015

APPRAISED VALUE (RM MILLION) 595

DATE OF LATEST VALUATION* JUNE 2017

PROPERTY SUMMARY (RETAIL) (CONT'D)

RETAIL ASSETS	SUNWAY Pyramid Shopping Mall	SUNWAY Carnival Shopping Mall	SUNCITY IPOH Hypermarket	SUNWAY PUTRA MALL	TOTAL
Land Area (sq. ft.)	820,070	348,428	354,994	193,621 ¹	1,717,113
Gross Floor Area - Retail and Convention Centre (sq. ft.)	2,454,795	769,546	193,408	988,988	4,406,737
Gross Floor Area - Car Park (sq. ft.)	1,873,470	213,554	-	575,258 ¹	2,662,282
Net Lettable Area - Retail (sq. ft.)	1,624,020	457,920	183,327	541,272	2,806,539
Net Lettable Area - Convention Centre (sq. ft.)	143,467	32,292	-	-	175,759
Number of Parking Bays	> 3,900	> 1,100	400	> 1,5001	> 6,900
Number of Tenancies	766	208	1	241	1,216
Occupancy as at 30 June 2017 (%)	98.7	98.4	100.0	86.2	96.5
Annual Shopper Traffic (million)	> 37.0	> 8.0	N/A	> 8.0	> 53.0
Revenue (RM million)	303.5	46.1	4.9	50.5	405.0
Net Property Income (RM million)	229.6	29.4	4.6	26.3	289.9
Appraised Value as at 30 June 2017 (RM million)²	3,450	398	61	595	4,504
Value per sq. ft. (RM)	1,952	812	333	1,099	N/A
Capitalisation Rate - Current / Reversionary (%)	6.00 / 6.50	6.50 / 7.00	6.50 / 7.00	6.25 / 6.75	N/A

¹ For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower ² All the properties are valued by C H Williams Talhar & Wong Sdn Bhd

N/A - Not Applicable

PROPERTY DETAILS (RETAIL)

SUNWAY PYRAMID SHOPPING MALL

Your Unique Lifestyle Adventure

Sunway Pyramid Shopping Mall (Sunway Pyramid), the trophy asset of Sunway REIT, is one of the largest malls in Malaysia and top 10 largest mall in the world that has won many prestigious awards.

As the country's first thematic mall, Sunway Pyramid has an Egyptian-inspired architectural design with 4 themed precincts, namely Asian Avenue, Oasis Boulevard, Fashion Central and Marrakesh that have their own unique interior designs.

The mall is located within the heart of an internationally renowned integrated township known as Sunway 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, Sunway Pyramid Hotel, Menara Sunway and Sunway Medical Centre and enjoys convenient access to Kuala Lumpur and Klang Valley via 5 major expressways, namely 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 of dining, fashion, specialty offerings and entertainment, including a 12-screen cineplex, Malaysia's first in-mall ice-skating rink, a convention centre which host various international conferences and multi-storey parking facilities.

COMPLETED INITIATIVE

Sunway Pyramid converted 11,500 tubes of their car park lights to LED.

Centre Management Office Level CP6, Blue Atrium, Sunway Pyramid Shopping Mall, No. 3, Jalan PJS 11/15 Bandar Sunway, 47500 Selangor Darul Ehsan, Malaysia. Tel: (603) 7494 3000 Fax: (603) 7493 6333 Website: www.sunwaypyramid.com Facebook: www.facebook.com/SunwayPyramid

SUNWAY PYRAMID SHOPPING MALL

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2017 (%)	Annual shopper traffic (million)	Revenue (RM million)	NPI (RM million)
820,070	2,454,795 (Retail &	1,624,020 (Retail)	> 3,900	766	98.7	> 37.0	303.5	229.6
	Convention Centre)	143,467 (Convention						
	1,873,470 (Car Park)	Centre)						



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



TENANT MIX BY TRADE SECTOR WEIGHTED Based on June 2017 Gross Rental Income AVERAGE LEASE Fashion & Others Food & Education & Leisure & Electronics Department Footwear Beverage Services Entertainment Store **EXPIRY** Δ YEARS 34.6% 23.3% 21.4% 6.8% 4.8% 4.7% 4.4%

TOTAL TOP TENANTS

Based on June 2017 Gross Rental Income

13.0%	Total Top Tenants	1.1%	H&M Retail Sdn Bhd (H&M, Monki)
2.3 %	Aeon Co. (M) Bhd	1.0%	JD Sports Fashion Sdn Bhd (JD, Sports Empire, The Marathon Shop)
1.7%	Parkson Corporation Sdn Bhd	1.0%	Padini Dot Com Sdn Bhd (Padini Concept Store)
1.5%	TGV Cinemas Sdn Bhd	0.9 %	Peregrine Technology Sdn Bhd (Digital Centre)
1.4%	Sunway Resort Hotel Sdn Bhd (Convention Centre)	0.9 %	Wing Tai Clothing Sdn Bhd (Topshop, Topman, Miss Selfridge,
1.2%	Cotton On (Malaysia) Sdn Bhd (Typo, Factorie, Cotton On)		Burton, Dorothy Perkins)

SUNWAY PYRAMID SHOPPING MALL MARKETING ACTIVITIES



Being Malaysian with Cheeming Boey (31 August 2016) Cheeming Boey, a recipient of many awards including an award from international conference TED, launched his latest book series 'When I Was A Kid 4' at Sunway Pyramid. He held a book signing day on National Day while displaying his gallery of artwork that illustrates what its truly like being a Malaysian. Besides the launch, there was a 1Malaysia dance performance by Maltra Sutra Dance Troupe. Boey also held an exclusive drawing workshop with the mall's kids club, the Leo Cubs during his Meet-and-Greet session.



Rogue One: A Star Wars Story (November 2016-December 2016) In conjunction with the release of the latest Star Wars movie, fans of the series were excited to see the authentic Death Trooper armour that was on display. Shoppers got the chance to test their aiming skills at the Rogue One Nerf Blaster Battleground. An exhilarating 360° experience awaited shoppers too as they got the chance to 'step into an X-Wing' and go on a ride on the 'Rogue One Recon Mission' simulator. Shoppers also took selfies with the LEGO Star Wars figurines and intricate diorama displays.



Christmas (November 2016-December 2016)

In the spirit of Christmas, shoppers were treated to a sparkling display of modern Christmas trees, adorned with twinkling fairy lights, cheerful baubles and a majestic tree topper. Shoppers were mesmerised by the exquisite décor, meet & greet sessions with Santa, along with redemption items that were added to the excitement of the shoppers.



Mai Zao Gai: Spring into Prosperity - Chinese New Year Celebration (January 2017-February 2017)

Inspired by the classic multi-level retail shops as well as Chinese signages, the Orange Concourse was decorated up to 4-storeys high with structures of shops and a theatre that resembled the yesteryears. Colourful rooster sculptures, lanterns and red painted walls created memorable backdrops for photo opportunities. The mall's friendly mascot, Leo the Lion, was dressed up in his Fortune Rooster outfit and shoppers who caught him for a wefie got to enjoy exclusive discounts at participating stores during the Rush Hour promotions. 'Mai Zao Gai' means 'do not let great bargains or opportunities run away'. Cock-A-Doodle-Doo!

SUNWAY PYRAMID SHOPPING MALL MARKETING ACTIVITIES (CONT'D)



Disney Tsum Tsum (10 – 26 February 2017)

Sunway Pyramid celebrated Valentine's Day with Disney Tsum Tsum! Shoppers got the opportunity to snap photos of their favourite Tsum Tsum characters and participated in the LINE games and stood a chance to win an SK Jewellery Tsum Tsum Gold Coin and other prizes! Shoppers also got to customise Tsum Tsum sticker at the name sticker machine, redeemed exclusive gifts and much more!



Beauty and The Beast (10 - 26 March 2017)

'Be Our Guest' as we rediscover the enchanting world of Beauty and the Beast through the tale of women empowerment, courage and love! Shoppers got to be a part of the most beautiful love story ever told, with a lineup of Beauty and the Beast themed activities while they shopped for Beauty and The Beast related merchandise and much more. Shoppers at the concourse could take part in colouring, temporary tattoo and nail art workshops available all day round, and creative rose crafting workshops on weekends. They could also redeem a limited edition Beauty and the Beast notebook.



Dream Big this School Holidays with Disney (26 May – 12 June 2017)

A pink paradise with a majestic Disney Dream Big Princess castle adorned with regal ceiling to floor windows inspired by "Tangled" and "Beauty and the Beast" invaded the mall during the June School Holidays. From 1-4 June, Disney Princess Belle and Rapunzel made an appearance on stage to meet and greet fans of all ages. Disney merchandise were also sold at the retail corner. Fans of "Tangled" had the opportunity to experience her artistic side by personalising their own journal and bracelet as well as taking her cheeky pet, Pascal, a 3D model home. At the same time, Belle's fans could get immersed in a good book at the reading corner or make a rose origami which was inspired by the enchanted rose in the movie.



The Beauty of Raya (2 June – 2 July 2017)

For this year's Hari Raya celebration, the mall adopted the theme 'Beauty of Raya' where the splendour of flora and fauna was displayed through the extravagance of papercutting. Raya activities ran throughout the whole month and papercutting workshops held every weekend. Shoppers were entitled to redeem an exclusive Floral Tiffin Carrier with a minimum spending. In line with Sunway's commitment towards a sustainable development, shoppers were entitled to redeem a packet of Alcea Rosea flower for free.

PROPERTY DETAILS (RETAIL)

SUNWAY CARNIVAL SHOPPING MALL



The Mainland's Treasured Mall

Sunway Carnival Shopping Mall is a leading 4-storey retail mall strategically located at the heart of Seberang Jaya, Penang – a well-integrated township initiated by the Government to boost the administrative, residential, industrial and commercial sectors of Malaysia's northern region.

Launched in June 2007, the mall currently houses tenants in excess of 200 outlets encompassing an extensive offerings of international retailers, regional retailers and local brands. Shoppers are spoilt by an indulgence of a wholesome range of offerings from fashion boutiques, restaurants, Cineplex to fitness centre.

FUTURE INITIATIVE

Sunway Carnival Shopping Mall will undergo an expansion and refurbishment exercise from FY2018.

Plaese refer to Operation Review: Planned AEIs for detailed information

Centre Management Office 3068, Jalan Todak, Pusat Bandar Seberang Jaya, 13700 Seberang Jaya, Pulau Pinang, Malaysia Tel: (604) 397 9888 Fax: (604) 397 9883 Website: www.sunwaycarnival.com Facebook: www.facebook.com/SunwayCarnivalMall

SUNWAY CARNIVAL SHOPPING MALL

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2017 (%)	Annual shopper traffic (million)	Revenue (RM million)	NPI (RM million)
348,428	769,546 (Retail &	457,920 (Retail)	> 1,100	208	98.4	> 8.0	46.1	29.4
	Convention Centre)	32,292 (Convention						
	213,554 (Car Park)	Centre)						



22.5%	Total Top Tenants	1.3%	C.H.I Fitness Sdn Bhd (C.H.I. Fitness)
8.9%	Parkson Corporation Sdn Bhd	1.3%	Golden Screen Cinemas Sdn Bhd
2.4%	Sam's Groceria Sdn Bhd	1.2%	CG Computers Sdn Bhd (Switch)
2.0%	Sunway Hotel (Seberang Jaya) Sdn Bhd (Sunway Carnival Convention Centre)	1.2%	Bread History Sdn Bhd (Bread History & Just Pizza)
1.7%	Life Habitat Sdn Bhd (Studio)	1.1%	Padini Corporation Sdn Bhd
1.4%	Apex Pal (M) Sdn Bhd (Sakae Sushi)		

SUNWAY CARNIVAL SHOPPING MALL MARKETING ACTIVITIES



Moonlit Affair (26 August – 15 September 2016) The mall managed to secure more than 10 popular mooncake brands to cater to the needs of shoppers for this special occasion. Shoppers were also rewarded with an exclusive tea cup and chopsticks set.



Magnificent Diwali (14 – 30 October 2016) The mall's main entrance was bedecked with a grandiose twinkling beads and flowery 'Rangoli'. Shoppers were welcomed to admire the mall's festive décor and to enjoy activities like Sand Art, Origami Greeting Card Workshop, Indian Music Instruments Performances, Henna Tattoo and many more. During this festive season, shoppers were rewarded with either a dazzling Jewellery Box or a limited edition Diwali packet(s), and 10 lucky winners were picked to be rewarded with a gold pendant each.



Joyous Christmas (25 November 2016 – 1 January 2017)

During this joyous season, the mall's main entrance was decorated with Christmas trees and gorgeous red poinsettias to enhance the festive mood. The mall also treated shoppers with activities like Christmas caroling, Santa and Santarina appearance, live band performances, Christmas Felt workshop and many more. Shoppers were entitled to redeem an exclusive Christmas themed vacuum flask.



Rogue One: A Star Wars Story (25 November 2016 – 1 January 2017)

First movie tied-up with Disney Malaysia, coincided with the all-new Star Wars standalone movie release. There were appearances by Star Wars Northern Chapter Fan Club to elevate this campaign.

SUNWAY CARNIVAL SHOPPING MALL MARKETING ACTIVITIES (CONT'D)



New Year Countdown Bash 2017 with Ruco Chan (31 December 2016)

The New Year's Eve countdown bash was celebrated on a high note with Hong Kong artiste, Ruco Chan, counting down the final seconds of the year with thousands of people gathered at the mall's open car park. There were a number of performances by local entertainers such as a live band show by SeptemberX, a drum performance by Kozzy Band and a modern dance by Winds Studio.



Brimming With Prosperity (6 January – 12 February 2017) In welcoming the auspicious Chinese Lunar New Year, the mall's concourse was decorated with auspicious ornaments and a statuesque God of Prosperity figure to elevate good fortune for shoppers which also offered a great photo-opportunity for all. Besides that, shoppers were rewarded with an exclusive porcelain teapot set or limited edition of Sunway Malls' red packet(s).



Indahnya Raya (2 June - 2 July 2017)

For this year's Hari Raya celebration, the mall adopted the theme 'Indahnya Raya' to be in line with its greenery concept to illustrate and extol the beauty of Hari Raya. Throughout this campaign, shoppers were entertained with Raya activities such as 'Batik Painting', 'Henna Tattoo', 'Ketupat Weaving', 'Cakes & Craft', 'Minangkabau' dance, 'Angklung' performance and many more. Besides, shoppers were able to buy delightful local Raya biscuits and cookies, dazzling brooches, well-known 'songkok' by ABM Zulaikha, 'dodol' and many more from the FAMA Agrobazaar Aidilfitri booths at the mall's Upper Ground Concourse. Furthermore, shoppers were rewarded with an exclusive mini ceramic pot or limited edition of Sunway Malls' Raya packets when they spent in the mall.



Shopping Treats (June 2016 - April 2017) Various contest were held throughout the year to encourage shoppers to have fun while they shopped. Shoppers were awarded with various prizes throughout the campaign.

property details (retail) SUNCITY IPOH HYPERMARKET

The Shoppers' 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.

The hypermarket, which is located in Sunway City Ipoh township, opened in 2005 and 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 3,500 residential and commercial properties by 2025, more than 1,650 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 and the luxury retreat known as The Banjaran Hotsprings Retreat.

Mirroring the success of Sunway City, 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.

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Annual shopper traffic (million)	Revenue (RM million)	NPI (RM million)
354,994	193,408	183,327	400	1	100.0	N/A	4.9	4.6

N/A - Not applicable

PROPERTY DETAILS (RETAIL) SUNWAY PUTRA MALL

Refreshed

Sunway Putra Mall, a self-sustained integrated development positioned in the heart of the Diamond Triangle, is one of the most vibrant business hubs and residential district in downtown Kuala Lumpur. Its refurbishment was completed in February 2015 and the mall re-opened on 28 May 2015. With an extensive remake, the mall is positioned as an urban-chic lifestyle mall, uncovering endless discoveries and unravelling excitement-packed retailtainment experiences.

Overlooking the internationally-renowned Putra World Trade Centre (PWTC), Sunway Putra Mall enjoys superb access and provides an exciting place to shop which caters to the surrounding businesses and residents with its 9-level retail podiums and 2 unique precincts - Market Place and Selera Street. An exciting foray of retail brands are part of the rejuvenated Sunway Putra Mall with most of the famed local and international brands leveraging on the atrium frontage location. Some of the notable mini anchor tenants include TGV cinemas, Cold Storage, The Parenthood, SSF (soon to open) while international retail brands comprise, but not limited to Esprit, Mango, UNIQLO, Braun Buffel, Adidas and H&M.

Sunway Putra Mall resides within a strong catchment of over 2 million within 15 minutes' drive band which cuts across most parts of Kuala Lumpur namely, Bukit Tunku, Mont Kiara, Jalan Duta, Jalan Kuching, Bangsar, Hartamas, Sentul East and West. Its strategic location also attracts international and local delegates and visitors from numerous conventions, concerts and prestigious events held at PWTC and MATRADE.

In terms of connectivity, Sunway Putra Mall enjoys a superb pedestrian traffic and accessibility via a number of public transportation namely KTM, Rapid KL, bus, monorail and LRT. It is also indirectly connected to KLIA and KLIA 2, via the KLIA Express which can be taken via the KTM commuter.

Centre Management Office 6-2, Sunway Putra Mall No. 100, Jalan Putra, 50350 Kuala Lumpur, Malaysia Tel: (603) 2786 9300 Fax: (603) 2786 9499 Website: www.sunwayputramall.com Facebook: www.facebook.com/sunwayputramall

SUNWAY PUTRA MALL

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2017 (%)	Annual shopper traffic (million)	Revenue (RM million)	NPI (RM million)
193,621 ¹	988,988 (Retail)	541,272	> 1,5001	241	86.2	> 8.0	50.5	26.3
	575,2581 (Car Park)							

¹ For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower



TOTAL TOP TENANTS

Based on June 2017 Gross Rental Income

17.8%	Total Top Tenants	1.4%
4.2%	TGV Cinemas Sdn Bhd	1.3%
2.2%	Padini Dot Com Sdn Bhd	1.3%
1.7%	Parenthood Venture Sdn Bhd (The Parenthood)	1.3%
1.6%	GCH Retail (Malaysia) Sdn Bhd (Cold Storage)	1.2%
1.6%	Neonshine Sdn Bhd (Adidas, Puma)	

4%	NFC Clothier Sdn Bhd (Nichii, Kitschen, Dressing Paula)
3%	Yee Fong Hung (M) Sdn Bhd (Brands Outlet)
3%	Sports Direct MST Sdn Bhd
.3%	Uniqlo (Malaysia) Sdn Bhd
2%	RCB Marketing Sdn Bhd (Royal Country of Berkshire Polo Club)

SUNWAY PUTRA MALL MARKETING ACTIVITIES



International Artist Meet-and-Greet session -(June, July & November 2016)

Partnering with Universal Music Malaysia, Sony Music and Jazzy Group, Sunway Putra Mall hosted international singers-song Meet-and-Greet Session in Kuala Lumpur.

- Greyson Chance Meet-and-Greet June 2016
- G.E.M Meet-and-Greet July 2016
 Eric Chou Meet-and-Greet November 2016



(August 2016)

on our social media sites. The campaign lasted for more than a month and saw an increase in footfall and attracted new visitors to the mall.



Lantern Festival (September 2016)

100 children from Yayasan Chow Kit (YCK) and Touching Lives Club Kuala Lumpur & Selangor together with 150 shoppers and tourists to join the children for the lantern parade, parading circling the mall.



Wonders of Diwali (October 2016)

with a peacock bedazzled with glitters standing tall at the Main inspired setting of the rangoli (or kolam) motifs. Shoppers were henna art at the promotion area.

SUNWAY PUTRA MALL MARKETING ACTIVITIES (CONT'D)



Holly Jolly Christmas (November – December 2016)

In the spirit of Christmas, the mall was transformed into a Victorian era Christmas as we recreated Christmas in the old days for lasting memories. Shoppers were mesmerised by the Victorian inspired décor and were given a chance to make a wish at the Christmas wishing pond, and even donated books to the underprivileged at the concourse area. Festive redemptions were also added to the excitement of the shoppers.



The Splendour of Spring (December 2016 – February 2017)

The mall's Lunar New Year celebration's theme was "The Splendour of Spring". To celebrate the incoming of the Fire Rooster, there were various exciting festive activities and exclusive redemptions such as an exclusive gold pendant, rooster plush toy and angpau packets to reward our valued shoppers. On the first day of the New Year, there was a traditional lion dance performance at the Main Entrance of the mall to bless the mall. Throughout this festive season, the mall also gave out angpau packets that contained shopping vouchers and mandarin oranges to our shoppers.



Malaysia Airlines (MAS) Matta Fair (March 2017)

In conjunction with MATTA FAIR 2017 that was held in PWTC, the mall collaborated with Malaysia Airlines Berhad to bring in exclusive promotion for international flights at our main concourse. MAS also brought in Liverpool Legend, John Arne Riise for a meet-and-greet session with his fans.



Pesona Raya (2 June – 2 July 2017)

Sunway Putra Mall had the pleasure of celebrating Raya to a whole new level by creating a tropical rainforest feel. Themed 'Pesona Raya', shoppers were able to get their hands on the exclusive Raya fashion by Malaysian renowed fashion designers, such as Bohari, Tom Abg Saufi, Saikin Sidek, Que Haidar as well as various souvenirs and decorative items. There were also different activities that the mall had lined up such as traditional dance performance, traditional arts and crafts workshop by Kraftangan Malaysia and learning the art of weaving, making jewellery and rattan crafts.



PROPERTY SUMMARY (HOTEL)



SUNWAY RESORT HOTEL & SPA

LOCATION SELANGOR

DATE OF ACQUISITION 8 JULY 2010

ACQUISITION PRICE (RM MILLION) 445

TITLE, EXPIRY DATE & YEARS REMAINING

- PN 9492 Lot No. 35 1 April 209 (80 years remaining)
- PN 9498 Lot No. 51173 1 April 2097 (80 years remaining)

All in Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berhad
- Private Caveat by Public Bank Berhad
- 10 years lease to Sunway Resort Hotel Sdn Bhd expiring 7 July 2020

YEAR OF COMPLETION Sunway Resort Hotel & Spa (1997); 3 Villas: 200

APPRAISED VALUE (RM MILLION) 530

DATE OF LATEST VALUATION* JUNE 2017



SUNWAY PYRAMID HOTEL

LOCATION SELANGOR

DATE OF ACQUISITION 8 JULY 2010

ACQUISITION PRICE (RM MILLION) 250

TITLE, EXPIRY DATE & YEARS REMAINING

Strata Title

 PN 17415/M1/1/1 [A1-A547] Lot No. 62060 - 21 February 2102 (85 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment Bank Berhad

YEAR OF COMPLETION

APPRAISED VALUE (RM MILLION)

360

DATE OF LATEST VALUATION* JUNE 2017

PROPERTY SUMMARY (HOTEL) (CONT'D)



SUNWAY HOTEL SEBERANG JAYA

LOCATION Penang

DATE OF ACQUISITION 8 JULY 2010

ACQUISITION PRICE (RM MILLION) 52

TITLE, EXPIRY DATE & YEARS REMAINING

 PN 2602 Lot No. 5785 - 21 October 2092 (75 years remaining)

Mukim 1, Daerah Seberang Perai Tengah, Negeri Pulau Pinang

TENURE

Leasehold - 99 years

ENCUMBRANCE

- Charged to Affin Hwang Investment Bank Berhad
- 10 years lease to Sunway Hotel (Seberang Jaya) Sdn Bhd expiring 7 July 2020
- 30 years lease to Tenaga Nasional Berhad expiring 15 March 2028

YEAR OF COMPLETION

1997; Refurbished: 2013

APPRAISED VALUE (RM MILLION) 63

DATE OF LATEST VALUATION* JUNE 2017



SUNWAY PUTRA HOTEL

LOCATION KUALA LUMPUR

DATE OF ACQUISITION 19 April 2011

ACQUISITION PRICE (RM MILLION) 214

TITLE, EXPIRY DATE & YEARS REMAINING

• Geran 10012, Lot No. 38, Seksyen 51

Kuala Lumpur, Wilayah Persekutuan

TENURE Freehold

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berha
- Pending registration of lease renewal for a further 30 years to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad)
- Private Caveat by Trustee

YEAR OF COMPLETION

1993; Refurbished in 2015

APPRAISED VALUE (RM MILLION) 335

DATE OF LATEST VALUATION*

JUNE 2017

PROPERTY SUMMARY (HOTEL) (CONT'D)



SUNWAY HOTEL GEORGETOWN

LOCATION PENANG

DATE OF ACQUISITION 28 January 2015

ACQUISITION PRICE (RM MILLION) 74

TITLE, EXPIRY DATE & YEARS REMAINING

- GRN 63519 Lot No. 2220
- GRN 35332 Lot No. 1754

All in Seksyen 12, Bandar Georgetown, Daerah Timor Laut Pulau Pinang

TENURE

Freehold

ENCUMBRANCE

- 10 years lease to Sunway Biz Hotel Sdn Bhd expiring 27 January 2025
- 30 year lease to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad) expiring 14 February 2024

YEAR OF COMPLETION

1994; Refurbished in 201

APPRAISED VALUE (RM MILLION)

12

DATE OF LATEST VALUATION* JUNE 2017

PROPERTY SUMMARY (HOTEL) (CONT'D)

HOTEL ASSETS	SUNWAY RESORT HOTEL & SPA	SUNWAY Pyramid Hotel	SUNWAY HOTEL SEBERANG JAYA	SUNWAY PUTRA HOTEL	SUNWAY Hotel Georgetown	TOTAL
Land Area (sq. ft.)	376,274	_1	46,220	193,621 ²	33,592	649,707
Gross Floor Area (sq. ft.)	1,130,177	356,888	174,800	833,520	193,115	2,688,500
Number of Rooms	439 rooms and 3 villas	564	202	650	250	2,108
Number of Parking Bays	> 580	> 540	> 60	> 1,5001	> 100	> 2,780
Average FY2017 Occupancy (%)	81.5	56.8	71.1	68.2	87.7	72.9
Revenue (RM million) ³	40.1	4.4	3.5	11.5	5.0	64.5
Net Property Income (RM million)	38.4	4.0	3.2	10.2	4.8	60.6
Appraised Value as at 30 June 2017 (RM million) ⁴	530	360	63	335	72	1,360
Average Value per Room (RM)	1,199,095	638,298	311,881	515,385	288,000	N/A
Capitalisation / Discount Rate (%)	7.00 / 9.00	7.00 / 9.00	7.00 / 9.00	7.00 / 9.00	7.00 / 9.00	N/A

¹ The hotel is on strata title

 $^{\rm 2}$ For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

³ The revenue represents the total rent under the respective hotel master leases and car park tenancy agreements for Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Hotel Seberang Jaya. For Sunway Putra Hotel and Sunway Hotel Georgetown, the revenue represents the total rent under the hotel master lease agreement only.

 $^{\scriptscriptstyle 4}$ All the properties are valued by C H Williams Talhar & Wong Sdn Bhd

N/A - Not Applicable

PROPERTY DETAILS (HOTEL) SUNWAY RESORT HOTEL & SPA

Check In and Be Spoilt for Choice!

Sunway Resort Hotel & Spa is the flagship 5-star hotel located in the integrated township of Sunway City. The hotel is part of a cluster of 3 hotels, a massive convention centre, an iconic retail mall and a popular theme park in the 800-acre vibrant destination, just minutes to Kuala Lumpur city centre.

As one of Klang Valley's most iconic hotels, Sunway Resort Hotel & Spa offers 439 tastefully-appointed guestrooms, suites and pool villas with commanding view of the theme park or the resort city skyline. The collection of rooms includes the Premier Rooms, Junior Suites, Premier Executive Suites, The Club Rooms and Suites, an impressive Presidential Suite and the Pool Villas which are tucked away amidst lush tropical gardens. Equipped with all the conveniences and modern amenities, the hotel is a preferred choice for both business and leisure traveller.

For meetings, incentives, conventions and exhibitions, this integrated destination offers over 10,000 square metres of worldclass meeting space, including 62 meeting and function rooms, a grand ballroom, specialised meeting zone and the massive Sunway Pyramid Convention Centre, making Sunway Resort Hotel & Spa one of the most versatile convention and exhibition venues in Malaysia.

Management Office Persiaran Lagoon, Bandar Sunway, 47500 Selangor Darul Ehsan, Malaysia. The Hotel's food and beverage offerings include an all-day dining restaurant, The Resort Café, which serves Malaysian, Asian and regional favourites with a selection of Middle Eastern and Western cuisines, along with a lounge and bar for evening cocktails and a cigar lounge. These are complemented further by a range of new dining offerings opened right at the door steps of the hotel and over 170 speciality food and beverage outlets within Sunway City.

COMPLETED INITIATIVE

Sunway Pyramid Convention Centre was closed to facilitate renovation on 23 October 2016 and re-opened on 19 December 2016. The renovation transformed the interiors of the exhibition and meeting spaces of the 2-storey facility with new carpeting, smart lighting, panels and acoustics enhancements. The kitchen facilities were also upgraded.

The newly renovated Sunway Pyramid Convention Centre stamps its position and complements Sunway City as a premier convention and exhibition destination and will further attract local, national and regional events to spur arrivals to the integrated landmark. The renovation was also timely, ensuring the convention centre remains competitive in a very demanding market.

Tel: (603) 7492 8000 Fax: (603) 7492 8001 Email: srhs.enquiry@sunwayhotels.com Website: www.sunwayhotels.com

SUNWAY RESORT HOTEL & SPA

Land area	GFA	No. of rooms	No. of	Average FY2017	Revenue*	NPI
(sq. ft.)	(sq. ft.)		parking bays	occupancy (%)	(RM million)	(RM million)
376,274	1,130,177	439 rooms and 3 villas	> 580	81.5	40.1	38.4

* Note: The revenue represents the total rent under the hotel master lease and car park tenancy agreement



MASTER LEASE DETAILS

Master Lessee	: Sunway Resort Hotel Sdn Bhd
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Duration : 10 years from 8 July 2010 with an option to renew for another 10 years

Total Rent: 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 Sunway Pyramid 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 RESORT HOTEL & SPA MARKETING ACTIVITIES



Chinese New Year Lion Dance Performance (28 January 2017) Sunway Resort Hotel & Spa ushered in the Year of the Rooster with an energetic Lion Dance performance at the hotel's Main Lobby driveway with a large crowd in attendance. Themed "The Joy of Togetherness", guests joined in the celebrations with the beating of the drums and clanging of cymbals which accompanied the spectacular performance signifying the New Year celebrations as the lions bestowed blessings for a prosperous year ahead.



Expect the Unexpected With Asia's Next Top Model Season 5 (29 March 2017)

The media launch and premier screening of the first episode of Asia's Next Top Model Season 5 was held at Sunway Resort Hotel & Spa. The launch of the reality television show saw host Cindy Bishop alongside the other international celebrity judges with the contestants at the premier screening. Sunway City was also selected as the premier destination partner, facilitating the auditions in October 2016 and the filming of an episode with the finalists in January 2017.



Nick Baker's Visit to The Villas (14 April 2017)

Nick Baker, the celebrated English naturalist and television presenter was at Sunway Resort Hotel & Spa and The Villas to film a documentary for National Geographic featuring Sunway City's journey, turning a wasteland to a wonderland of Sustainable Development. Sunway Group's Founder and Chairman, Tan Sri Dato' Seri Dr Jeffrey Cheah, AO, took the opportunity to showcase The Villas and Mandara Spa during the on-location filming.



Jemput Makan – Ramadan Dining (27 May – 24 June 2017) The Resort Café at Sunway Resort Hotel & Spa featured generational legacy of timeless recipes for Ramadan. The team of chefs went all out to prepare an array of authentic dishes for breaking-of-fast/buffet dinner from 27 May to 24 June 2017. In support of the United Nations Sustainable Development Goals 2, that focuses on Zero Hunger and reduce food wastage, The Resort Café also aimed to raise awareness and empower diners about "eating the right portion and reducing food wastage", especially during the breaking-of-fast/dinner.

PROPERTY DETAILS (HOTEL) SUNWAY PYRAMID HOTEL

Spectacular Choices, Memorable Experiences!

Sunway Pyramid Hotel is an international Deluxe 4–star hotel located next to Sunway Resort Hotel & Spa. In March 2016, the hotel was closed to make way for a complete rejuvenation. The hotel re-opened its doors on 3 November 2016, on a progressive basis, welcoming guests to its brand new guestrooms and suites which brings new comfort, functionality and convenience.

The major refurbishment elevated the hotel standards, services and facilities; and increased the hotel's room inventory from 549 to 564 rooms, incorporating 21 new family rooms and suites, purpose-built to accommodate a growing increase in family and leisure travellers to the destination. The new family suites are the hotel's largest, offering comfortable spaces, useful amenities, added extras like 2 bathrooms and options of bedding types which can accommodate up to 6 persons.

Each guestroom and suite in the refreshed Sunway Pyramid Hotel includes convenient touches and technology improvements, complemented by enhanced facilities and technology upgrades. Each guestroom and suite in Sunway Pyramid Hotel are equipped with complimentary Wi-Fi, smart lighting, bedside USB charger outlets, 42" LED Smart TV with satellite news, sports and movies channels, high pressure walk-in shower and other enhanced facilities and services. The renovation included a complete transformation of the hotel's main lobby, adding a new food and beverage kiosk, all guestrooms and guestroom floor corridors, and back of house spaces. Guests of Sunway Pyramid Hotel have access to the leisure facilities at Sunway Resort Hotel & Spa. These include the freeform landscaped swimming pool with cascading waterfall, a fitness centre and the Balinese-inspired Mandara Spa to enhance the leisure experience for travellers. The hotel is directly linked to the Sunway Pyramid Shopping Mall and within steps away from Sunway Lagoon theme park.

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Management Office Persiaran Lagoon, Bandar Sunway, 47500 Selangor Darul Ehsan, Malaysia. Tel: (603) 7492 8000 Fax: (603) 7492 8001 Email: srhs.enquiry@sunwayhotels.com Website: www.sunwayhotels.com

SUNWAY PYRAMID HOTEL

Land area	GFA	No. of rooms	No. of	Average FY2017	Revenue*	NPI
(sq. ft.)	(sq. ft.)		parking bays	occupancy (%)	(RM million)	(RM million)
_1	356,888	564	> 540	56.8	4.4	4.0

¹ The hotel is on strata title

* Note: The revenue represents the total rent under the hotel master lease and car park tenancy agreement



MASTER LEASE DETAILS

Master Lessee : Sunway Resort Hotel Sdn Bhd

Duration : 10 years from 8 July 2010 with an option to renew for another 10 years

Total Rent: 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
Sunway Pyramid Hotel consist 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 PYRAMID HOTEL MARKETING ACTIVITIES



Sunway Pyramid Hotel Reopens (1 November 2016) Sunway Pyramid Hotel announced the reopening of the hotel at a special media preview event on 1 November 2016 to the theme of "Waking Up To A Brand New Stay", prior to officially opening its doors to guests on 3 November 2016. Since then, the Hotel progressively opened its guestrooms and suites after having undergone a major renovation exercise.



First Day Arrival at Sunway Pyramid Hotel (3 November 2016) Guests were treated to a warm Sunway welcome on 3 November 2016 when Sunway Pyramid Hotel reopened its doors. Guests were serenaded by music and treated to refreshing beverages and light snacks; before they were ushered to an upgraded experience.



Emirates Crew Checks In (1 April 2017)

Sunway Pyramid Hotel welcomed the first set of Emirates crew to Sunway City on 1 April 2017. As the official hotel for crew accommodation in Kuala Lumpur, the hotel team surprised the Emirates cockpit and cabin crew with a warm Sunway welcome to their home away from home. Emirates is the world's largest international airline with the biggest fleet of Airbus A380's and Boeing 777's with 3 daily flights into Kuala Lumpur International Airport (KLIA).



Cathay Dragon Lands In Sunway City (1 May 2017) On 1 May 2017, the team at Sunway Pyramid Hotel welcomed the first set of Cathay Dragon Airlines. The premium, full-serviced regional airline of the Cathay Pacific group flies into KLIA with 2 daily flights; and have made Sunway Pyramid Hotel their new base for the cockpit and cabin crew while in Kuala Lumpur.

PROPERTY DETAILS (HOTEL) SUNWAY HOTEL SEBERANG JAYA

Stay with us and feel the difference

Seberang Jaya town centre is strategically located at the intersection of the North-South and East-West highways thus making Sunway Hotel Seberang Jaya accessible from the Penang Bridge and Penang International Airport. The hotel, in the centre of a vibrant hub which offers upscale entertainment, leisure and shopping mall is perfect for holiday maker and corporate travellers seeking easy access to the highly developed industrial links and commercial zones on Penang's mainland.

The 15-storey Sunway Hotel Seberang Jaya offers 202 fully renovated Deluxe and Club guestrooms that features new furnishing, bedding and linens, as well as a wide range of facilities and amenities upgrades. Sunway Hotel Seberang Jaya is also a popular venue for hosting corporate meetings and functions. After the renovation programme, its full inventory of meeting and function rooms, as well as the Ballroom were refreshed with enhanced lighting and added meeting facilities.

Management Office 11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Prai, Penang, Malaysia Tel: (604) 360 0888 Fax: (604) 360 0555 Email: shsj.enquiry@sunwayhotels.com Website: seberangjaya.sunwayhotels.com

SUNWAY HOTEL SEBERANG JAYA

Land area	GFA	No. of rooms	No. of	Average FY2017	Revenue*	NPI
(sq. ft.)	(sq. ft.)		parking bays	occupancy (%)	(RM million)	(RM million)
46,220	174,800	202	> 60	71.1	3.5	3.2

* Note: The revenue represents the total rent under the hotel master lease and car park tenancy agreement



MASTER LEASE DETAILS

Master Lessee	Sunway Hotel (Seberang Jaya) Sdn Bhd
Duration	10 years from 8 July 2010 with an option to renew for another 10 years
Total Rent	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
Variation to Master Lease	As announced on 27 July 2017, the guaranteed rent has been varied to RM3.1 million with effect from FY2018 for the remaining. 3 years of the 10-year term. The variation was made due to expiry and non-renewal of the Lessee's tenancy at Sunway Carnival Convention Centre (SCCC). SCCC has been rented to a food and beverage operator.

SUNWAY HOTEL SEBERANG JAYA MARKETING ACTIVITIES



2016 TTG Asia Media Company Retreat (3 July – 5 July 2016)

Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya hosted 25 twin rooms inclusive of all meals for TTG Asia Media Company's annual retreat. Among the activities planned for the company include respective local places of interests and operators. In return, TTG Asia reciprocated with USD52,700 worth of advertising space in the TTG Asia – 7 October 2016 Issue and all 3 ITB Asia 2016 Asia 2016 Show Dailies.



Long Stay Cocktail Party (July 2016 – September 2016) A total of 100 long stay guest gathered for a cocktail party.



Annual Corporate Thank You Party 2016 (13 October 2016)

A party was hosted to improve media relations with editorial and advertising representatives from the region's press offices.



Sister 47th Anniversary Carnival (10 November to 13 November 2016) Sunway Hotel Seberang Jaya set up a booth area to promote wedding packages and the hotel.

SUNWAY HOTEL SEBERANG JAYA MARKETING ACTIVITIES (CONT'D)



Chinese New Year 2017 Lion Dance (28 January 2017)

Sunway Hotel Seberang Jaya hosted its annual Lion Dance Performance throughout the hotel, including the front office, café, club lounge, banquet halls and offices, ushering in the year of the Rooster. Guests were treated to a spectacular performance by the troupe and were given mandarin oranges as part of the festive cheer.



Indian Travel Agents Familiarisation Trip (22 March 2017)

In collaboration with Penang Port Corporation, Sunway Hotel Seberang Jaya hosted 60 travel agents from India for a familiarisation trip. Upon arrival, the agents were treated to a Kompang and Silat performance.

PROPERTY DETAILS (HOTEL)

SUNWAY PUTRA HOTEL

A Preferred City Hotel

Sunway Putra Hotel is a 5-star hotel which forms part of an integrated 3-in-1 mixed-use development comprising a retail mall, a hotel and an office tower. Located opposite Putra World Trade Centre (PWTC) and within the city's main commercial district, the hotel is easily accessible and key transportation services are virtually at the hotel's doorstep.

Sunway Putra Hotel boasts 650 newly refurbished guestrooms, 15 function rooms and 3 food outlets, from an all-day dining to contemporary Japanese fare and a lobby lounge. The hotel is ideal for business travellers, tourists and MICE activities. Starting January 2017, Sunway Putra Hotel introduced the new Classic Family Room category to cater to benefit families on vacation especially with toddlers.

Hotel guests have easy access to Sunway Putra Mall which offers a wide spectrum of international and local brands, delectable dining as well as entertainment experience. The hotel is conveniently connected to popular tourist hotspots and major retail malls in the city.

Management Office No. 100 Jalan Putra, 50350 Kuala Lumpur, Malaysia. Tel: (603) 4040 9888 Fax: (603) 4043 0700 Website: www.sunwayhotels.com

SUNWAY PUTRA HOTEL

Land area	GFA	No. of rooms	No. of	Average FY2017	Revenue*	NPI
(sq. ft.)	(sq. ft.)		parking bays	occupancy (%)	(RM million)	(RM million)
193,621 ¹	833,520	650	> 1,5001	68.2	11.5	10.2

** Note: The revenue represents the total rent under the hotel master lease

¹ For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower



MASTER LEASE DETAILS

Master lessee

Sunway Putra Hotel Sdn Bhd

Duration

10 years from 28 September 2011 with an option to renew for another 10 years

Total Rent

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

Variation to Master Lease

- 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 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

- 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
- The differential sum for the 3rd and 4th Fiscal Years was RM4.0 million and RM4.7 million respectively. The total differential sum of RM8.7 million shall be added to the guaranteed rent from the 5th Fiscal Year until the 11th Fiscal Year as follows:

FISCAL YEAR	GUARANTEED RENT (RM)	ADJUSTMENT (RM)	ADJUSTED GUARANTEED RENT (RM)
5 th	9,067,084	-	9,067,084
6 th	9,067,084	871,623	9,938,707
$7^{\text{th}}-10^{\text{th}}$	9,067,084	1,743,246	10,810,330
11 th	2,266,771	871,623	3,138,394

SUNWAY PUTRA HOTEL MARKETING ACTIVITIES



Fabrik Kasih IM4U (29 June 2016)

Fabrik Kasih is a program where iM4U.fm helps to provide baju raya to the homes of the underpivileged. This year, iM4U.fm worked with 4 different Kolej Vokasional (Vocasional Colleges) in the Klang Valley, to sew the baju kurungs and baju raya for all the homes. To help mentor the design department from the Kolej Vokasional, a famous local designer, Sazzy Falak was hired to help with the picking of the cloth, style for each homes, gender and age group and to help with the fittings. 4 homes which benefited from the Fabrik Kasih project were; Pusat Jagaan Titian OKU Nur, Rumah Jagaan Orang Tua Al-Ikhlas, Persatuan Ibu Tunggal (Qaseh Bonda) and Rumah Anak Yatim Limpahan Kasih. Sunway Group was the official sponsor of the whole event while Sunway Putra Hotel co-sponsored the venue for this project.



Chinese New Year 2017 (19 January 2017)

In celebration of the most significant event in the Chinese Lunar Calendar, Chinese New Year, Sunway Putra Hotel unveiled a series of exciting dining programs for guests to rejoice with friends and family. Kicking off the festive spirit, Sunway Putra Hotel ushered in the Year of the Rooster, in a typical sizzling celebration with acrobatic lion dance performances, the writing of a Chinese calligraphy saying that symbolises hope for the new year by famous Chinese Calligraphy artist Adam Ng and the biggest "Yee Sang" tossing with its corporate clients, media, partner and affiliates.



Speed Dating (11 February 2017)

Sunway Putra Hotel Kuala Lumpur launched its Valentine campaign by hosting the Speed Dating event. The goal of this event was to bring people together as a first step to find love. 140 men and women participated in this half day event.

PROPERTY DETAILS (HOTEL) SUNWAY HOTEL GEORGETOWN

At The Crossroad of Penang's Heritage & Commerce

Sunway Hotel Georgetown is a 4-star hotel located in the heart of Georgetown City, Penang. The hotel is located within the area of Penang's awarded UNESCO World Heritage site with a mix of local culture with its unique old world charm and modernity. Within a stone throw away comes alive at night are the local food stalls with delicious dishes at the famous New Lane Hawker Center with its vibrant and energetic cooking and experiences.

The collection of rooms ranges from Deluxe, Premier and Club rooms and suites command from view of the city to the sea skyline. A new category, the Family room, was just recently launched to accommodate families. Our Deluxe and Premier rooms welcome you with a warm gold-and-earth toned furnishing with abundant light featuring comfortable and spacious rooms that offer comfort and relaxation to our guests. The Club rooms and Suites situated on the upper most floors, enjoy our city's spectacular views from dawn to dusk.

The facilities of the hotel include a coffee house - Sun Café, a club lounge, 5 meeting rooms, a swimming pool, a Jacuzzi pool and a gymnasium.

Management Office 33, New Lane (Off Macalister Road), Georgetown, 10400, Penang, Malaysia. Tel: (604) 229 9988 Fax: (604) 228 8899 Website: www.sunwayhotels.com

SUNWAY HOTEL GEORGETOWN

Land area	GFA	No. of rooms	No. of	Average FY2017	Revenue*	NPI
(sq. ft.)	(sq. ft.)		parking bays	occupancy (%)	(RM million)	(RM million)
33,592	193,115	250	>100	87.7	5.0	4.8

* Note: The revenue represents the total rent under the hotel master lease

HISTORICAL OCCUPANCY RATE Average occupancy rate¹



¹ Historical information (FY2013 to FY2014) are provided by the vendor ² Lower occupancy due to refurbishment of the hotel

³ From completion of acquisition on 28 January 2015 to 30 June 2015

MASTER LEASE DETAILS

Master lessee Sunway Biz Hotel Sdn Bhd

Duration 10 years from 28 January 2015 with an option to renew for another 10 years

Total rentThe 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 Georgetown consists
of RM4.4 million for Year 1 and Year 2 and RM3.3 million for each of the years for the remaining 10-year term

SUNWAY HOTEL GEORGETOWN MARKETING ACTIVITIES



2016 TTG Asia Media Company Retreat (3 July – 5 July 2016)

Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya hosted 25 Twin rooms inclusive of all meals for TTG Asia Media Company's annual retreat. Among the activities planned for the company include respective local places of interests and operators. In return, TTG Asia reciprocated with USD52,700 worth of advertising space in the TTG Asia – 7 October 2016 Issue and all 3 ITB Asia 2016 Asia 2016 Show Dailies.



Chinese New Year 2017 Lion Dance (28 January 2017)

Sunway Hotel Georgetown, had its annual Lion Dance Performance throughout the hotel, including the front office, café, club lounge, banquet halls and offices, ushering in the year of the Rooster. Guests were treated to a spectacular performance by the troupe and were given mandarin oranges as well as chocolate gold coins as part of the festive cheer.



Greenwave Radio Campaign (16 February – 19 February 2017)

As part of Penang Global Tourism collaboration with Thailand's Greenwave Radio for a joint campaign to promote Penang as a preferred holiday destination for Thais age 30 and above. Upon arrival the guests were treated to a Kompang and Silat performance. The guests included the CEO of Greenwave Radio, celebrities, a DJ and a Thai blogger.



The Mall Group Familiarisation Trip to Penang (6 March – 8 March 2017)

As part of Tourism Malaysia's initiative to promote Penang to Thailand, Tourism Malaysia and Penang Global Tourism collaborated to host the attendees from The Mall Group at Sunway Hotel Georgetown. They were treated to a kompang and silat performance upon their arrival.


PROPERTY SUMMARY (OFFICE)



MENARA SUNWAY

LOCATION **SELANGOR**

DATE OF ACQUISITION 8 JULY 2010

ACQUISITION PRICE (RM MILLION)

TITLE, EXPIRY DATE & YEARS REMAINING

Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

ENCUMBRANCE

- Charged to Public Investment Bank Berhad Charged to HSBC Amanah Malaysia Berhad

YEAR OF COMPLETION

APPRAISED VALUE (RM MILLION)

DATE OF LATEST VALUATION* JUNE 2017



SUNWAY TOWER

LOCATION **KUALA LUMPUR**

DATE OF ACQUISITION 8 JULY 2010

ACQUISITION PRICE (RM MILLION)

TITLE, EXPIRY DATE & YEARS REMAINING

TENURE

ENCUMBRANCE

- Charged to HSBC Amanah Malaysia Berhad
 30 years lease to Tenaga Nasional Berhad expiring

YEAR OF COMPLETION

APPRAISED VALUE (RM MILLION)

DATE OF LATEST VALUATION* JUNE 2017

PROPERTY SUMMARY (OFFICE) (CONT'D)



SUNWAY PUTRA TOWER

LOCATION KUALA LUMPUR

DATE OF ACQUISITION 19 April 2011

ACQUISITION PRICE (RM MILLION) 80

TITLE, EXPIRY DATE & YEARS REMAINING

• Geran 10012, Lot No. 38, Seksyen 51

Kuala Lumpur, Wilayah Persekutuan

TENURE

Freehold

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berha
- Pending registration of lease renewal for a further 30 years to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad)
- Private Caveat by Trustee

YEAR OF COMPLETION 1993

APPRAISED VALUE (RM MILLION) 113

DATE OF LATEST VALUATION* JUNE 2017

*NOTE: Valued by C H Williams Talhar & Wong Sdn Bho



WISMA SUNWAY

LOCATION SELANGOR

DATE OF ACQUISITION 23 March 2015

ACQUISITION PRICE (RM MILLION) 60

TITLE, EXPIRY DATE & YEARS REMAINING Strata Title

- PN 21876/M1/B1/1
- PN 21876/M1/1/3
- PN 21876/M1/N1/4
- PN 21876/M1/N1/5
- PN 21876/M1/2/6
- PN 21876/M1/13/12
 PN 21876/M1/14/13
 PN 21876/M1/15/14

• PN 21876/M1/11/10

- DNI 21076/M11/2/0
 - PN 21876/M1/17/16
- PN 21876/M1/9/8
 PN 21876/M1/10/9

29 August 2094 (77 years remaining)

All situated on Parent Lot No. 517 Bandar Shah Alam Daerah Petaling, Selangor Darul Ehsan

TENURE

Leaseholc

ENCUMBRANCE

Charged to Public Investment Bank Berhad

YEAR OF COMPLETION 1997; Refurbished in 2013

APPRAISED VALUE (RM MILLION) 62

DATE OF LATEST VALUATION* JUNE 2017

PROPERTY SUMMARY (OFFICE) (CONT'D)

OFFICE ASSETS	MENARA SUNWAY	SUNWAY Tower	SUNWAY PUTRA Tower	WISMA SUNWAY	TOTAL
Land Area (sq. ft.)	193,395	25,898	193,6211	47,813	460,727
Gross Floor Area - Office (sq. ft.)	399,446	348,998	453,842	174,171	1,376,457
Gross Floor Area - Car Park (sq. ft.)	266,696	107,606	575,258 ¹	127,552	1,077,112
Net Lettable Area (sq. ft.)	291,370	268,306	317,051	171,544 ³	1,048,271
Number of Parking Bays	> 630	> 290	> 1,5001	> 380	> 2,800
Number of Tenancies	50	10	9	7	76
Occupancy as at 30 June 2017 (%)	95.1	20.7	42.4	83.6	58.2
Revenue (RM million)	16.5	3.3	5.1	6.6	31.5
Net Property Income (RM million)	11.2	(0.6)	2.0	3.9	16.5
Appraised Value as at 30 June 2017 (RM million) ²	169	128	113	62	472
Value per sq. ft. (RM)	580	477	356	361	N/A
Capitalisation Rate - Current / Reversionary (%)	6.50 / 7.00	6.00 / 6.50	6.00 / 6.50	6.75 / 7.25	N/A

¹ For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

² All the properties are valued by C H Williams Talhar & Wong Sdn Bhd

³Based on surveyed strata floor area

N/A - Not Applicable



Sunway Group's Homeplace

Menara Sunway is a 19-storey office building consisting of a main tower and an annexe. Menara Sunway is strategically situated within an integrated township of Sunway City which enjoys the synergies across the extensive commercial activities, infrastructure within a seamlessly connected township. From hotel to retail mall and convention centre, Sunway City has all to offer to the tenants of Menara Sunway. With its headquarters based in Menara Sunway, Sunway Group is the main tenant occupying 71.5% of the NLA.

Menara Sunway is easily accessible to major business districts in the Klang Valley via 5 major expressways namely New Pantai Expressway, North Klang Valley Expressway, KESAS Expressway, Damansara-Puchong Highway and the Federal Highway.

Management Office

Unit 4.5 Level 4 East Lobby, Menara Sunway Annexe, Jalan Lagoon Timur Bandar Sunway, 47500, Selangor Darul Ehsan, Malaysia.

COMPLETED INITIATIVES

Menara Sunway's façade upgrading works was completed in March 2017.

ONGOING INITIATIVES

Menara Sunway's façade repainting works commenced in May 2017 and is expected to be completed by September 2017.

A new visitor registration system will be installed at the main lobby to enhance security to the building.

Replacement of LED lights at common areas surrounding Menara Sunway is expected to commence in October 2017.

Tel: (603) 5639 8888 Fax: (603) 5639 9595

PROPERTY DETAILS (OFFICE) (CONT'D)

MENARA SUNWAY

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2017 (%)	Revenue (RM million)	NPI (RM million)
193,395	399,446 (Office)	291,370	> 630	50	95.1	16.5	11.2
	266,696 (Car Park)						



Average occupancy rate



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA





TENANT MIX BY TRADE SECTOR

Based on June 2017 Gross Rental Income

Management Services	Property	Others	Construction	Medical	Technology	Shared Services	Trading	Supply & Manufacturing	Marketing
		OTHERS		+		00		<u>m</u>	
31.3 %	20.3 %	13.2%	11.2 %	7.1%	5.9%	4.5 %	2.6 %	2.0 %	1.9 %

TOTAL TOP TENANTS

Based on June 2017 Gross Rental Income

75.1%	Total Top Tenants	3.2%	Grace Generation Information Technology Sdn Bhd
20.7%	Sunway Management Sdn Bhd	3.1%	Sutherland Global Services Malaysia Sdn Bhd
17.7%	Sunway Integrated Properties Sdn Bhd	2.7%	Sunway PFM Sdn Bhd
8.6%	Sunway Construction Group Berhad	2.6%	Sunway Marketing Sdn Bhd
7.1%	Merck Sdn Bhd	2.6%	Sunway Quarry Industries Sdn Bhd
6.8%	Sunway Shared Services Sdn Bhd		

PROPERTY DETAILS (OFFICE) SUNWAY TOWER

Changing Dynamics

Sunway Tower is a 33-storey prime office building with close proximity to the iconic landmark of Petronas Twin Tower and Kuala Lumpur City Centre (KLCC). The property is strategically located at the intersection of Jalan Sultan Ismail and Jalan Ampang in Kuala Lumpur which is famously known as the Golden Triangle. With excellent infrastructure connectivity, Sunway Tower is adjacently located to the Dang Wangi LRT Station, Bukit Nanas monorail station and at the entry and exit points of the Ampang-Kuala Lumpur Elevated Highway (AKLEH) which links to major highways within and around the Klang Valley. Thus, making it an excellent business address in the Kuala Lumpur.

Management Office Ground Floor, Sunway Tower, No. 86 Jalan Ampang, 50450, Kuala Lumpur, Malaysia. Tel: (603) 2032 4100 Fax: (603) 2070 4093

PROPERTY DETAILS (OFFICE) (CONT'D)

SUNWAY TOWER

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2017 (%)	Revenue (RM million)	NPI (RM million)
25,898	348,998 (Office)	268,306	> 290	10	20.7	3.3	(0.6)
	107,606 (Car Park)						



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA





IS TNTAL NP

52.5%

Based on June 2017 Gross Rental Income

20.3%

100.0%	Total Top Tenants	8.2%	R1 International Sdn Bhd
20.4%	WPP Business Services Sdn Bhd	5.6%	Eagle Eye Technologies Sdn Bhd
19.3%	VPO Services Sdn Bhd	2.3%	Sunway Leisure Services Sdn Bhd
15.9%	ZI Advisory Sdn Bhd	1.2%	Bison Store Sdn Bhd
14.5%	Royal Danish Embassy	1.0%	Maxis Broadband Sdn Bhd
11.6%	Bexcel Shared Services Malaysia Sdn Bhd		

PROPERTY DETAILS (OFFICE) SUNWAY PUTRA TOWER

Strategically Located

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

ACHINAN PULL

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 and a stone throw away from one of Malaysia's premier convention centre, 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 and bus. All these infrastructures and facilities adds value to the well-established office asset.

FUTURE INITIATIVE

RA

Replacement of LED lights at common areas surrounding Sunway Putra Tower is expected to commence in December 2017.

Management Office 100 Jalan Putra, 50350, Kuala Lumpur, Malaysia. Tel: (603) 4042 9888 Fax: (603) 4043 8806

PROPERTY DETAILS (OFFICE) (CONT'D)

SUNWAY PUTRA TOWER

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2017 (%)	Revenue (RM million)	NPI (RM million)
193,621 ¹	453,842 (Office)	317,051	> 1,500 ¹	9	42.4	5.1	2.0
	575,258 ¹ (Car Park)						

¹ For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower.



TOTAL TOP TENANTS

Based on June 2017 Gross Rental Income

100.0%	Total Top Tenants	3.2%	Chini Enterprise Sdn Bhd
39.2%	Kementerian Perdagangan Dalam Negeri Koperasi Dan Kepenggunaan Malaysia	1.5%	Raffcomm Sdn Bhd
35.7%	Lembaga Pembangunan Industri Pembinaan Negara (CIDB)	1.4%	Yayasan Ihsan Rakyat
9.5%	Jabatan Perdana Menteri (I.C.U)	1.2%	Mastercare Business Management
8.3%	Cradle Fund Sdn Bhd		

SUNWAY

PROPERTY DETAILS (OFFICE)

WISMA SUNWAY

Strategic Location -Government Precinct of Selangor

Wisma Sunway is a stratified 19-storey office building¹ located in the vibrant Section 9, Shah Alam, the state government precinct of Selangor. Its location next to a hotel and a retail mall offers convenience to its tenants. Wisma Sunway is easily accessible from the Federal Highway and the North Klang Valley Expressway.

Wisma Sunway was refurbished in 2013 and is primarily tenanted by government agencies.

¹ Excluding unit no. L2A

Management Office No 1, Jalan Tengku Ampuan Zabedah C 9/C, Seksyen 9, 40100 Shah Alam, Selangor Darul Ehsan, Malaysia. Tel: (603) 5510 1629 Fax: (603) 5510 1639

SUNWA

PROPERTY DETAILS (OFFICE) (CONT'D)

WISMA SUNWAY

Land area (sq. ft.)	GFA (sq. ft.)	NLA¹ (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2017 (%)	Revenue (RM million)	NPI (RM million)
47,813	174,171 (Office)	171,544	>380	7	83.6	6.6	3.9
	127,552 (Car Park)						

¹ Based on surveyed strata floor area



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



WEIGHTED

 1 Historical information (FY2013 to FY2014) are provided by the vendor 2 From completion of acquisition on 23 March 2015 to 30 June 2015

TENANT MIX BY TRADE SECTOR

Based on June 2017 Gross Kental Income			AVERAGE
Government Agency	Consultancy Services	Retail	LEASE EXPIRY
俞		SALE	<u>1.48</u> <u>YEARS</u>
93.8 %	3.8%	2.4%	

TOTAL TOP TENANTS

Based on June 2017 Gross Rental Income

100.0%	Total Top Tenants	7.0%	Yayasan Penyelidikan Transformasi
38.3%	Jabatan Kesihatan Negeri Selangor	5.8%	Pejabat Tindakan Pelancongan Negeri Selangor
25.3%	Jabatan Alam Sekitar	3.8%	SM Centre (MYS) Sdn Bhd
17.4%	Lembaga Hasil Dalam Negeri	2.4%	MST Golf Sdn Bhd



PROPERTY SUMMARY (OTHERS)





SUNWAY MEDICAL CENTRE

LOCATION

DATE OF ACQUISITION 31 Dec 2012

ACQUISITION PRICE (RM MILLION)

TITLE, EXPIRY DATE & YEARS REMAINING

- (80 years remaining) PN 12550 Lot No. 45 1 April 2097
- (80 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

- 10 years lease to Sunway Medical Centre Sdn. Bhd. expiring 30 December 2022

- Charged to Public Investment Bank Berhad

YEAR OF COMPLETION Phase 1 - 2001, Phase 2 - 2009

APPRAISED VALUE (RM MILLION)

DATE OF LATEST VALUATION* JUNE 2017

SUNWAY REIT INDUSTRIAL - SHAH ALAM 1

LOCATION

DATE OF ACQUISITION 1 Aug 2017

ACQUISITION PRICE (RM MILLION)

TITLE, EXPIRY DATE & YEARS REMAINING

(81 years remaining)

Seksyen 23, Shah Alam, Daerah Petaling, Negeri Selangor

TENURE Leasehold - 99 years

ENCUMBRANCE - Pending discharge of charge by vendor

YEAR OF COMPLETION Phase 1 - 1993, Phase 2 - 2010

APPRAISED VALUE (RM MILLION)

DATE OF LATEST VALUATION* NOVEMBER 2016

PROPERTY SUMMARY (OTHERS) (CONT'D)

OTHERS	SUNWAY MEDICAL CENTRE	SUNWAY REIT INDUSTRIAL - SHAH ALAM 1	TOTAL
Land Area (sq.ft.)	195,838	673,684	869,522
Gross Floor Area (sq.ft.)	563,437	386,856	950,293
Gross Floor Area - Carpark (sq.ft.)	217,162	N/A	217,162
Number of Parking Bays	670	N/A	670
Revenue (RM million)	21.9 ¹	N/A ³	21.9
Net Property Income (RM million)	21.9	N/A ³	21.9
Appraised Value as at 30 June 2017 (RM million) ²	336	92 ⁴	428
Value per bed / Value per sq.ft. (RM)	920,548	238	N/A
Capitalisation Rate - Current / Reversionary (%)	6.25 / 6.25	5.50-7.00 / 7.00	N/A

¹ The revenue represents rent under a master lease agreement

 $^{\rm 2}$ All the properties are valued by C H Williams Talhar & Wong Sdn Bhd

³ The acquisition was completed subsequent to end of financial year on 1 August 2017

 $^{\scriptscriptstyle 4}$ Appraised value as at 23 November 2016

N/A - Not applicable

PROPERTY DETAILS (OTHERS) SUNWAY MEDICAL CENTRE

Malaysia's First ACHS Accredited Medical Centre

Sunway Medical Centre (SMC) is one of Malaysia's leading private hospitals strategically located within Sunway 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 5 major highways namely the New Pantai Expressway, North-Klang Valley Expressway, KESAS Expressway, Damansara-Puchong Highway and Federal Highway. SMC is a tertiary hospital that has a multi-storey car park blocks and a multi-purpose convention centre known as the 'Swan Convention Centre' which can accommodate up to 500 guests. Facilities at SMC include 365 beds, 12 operating theatres and 130 consultation suites. Sunway Medical Centre has become the first hospital in Southeast Asia to be awarded international accreditation by the Australia Council on Healthcare Standards (ACHS), in recognition of SMC's commitment to deliver worldclass medical care based on international based standards of healthcare assessments.

T PERUBATAN SUNWAY

ΡL

Sunway Medical Centre No. 5 Jalan Lagoon Selatan, Bandar Sunway, 47500, Selangor Darul Ehsan. Tel: (603) 7491 9191 Fax: (603) 7491 8181 Website: sunwaymedical.com

PROPERTY DETAILS (OTHERS) (CONT'D)

SUNWAY MEDICAL CENTRE

Land area (sq. ft.)	GFA (sq. ft.)	No. of parking bays	Revenue (RM million) ¹	NPI (RM million)	Appraised Value as at 30 June 2017 (RM million) ²	Value per bed (RM)	Capitalisation rate - Current / Reversionary (%)
195,838	563,437 (Medical Centre)	670	21.9	21.9	336	920,548	6.25 / 6.25
	217,162 (Car Park)						

¹ The revenue represents rent under a master lease agreement

 $^{\rm 2}$ Valued by C H Williams Talhar & Wong Sdn Bhd



MASTER LEASE DETAILS

Master lessee	: Sunway Medical Centre Sdn Bhd
Duration	: 10 years from 31 December 2012 with an option to renew for another 10 years
Rental	: RM19 million per annum for the 1st year
Rental Uplift	: 3.5% per annum for each subsequent year for initial 10-year term
Rental Basis	: Triple net lease

PROPERTY DETAILS (OTHERS) (CONT'D) SUNWAY REIT INDUSTRIAL — SHAH ALAM 1



Sunway REIT Industrial – Shah Alam 1 is strategically located within the prime industrial hub in Section 23, Shah Alam, Selangor. The industrial hub in Shah Alam houses many established multinationals, logistics and manufacturing companies. The property is easily accessible by 3 major highways, namely Federal Highway, Elite Highway and Shah Alam Expressway as well as close proximity to the Kuala Lumpur International Airport and Port Klang, the largest sea gateway in the country. The property is leased to IDS Manufacturing Sdn Bhd, part of a reputable group of companies listed in the Hong Kong Stock Exchange. The lessee's principal activities are carrying on of the business as a contractor in the manufacturing of pharmaceutical products, food and toiletries on behalf of its principals and warehousing operations.

Sunway REIT Industrial – Shah Alam 1 Lot 6, Persiaran Perusahaan, Section 23 40300 Shah Alam, Selangor Tel: (603) 5541 6600 Fax: (603) 5541 6635 Website: www.facebook.com/IDS-Manufacturing-Sdn-Bhd

PROPERTY DETAILS (OTHERS)

SUNWAY REIT INDUSTRIAL - SHAH ALAM 1

Land Area (sq. ft.)	GFA (sq. ft.)	Revenue ^{1, 2} (RM million)	NPI ¹ (RM million)	Appraised Value as at 23 November 2016 ³ (RM million)	Value sq. ft. (RM)	Capitalisation rate - Current/Revisionary (%)
673,684	386,856	N/A	N/A	92.0	238	5.5-7.0 / 7.0

¹ The acquisition was completed subsequent to the end of the financial year on 1 August 2017

² The revenue represents rent under a master lease agreement

³ Valued by C H Williams Talhar & Wong Sdn Bhd



MASTER LEASE DETAILS

Master lessee	: IDS Manufacturing Sdn Bhd
Duration	: Initial term - expires on 31 December 2034 Renewal term - automatically extended for one further term of 5 years on the same terms and conditions unless the Lessee gives written notice to the Lessor not less than 18 months prior to the end of the Initial Term that it does not wish to extend the term or that it wishes to extend the term for the period in excess of 5 years but less than or equal to 15 years
Rental	: RM5.6 million per annum
Rental Uplift	: The rent is subject to review every 3 years and the next review date shall be 1 January 2019. At each rent review date, the rent shall be increased to the greater of the then prevailing fair market value and CPI adjustment, subject to a cap on the increase of 10%
Rental Basis	: Triple net lease

A BALANCING ACT

Good corporate governance is essential in gaining the trust of our stakeholders. Gymnastics is a sport that requires balance, much like how we balance between maintaining best practices and efficiency in everything we do.

CORPORATE GOVERNANCE & ACCOUNTABILITY

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CORPORATE GOVERNANCE STATEMENT

The Manager together with the Trustee have since 2010, pledged a high standard of corporate governance and have ensured these high standards are ingrained into the governance framework, policies and practices of Sunway REIT. The framework was designed to balance effective performance, effective conformance and asset enhancements with the ultimate objective of protecting and enhancing unitholders' value whilst continuously improving the financial performance of Sunway REIT from each financial year to the next.

Throughout the FY2017, the corporate governance practices and processes of the Manager were consistent with the principles and recommendations of the Malaysian Code on Corporate Governance (MCCG) 2012 and the Bursa Malaysia Securities Berhad's Main Market Listing Requirements (Bursa MMLR). It has continued its commitment to observe certain best practices recommended by the Asia Pacific Real Estate Association (APREA) Best Practices Handbook (2nd Edition).

The new and improved Malaysian Code on Corporate Governance was released by the Securities Commission (SC) on 26 April 2017 (MCCG 2017). In that short span of time, the Manager has applied some of the Principles and Practices of the MCCG 2017 in its governance and management practices. The Manager has also taken requisite steps to comprehend and apply the rest of the Principles and Practices to achieve the Intended Outcomes required by the new standards of accountability, transparency and sustainability as framed out in the MCCG 2017 in the financial year ahead.

THE MANAGER

The Manager holds a valid Capital Markets Services License (CMSL) issued by the SC. It has 2 licensed representatives who are Dato' Jeffrey Ng Tiong Lip and Sarena Cheah Yean Tih, *s.m.s.*.

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. It also sets the strategic direction of Sunway REIT and recommends such directions in the interest of the unitholders to the Trustee in accordance with its investment strategy. Its primary role is to manage Sunway REIT and the properties in accordance with the Deed in the best interest of the unitholders focusing 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.

The Manager continues to aspire to uphold to the highest of standards of corporate governance. It will continue to enhance

its investment, financial, strategic direction and risk management policies. Concurrently, it will maintain transparent and strong investor relations, with adequate and sufficient internal control systems and ensure compliance with applicable laws, regulations, rules, directives and guidelines.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

BOARD CHARTER & CODE OF CONDUCT

The objective of the Board Charter is 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.

The Board Charter guides the Board on setting strategic directions and overseeing the competent and efficient management of Sunway REIT in the spirit of the MCCG 2012 and now MCCG 2017.

Separately, the Code of Conduct and Business Ethics sets out 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.

Please refer to Sunway REIT's website at www.sunwayreit.com for detailed information on the Board of Charter and Code of Conduct

ROLES OF THE BOARD

The Manager is led and controlled by an effective Board which assumes, amongst others, the following principal roles and responsibilities in discharging its stewardship role, fiduciary and leadership functions:

- Setting the objectives, goals and strategic plans for the Manager and Sunway REIT with a view to maximising unitholders' value.
- Monitoring progress of the strategies, budgets, plans and policies of the Manager and Sunway REIT.
- Overseeing the conduct of Sunway REIT's properties to evaluate whether they are properly managed.

The Board constructively challenges and contributes to the development of Sunway REIT's strategic directions. It has in place an annual business plan process at the beginning of the financial year whereby the Management team, Facilities Management team and the hotel operators present to the Board the recommended strategic and business plans of the respective properties for the following year.

The Board will carry out the following at its business plan meeting:

- reviews, deliberates and challenges the Facilities Management team and hotel operators' views for the optimum outcome.
- reviews and approves the budget and sets the key performance indicators (KPIs) for the properties.

At other quarterly meetings, the Board:

 monitors the implementation of the strategic business plans by the Facilities Management team and hotel operators together with the Management to ensure sustainable growth and optimisation of returns for Sunway REIT.

On 28 April 2016, the Facilities Management teams presented the Business Plans for financial year 2017 of Sunway REIT for the Board's deliberation and approval. At the meeting, some suggestions were made by the Board to counter market challenges and potential adverse impact on revenue as well as to set marketing strategies to ensure business sustainability.

The Chief Financial Officer (CFO) reported to the Board the quarterly financial results of Sunway REIT and compared them against the business plan targets at the quarterly Board meetings held on 11 August 2016, 27 October 2016, 14 February 2017 and 3 May 2017. The Board is kept informed of the key strategic initiatives, its development and significant operating issues.

 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. The Board in its quarterly meetings, deliberates on principal risks of Sunway REIT, performance targets and policies to manage the key risks faced by the Manager and Sunway REIT. The Board also ensures the implementation of appropriate systems to mitigate and manage these risks by the Risk Management Working Group through these quarterly meetings.

Please refer to Statement on Risk Management and Internal Control for detailed information

 Considering Management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure.

During the financial year, the Board had deliberated and approved 2 acquisitions and amendments to the principal

terms and conditions of an existing debt programme, namely (i) the acquisition of a parcel of vacant land adjacent to Sunway Carnival Shopping Mall located in Seberang Jaya, Penang, (ii) the acquisition of the industrial land and buildings located in Section 23, Bandar Shah Alam, Daerah Petaling, Selangor and (iii) the upsizing of the existing medium term note (MTN) Programme from RM1 billion to RM10 billion tradable MTNs undertaken by SunREIT Unrated Bond Berhad, a special purpose vehicle which is a subsidiary of Sunway REIT.

- 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.
- Changes to regulations, policies, guidelines and accounting policies are monitored closely.

The Board is briefed on any changes to current practices at the quarterly Board meetings or circulated board papers. The Board took note of the new Companies Act 2016 and took cognisance of the new MCCG 2017 and has disclosed the required information to the extent possible in the relevant pages in this Annual Report.

 Succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing senior management.

During the financial year, the Board had reviewed the Board and Management succession planning, discussed with Management the results of Board and Committees' evaluations, performance appraisal of the Chief Executive Officer (CEO) and CFO. Upon reviewing the Board and Management succession planning, the Board suggested that Management to source for suitable candidates from external recruitment firm. While the Board took note that the overall Board and Committee evaluations were satisfactory, the Board suggested to have periodical reviews on the allocation of powers between Management and the Board. The Board also suggested the need to have a strategic direction discussion in view of the foreseeable challenging operating environment.

 Developing and implementing an investor relations programme or unitholder communications policy for the Manager.

Please refer to Communication with Stakeholders Section of this statement for more information

II. BOARD COMPOSITION

BOARD COMPOSITION & DIVERSITY

Currently, the Board consists of 7 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, legal and corporate finance, property valuation, real estate development and property management. This combination of different professions and skills working together enables the Board to effectively lead and control the Manager and Sunway REIT.

The current Board composition in terms of each of the Director's industry and/or background experience, age and ethnic composition is as follows:-

		In	dustry Ex	//Bac periei		nd		C	Aç Compo		n		Ethnic nposi	
Directors	Public Services	Accounting/Finance	Legal	Property/Facility Management	Property Development	Real Estate Valuation	Corporate Finance	40 to 49 years	50 to 59 years	60 to 69 years	70 to 79 years	Bumiputera	Chinese	Indian
Tan Sri Ahmad Bin Mohd Don	٠	•					•				٠	•		
Dato' Jeffrey Ng Tiong Lip		•		•	•		•			•			•	
Elvin A/L Berty Luke Fernandez				•		•				•				•
Tengku Nurul Azian Binti Tengku Shahriman	•		•				•		•			•		
Ng Sing Hwa		•		•	•		•				٠		•	
Sarena Cheah Yean Tih, <i>s.m.s.</i>		•			•		•	•					•	
Chan Hoi Choy				•										

During the financial year, the Board had appointed the Senior Independent Director, namely Tan Sri Ahmad Bin Mohd Don as the Chairman of the Board in place of Tan Sri Dr Jeffrey Cheah Fook Ling, AO, who had stepped down from the Board due to greater involvement in areas of philanthropy, education and sustainability as well as to comply with the MCCG 2012. In order to promote best practices of good corporate governance, the Board had subsequently appointed Elvin A/L Berty Luke Fernandez as the Chairman of Audit Committee (AC) and Tengku Nurul Azian Binti Tengku Shahriman as the Chairman of Nomination & Remuneration Committee (NRC), in place of Tan Sri Ahmad Bin Mohd Don on the said committees' chairmanship. The NRC annually examines the composition of the Board to ensure that the Board has the appropriate mix of expertise, experience and diversity.



The Board also embraces age diversity to encourage diversity in perspective and balance the Board's insight, experience and approach to decision making. As for gender diversity, the percentage of female directors on the Board is currently at 29%, which is close to the minimum requirement of the MCCG 2017 of 30% female director. The Board is of the opinion that in substance, this minimum requirement has been met as the current female directors are good fits on the Board as they possess the requisite skills and knowledge to form a diverse and knowledgeable Board.



BALANCE OF POWER

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 the Management with clarity of roles and robust deliberation on the business activities of Sunway REIT.

Tan Sri Ahmad Bin Mohd Don, the Senior Independent Non-Executive Chairman is responsible for leading the Board and ensuring that the Board continues to be effective and that its members work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues. The CEO, Dato' Jeffrey Ng has full executive responsibilities over the business direction of the Manager and is responsible for implementing the Sunway REIT strategies and policies in its day-to-day operations.

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 (i.e. Independent Non-Executive Chairman) and CEO are separated and clearly defined.

Roles of the Chairman

- Leading the Board in setting the values and standards of Sunway REIT;
- Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- Ensuring the provision of accurate, timely and clear information to Directors;
- Ensuring effective communication with unitholders and relevant stakeholders;
- Ensuring the integrity and effectiveness of the governance process of the Board;
- 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; and
- Act as facilitator at Board meetings to ensure that no Board members, whether Executive or Non-Executive, dominate discussion, and that appropriate discussion takes place and relevant opinion among Board members is forthcoming.

Roles of the CEO

- Acts as a conduit between the Board and the Management in ensuring the success of the governance and management functions of Sunway REIT;
- Possesses 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;
- Ensuring effective communication with unitholders and relevant stakeholders; and
- 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.

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.

III. REMUNERATION

DIRECTORS' 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 Director and CFO. 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 including an additional fee for serving on the AC. They also received 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, responsibilities of Directors and benchmark against other REITs were 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.

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

	Executive	Non-Executive	
	Director	Directors	Total
	RM	RM	RM
Director Fee	-	362,500	362,500
Other Emoluments	-	15,000	15,000
Meeting Allowance	-	59,000	59,000
Salaries and other Remuneration	990,137	-	990,137
Bonus	379,228	-	379,228
Benefits-in-kind	7,542	-	7,542
Total:	1,376,907	436,500	1,813,407

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

Range of Remuneration	Executive	Non-Executive	
	Director	Directors	Total
Director Fee			
Below RM120,000	-	4	4
RM1,000,000 to RM1,500,000	1	-	1
Total:	1	4	5

ANNUAL BOARD EVALUATION

Annual evaluations are conducted through surveys and assessments on individual Director through self-assessment and peer assessment methods. The criteria for these assessments were previously highlighted under the "Committees" section of this statement.

Additionally, the NRC reviews the independence of Independent Directors annually according to the criteria set out in the Bursa MMLR and the REIT Guidelines. The NRC had conducted an annual assessment on the Independent Non-Executive Directors and its results were presented to the Board. The Independent Non-Executive Directors have also provided annual confirmation of their independence to the NRC and the Board. The Board was generally satisfied with the level of independence demonstrated by the Independent Non-Executive Directors as well as their ability to act in the best interest of Sunway REIT.

All of the Independent Non-Executive Directors remained independent from the substantial shareholders of the Manager and substantial unitholders of Sunway REIT. They are neither directly nor indirectly associated with any substantial shareholders or substantial unitholders of Sunway REIT and each of them is independent of the Manager 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 Sunway REIT.

The existing Board does not comprise a majority of independent directors as recommended under Practice 4.1 of the MCCG 2017. The intended outcome is achieved with the appointment of an independent non-executive director as the Chairman ahead of the MCCG 2017.

TENURE OF INDEPENDENT DIRECTORS

An Independent Non-Executive Director who has reached the threshold of 9 years tenure will be redesignated as Non-Independent Non-Executive Director, unless he or she has obtained shareholders' approval to be retained in the Board as Independent Non-Executive Director.

Presently, none of the Independent Non-Executive Directors has reached the 9-year cumulative tenure with the Manager. Hence, no shareholders' approval will be sought for this purpose at the forthcoming 10th Annual General Meeting of the Manager.

BOARD PROCESS

Unless there are special meetings called, 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 and performance of Sunway REIT against the approved budget. When necessary, the Board meets to review and approve acquisitions or disposals of assets for recommendation to the Trustee or any other issues requiring immediate attention. In addition, the Board meets for one day at the beginning of the financial year to chart the future strategic direction of Sunway REIT. The meetings are scheduled in advance in the fourth quarter of the preceding year for the Board members to plan their schedules. In order 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 given at least 1 week prior to the meetings for the Board to study and evaluate the matters to be discussed. The Manager had invested in an electronic board solution to facilitate paperless meetings where board papers are uploaded onto a secure electronic platform and is accessible via laptops, tablet devices and mobile phones. This investment has improved convenience and speed of delivery of information to the Directors wherever they might be located.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the performance of the properties under management, risk management and internal control reports, minutes of meetings, regulatory/ statutory updates and other operational and financial issues for the Board's information and/or approval. Whenever required, key management are also invited to attend Board meetings to present matters in respect of their area of responsibilities or recommendations for the Board's consideration or discussion.

In the Board meetings, the Board members are updated on Sunway REIT's performance and developments, businesses as well as changes on the regulatory and accounting standards.

The Chairman of the Board Committee would brief the Board members on issues discussed at the meetings of the Board Committees as well as the action plans to address or mitigate any issues or problems highlighted. The Board members would be constantly updated on the progress and development of the said issues at the subsequent meetings. The Board would provide comments and advice on the issues reported as well as propose any action plans to be undertaken by the Management.

A Director who has direct or indirect interest in any proposal or transaction, which is being presented to the Board for approval, will declare his or her interest and abstain from deliberation and voting of the same at the Board meeting.

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 at all times even when dealing with units within the permitted trading period.

QUALITY AND SUPPLY OF INFORMATION TO THE BOARD

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

All Independent Non-Executive Directors have access to the Chairman and/or the key management should there be any explanation or clarifications needed on any aspect of Sunway REIT's operations or management issues. The Management will also brief the Independent Directors in detail on a half-yearly basis.

TIME COMMITMENT

Unless due to emergency situation, all the Board members are expected to attend all meetings organised for the year.

The Board met 7 times during the financial year ended 30 June 2017 and the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. All Directors have given their best commitment to the Board meetings by attending all the Board meetings held during the financial year 2017. Their meeting attendance at Board meetings is evidenced by the attendance record set out in the table below.

Name of Directors	Number of Board Meetings Attended	Percentage of Attendance (%)
Tan Sri Ahmad Bin Mohd Don	7/7	100
Dato' Jeffrey Ng Tiong Lip	7/7	100
Sarena Cheah Yean Tih, <i>s.m.s.</i>	6/7	88
Chan Hoi Choy	7/7	100
Elvin A/L Berty Luke Fernandez	6/7	88
Tengku Nurul Azian Binti Tengku Shahriman	6/7	88
Ng Sing Hwa	7/7	100

In order to ensure the Directors have sufficient time to fulfil their roles and responsibilities effectively, the Board has agreed that one of the criteria for potential new directors is that they must not hold more than 5 directorships in public listed companies. This is also in compliance with Paragraph 15.06 of the Bursa MMLR. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are more focused.

A Director is required to seek prior consent from the Chairman of the Board before he or she accepts any new directorship outside Sunway REIT. The Director must advise the Board and the Company Secretary of his/her appointment as director in other public listed company. The Company Secretary will monitor the number of directorships and the changes, if any, of each Director and report to the Board during the Board meetings.

DIRECTOR'S TRAINING

The Board recognises the importance of training and development in enhancing its skills and knowledge to meet the changing business environment. The role to review the training and development needs of the Directors has been delegated to the NRC.

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. An in-house briefing by an appointed legal firm on the new Companies Act 2016 was organized for the benefits of the Directors.

Please refer to Sunway REIT's website at www.sunwayreit.com for the training programmes, seminars and workshops attended by Directors

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

PRINCIPLE B:

EFFECTIVE AUDIT AND RISK MANAGEMENT

POLICIES

Whistle blowing policy	 Encourages all employees of the Manager and stakeholders to report any suspected inappropriate behavior or misconduct relating to fraud, corrupt practices and/or abuse of resources of the Manager and/or Sunway REIT. Contains a mechanism for the reporting of concerns on any suspected wrongdoing, inappropriate behavior or misconduct pertaining to fraud, corrupt practices and/or abuse for management's action. The contact persons for whistleblowing are the Chairman of the Audit Committee or the Head of Internal Audit Department. Whistleblowing hotlines Tel: +603 5639 8025 E-mail: whistleblowing@sunway.com.my Fax: +603 5639 8027
Charity policy	 To enable the Manager on behalf of Sunway REIT to make donations within the scope of principles and procedures determined by the Board and the concept of Environment, Social and Governance (ESG) in line with the business sustainability efforts of Sunway REIT. Grant donations in relation with education, heath, culture, law, scientific research, environmental protection, sports and similar social activities or natural disasters that had occurred within or outside the country.
Recruitment policy	 Sets out the processes and the criteria for selection and assessment of potential candidates for election to the Board. Sets out the assessment criteria for the appropriateness of the board mix and composition The Board has delegated the responsibility for recommending a potential candidate to fill a board vacancy to the NRC but the ultimate decision on the appointment of a candidate is solely that of the Board as a whole.
Selection of External Auditors policy	- Outline the criteria and procedures for the AC to assess and select the External Auditors
Non-Audit Services policy	- Monitor the provision of non-audit services by the External Auditors.

COMMITTEES

In carrying out its functions, the Board is supported by the Audit Committee, Nomination & Remuneration Committee, Investment Appraisal Working Group, Risk Management Working Group and Sustainability Working Group, all of which operate within defined terms of reference and/or scope of work. These committees and working groups provide the appropriate checks and balances required for good governance.

(a) Audit Committee

Please refer to Corporate Information and Audit Committee Report for detailed information

The composition of the Audit Committee set out in the Corporate Information section of this annual report, attendance of meetings, scope of work for this financial year and key audit findings are set out in the Audit Committee Report of this annual report. (b) Nomination & Remuneration Committee

Please refer to Corporate Information for detailed information

During this financial year, the Board had combined the Nomination Committee and Remuneration Committee into one Committee.

The main role of the NRC amongst others, 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 Directors. In discharging its responsibilities, the NRC has developed criteria used for recruitment and annual Board assessment. In evaluating the suitability of the Board members, the NRC considers, inter alia, the competency, experience, commitment, contribution and integrity of the candidates. In case of candidates proposed for appointment as Independent Non-Executive Directors, the NRC would also assess the candidate's independence in accordance with Paragraph 1.01 and Practice Note 13 of the Bursa MMLR.

A total of 4 meetings of the NRC were held during financial year 2017 and the details of meeting attendance are as follows:

Meetings and Attendance

Name of NRC Members	Number of Meetings Attended
Tengku Nurul Azian Binti Tengku Shahriman	4/4
Elvin A/L Berty Luke Fernandez	3/4
Tan Sri Ahmad Bin Mohd Don	4/4
Sarena Cheah Yean Tih, <i>s.m.s.</i> ^	2/3*
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, A0#	1/1*

* Reflects the number of meetings held during the time the Director held office

^ Appointed on 1 October 2016

Resigned on 30 September 2016

Among the salient activities undertaken by the NRC during the financial year 2017 were as follows:

A. Nomination Matters

- (a) At the meeting held on 11 August 2016, the NRC deliberated on the following:
 - (i) Reviewed the terms of reference as well as the roles and responsibilities of the NRC. The Committee was of the view that the terms of reference remained relevant and therefore, no revision was required.
 - (ii) Reviewed and endorsed the Nomination Committee report to be included in the Corporate Governance Statement for Annual Report 2016.
 - (iii) Reviewed and approved the methodology for 2017 evaluation of Board effectiveness, assessment of the Independent Non-Executive Directors and Director's peers review. The formats of Audit Committee Evaluation, Audit Committee Members' Self & Peer Evaluation and Effectiveness of Board Committee Evaluation were also discussed and approved. The NRC Chairman suggested that the Directors provide comments to revise the questionnaires where necessary whilst responding to it.
- (b) The Manager has a systematic programme to identify, train/mentor the next echelon of future leaders i.e. annual talent reviews and succession planning for key management positions.

In financial year 2017, the discussions on management succession planning were held on 27 October 2016 and 3 May 2017. The Sunway Group Chief Human Resources

Officer presented the potential successors to CEO and CFO for deliberation. The Committee suggested that the Management should always identify more potential candidates for grooming and selection. The Management noted and would constantly look for right candidates from internal and external sources.

- (c) At the meeting held on 3 May 2017, the Committee deliberated on the following:
 - Reviewed the results of the Board effectiveness assessment, Board Committees assessment, Audit Committee assessment, assessment of Independent Non-Executive Directors and Director's peers review for financial year 2017. Areas which needed improvements were highlighted to the Board and the Management for action. On the whole, the NRC was satisfied with the results of the assessments.
 - ii) Reviewed and was satisfied with the existing structure and composition of the Board committees.
 - iii) Evaluated and was satisfied with the competencies and time commitment of the Board members as well as the independence of the Independent Directors. The Independent Directors confirmed their continued independence in accordance with Paragraph 1.01 and Practice Note 13 of the Bursa MMLR as well as the REIT Guidelines.
 - iv) List of workshops and seminars attended by Directors were noted and discussed. Having analysed the training requirements, the Committee was of the view that adequate trainings and development opportunities were provided to all Board members. However, Directors were encouraged to attend specific training programmes in order to keep themselves abreast with the changing regulatory environment.
 - v) Assessed the performances of Tan Sri Ahmad Bin Mohd Don, Elvin A/L Berty Luke Fernandez and Ng Sing Hwa, the retiring Directors for re-election or re-appointment at the 10th Annual General Meeting of the Manager. All the above Directors offered themselves for re-election. The Committee having evaluated their performances, recommended them for re-election and re-appointment at the 10th Annual General Meeting of the Manager. The resolutions to re-elect the said Directors were subsequently approved by the shareholders of the Manager.

B. <u>Remuneration Matters</u>

- i) At the meetings held on 27 October 2016 and 14 February 2017, the NRC reviewed and evaluated the performances of the CEO and CFO of the Manager and endorsed their annual increments and bonuses. The Sunway Group Chief Human Resources Officer was invited to present the surveys on remuneration package for similar industry for discussion and comparison. The targeted KPIs of the CEO and CFO were compared to the actual achievements for the relevant financial year. The Manager uses "Managing for Excellence" software tools for facilitating the evaluation of the CEO and CFO encompassing balanced scorecard for the CEO and CFO which is conducted on a yearly basis; and
- ii) Reviewed and approved the terms of the contract of employment of the CEO.
- iii) On 3 May 2017, the Committee had reviewed and deliberated on the proposed KPIs of the CEO and CFO for calendar year 2017. The Committee had suggested some amendments to the KPIs and subsequently endorsed the revised KPIs set for the CEO and CFO for calendar year 2017.

Please refer to Sunway REIT's website at *www.sunwayreit.com* for the duties and responsibilities as well as the terms of reference of the NRC for detailed information

(d) Investment Appraisal Working Group (IAWG)

Please refer to Corporate Information for detailed information

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 its distribution per unit (DPU).

During the financial year, the IAWG had evaluated 9 potential assets for acquisitions which consist of the assets of Sunway Group and also third party assets. These potential assets were evaluated based on set assessment criteria used on all potential assets with due diligence conducted on 2 assets that passed the initial assessment criteria. Pursuant to the due diligence exercise, 2 assets were recommended to the Board for acquisition.

(e) Risk Management Working Group (RMWG)

🖉 Please refer to Corporate Information and Statement on Risk Management and Internal Control for detailed information

The RMWG is tasked with the responsibility of overseeing 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 Sunway REIT.

A risk management committee will be formed in the next financial year in compliance with MCCG 2017.

(f) Sustainability Working Group (SWG)

The objective of the establishment of the SWG is to oversee, monitor and report all Corporate and Social Responsibility as well as business sustainability initiatives undertaken by the Manager to the Board. The Board continues to ensure that Sunway REIT remains steadfast in its efforts to ensure sustainability.

During the financial year, the Board reviewed the reports of the SWG and supported the implementation of smoke free campaign undertaken by Sunway REIT.



Please refer to Sustainability Statement section for detailed information

COMPANY SECRETARIES AND COMPLIANCE OFFICER

Roles of the Company Secretary

- Provides advice and services to the Board to enable them to discharge their duties effectively;
- Attend all Board meetings and, together with the Directors, are responsible for the proper conduct of the meetings according to applicable rules and regulations;
- · Regularly update the Board on new statutes, regulations and directives issued by regulatory authorities;
- Ensure that deliberations at Board and Board Committee meetings are properly documented, and subsequently communicated to the relevant management for their further actions; and
- 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.

Role of the Compliance Officer

 Ensuring the compliance with the Deed and all applicable SC guidelines and securities laws relating to Sunway REIT.

MANAGING CONFLICT OF INTERESTS AND RELATED PARTIES

The Manager has established the following procedures to deal with potential conflict 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 estate business;
- The appointment or renewal of appointment 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 transactions must be duly disclosed by the Manager to the AC and the Board;
- The AC 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; and
- 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's utmost priority is to always act in the best interest of the unitholders of Sunway REIT 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 and this is a framework based on the Deed where 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.

In dealings with any related parties, 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 AC prior to recommendation to the Board. If a member of the AC has an interest in a transaction, he is to abstain from participating in the review and recommendation process in relation to that transaction.

Please refer to the Audit Committee Report for detailed information

In recommending proposals to the AC, the Manager would have to demonstrate to the AC 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 obtaining of quotations from parties unrelated to the Manager; or in the case of purchase of property, the obtaining of valuation from an independent valuer.

If the Trustee is to sign any contract with a related party of the Trustee or the Manager, the Trustee will review the contract documentation to ensure it complies with the requirements and provisions relating to related party transactions contained in the REIT Guidelines and the Deed and that the transaction is in the best interests of the unitholders.

REAL ESTATE RELATED PARTY TRANSACTIONS

Real estate 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:

- the transaction value does not exceed 5% of the total asset value (TAV) 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 TAV of Sunway REIT (after completion of the transaction), the Trustee will obtain prior approval from unitholders in a meeting held 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.

NON-REAL ESTATE RELATED PARTY TRANSACTIONS

Although Paragraph 8.36 of the Bursa MMLR provides that Chapter 10 of the Bursa MMLR does not apply to Sunway REIT, nonetheless in the absence of any specific provisions in the REIT Guidelines, the Manager has adopted voluntarily, the provisions of Chapter 10 of the Bursa MMLR where it relates to announcements to Bursa Securities in respect of non-real estate related party transactions. This is now a proposal in the public consultation paper issued by Bursa Securities.

The Manager, in demonstrating 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 Bursa MMLR for the purpose of announcements to Bursa Securities.

SOUND FRAMEWORK TO MANAGE RISKS

The Board is committed to integrating risk management practices into all business processes and operations to drive consistent, effective and accountable actions, and management practices. The Board assumes overall responsibility for maintaining a sound system of risk management and internal controls that provide reasonable assurance of effective operations and legal compliance including both internal policies and standard operating procedures.

The Board is assisted by the Risk Management Working Group (RMWG) in identifying, mitigating and monitoring the critical risks highlighted by the Facilities Management teams. The Internal Audit Department (IAD) assists the AC in reviewing, evaluating and monitoring the effectiveness of Sunway REIT's governance, risk management and internal control processes.

Please refer to the Statement of Risk Management and Internal Control for detailed information

INTERNAL AUDIT FUNCTION

The Internal Audit function is performed in-house by the Manager's internal audit team. It reports to the AC on its activities based on the approved annual plan. The internal auditors adopt a risk-based auditing approach, taking into account global best practices and industry standards. The main role of the internal auditors is to provide the AC with independent and objective reports on the adequacy and effectiveness of the system of internal controls, risks and governance framework within the Manager. The internal auditors' reports arising from assignments were issued to the Management for their response, corrective actions and status of implementation of audit recommendations. The internal auditors' reports were subsequently tabled to the AC for their deliberation and approval. The Head of the IAD has unrestricted access to the AC and reports directly to the AC.

Please refer to the Audit Committee Report for detailed information

PRINCIPLE C:

INTEGRITY IN CORPORATE REPORTING & MEANINGFUL Relationship with stakeholders

I. COMMUNICATION WITH STAKEHOLDERS

REPORTING INTEGRITY

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. The Board is assisted by the AC to oversee Sunway REIT's financial reporting processes and the quality of its financial reporting. It also ensures that Sunway REIT's financial statements comply with all applicable accounting policies, standards and regulatory requirements.

The Board maintains, via the AC, an active, transparent and professional relationship with the External Auditors, Messrs BDO. The AC 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 AC and External Auditors without the presence of the Executive Director and the Management.

In addition, the External Auditors are invited to attend Sunway REIT's annual 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.

During the financial year 2017, the AC met 2 times with the External Auditors on 11 August 2016 and 27 October 2016. The AC also met with the External Auditors without the presence of the Executive Director and the Management on the same dates. This encourages a greater exchange of independent and open dialogue between both parties.

Based on the Policy on Selection of External Auditors and a Non-Audit Services Policy, the AC annually assesses the suitability, effectiveness and independence of the External Auditors and ensures that the provision of other non-audit services by the External Auditors is not in conflict with their audit function. The External Auditors rotate their engagement partner in charge of the audited financial statements of Sunway REIT once every 5 years to maintain their independence from Sunway REIT. Management shall obtain assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Nevertheless, the current audit engagement partner has held the position for only 2 years.

There were no non-audit services provided by the External Auditors during this financial year 2017.

The appointment of the External Auditors, who may be nominated by the Manager, is 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.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Bursa MMLR require immediate disclosure to the market on 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 could impact Sunway REIT's fundamentals.

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 corporate information, Sunway REIT's structure, portfolio of assets and investment strategies are disclosed on Sunway REIT's website.

LEVERAGE ON INFORMATION TECHNOLOGY FOR EFFECTIVE DISSEMINATION OF INFORMATION

Sunway REIT's website at *www.sunwayreit.com*, incorporates a section for "Investor Relations" which provides all relevant information on Sunway REIT such as Financial Information, Stock Information, Bursa Announcements, Publications and Presentations, Distribution Information, Corporate Governance, Investors Centre, Media, AGM/EGM information. The information is easily accessible by the public. Annual reports and circulars to unitholders are also made available on the website for review.

STRENGTHEN COMMUNICATIONS WITH STAKEHOLDERS

The Board continues to maintain constant dialogues and is committed to clear communication with unitholders and investors. In this respect, as part of Sunway REIT's 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.

In this financial year, the engagement activities with the institutional investment community focused on effective communication. Private one-on-one sessions and small group meetings are held in order to ensure productive interaction and communication with the Management, investors and/or analysts.

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 Bursa MMLR. 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
- Notices of, and explanatory memoranda for annual general meetings
- Sunway REIT's website at www.sunwayreit.com

In addition to ensuring that a CD-ROM of the annual report is sent to all unitholders and quarterly results announced to Bursa Securities, Sunway REIT regularly updates its information on its website at *www.sunwayreit.com.* Sunway REIT also continues to take the extra mile to inform investors in advance of the date of release of the quarterly results.

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. The Manager has in place an insider trading policy to safeguard confidentiality of its material and pricesensitive information.

General meetings of Sunway REIT provides the principle forum for dialogue and interaction between the Board and the unitholders. The Board encourages unitholders' participation in general meetings. There is always ample time allocated to allow clarification and questions from both individuals and institutional representatives at general meetings.

This annual report which is one of the main forms of communication with our unitholders will be furnished in the form of CD-ROM together with an executive summary. This effort to minimise printing of the annual report is part of Sunway REIT's sustainability programme. Upon request, the hard copy of the annual report will be given.

INVESTOR RELATIONS' CONTACT

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. Crystal Teh Lay Ling Senior Manager - Investor Relations Tel No: (603) 5639 8864 Fax No: (603) 5639 8001 Email: crystaltll@sunway.com.my

DIRECTORS' RESPONSIBILITY STATEMENT ON AUDITED FINANCIAL STATEMENTS

The Board is responsible for the preparation of the Audited Financial Statements 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 ensures 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 new Companies Act 2016 have been complied with.

The Board also ensures that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Manager and Sunway REIT and in compliance 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.

NEW INITIATIVES

For this financial year 2017, the Manager achieved 3 major corporate governance milestones:

- the appointment of an independent non-executive director as the Chairman of the Board. This is a major step towards a higher standard of independence and transparency on the Board;
- adopted and incorporated integrated reporting based on a globally recognised framework in this report to enhance the

connectivity and relevance of reporting for our esteemed stakeholders; and

 formalised a policy for the appointment of external auditors to ensure that the proper and due processes are in place to ensure independence of external consultants.

In line with the increased disclosures required by MCCG 2017, there were changes made to the reporting style in this annual report on the board evaluation disclosures which detailed how the evaluations were conducted, criteria used such as the assessment of fit and properness, contribution and performance, calibre of Directors, amongst others and additional disclosures in relation to internal control framework such as the identification and evaluation on key risk areas.

Please refer to the Statement on Risk Management and Internal Control for detailed information

In the pipeline, the Manager is looking at the establishment of a risk management committee and the implementation of an electronic voting system for the forthcoming Annual General Meeting.

The Manager is fully committed to achieve all the intended outcomes in the MCCG 2017 and to fulfil all the principles and practices to the fullest extent. Its attention and focus on the holistic application of the best corporate governance practices within the Manager is reinforced by the significant changes made in this financial year which is highlighted in this report.

This Corporate Governance Statement was approved by the Board of Directors on 10 August 2017.

AUDIT COMMITTEE REPORT

FORMATION

Recognising that an audit committee plays an important role in corporate governance, the Board of the Manager had on 22 September 2010, established an Audit Committee (AC) on a voluntary basis to ensure that the interests of the unitholders of Sunway Real Estate Investment Trust (Sunway REIT) are protected and prioritised.

The AC assists the Board of the Manager to review, assess and to recommend proposals relating to internal controls, financial and accounting records and policies as well as financial reporting practices of Sunway REIT.

During the financial year, the Board had appointed Elvin A/L Berty Luke Fernandez as Chairman of the AC in place of Tan Sri Ahmad Bin Mohd Don, who has resigned as Chairman of the AC following his appointment as Chairman of the Board.

COMPOSITION

The AC comprises the following Non-Executive Directors, a majority of whom are Independent Directors and is chaired by an Independent Director:

- 1. Elvin A/L Berty Luke Fernandez Chairman (Independent Non-Executive Director)
- 2. Tan Sri Ahmad Bin Mohd Don (Senior Independent Non-Executive Director)
- 3. Tengku Nurul Azian Binti Tengku Shahriman (Independent Non-Executive Director)
- 4. Ng Sing Hwa (Non-Independent Non-Executive Director)

The AC composition meets the following requirements:

Requirements	Commentary
Paragraph 15.09(1)(a) & (b) of MMLR of Bursa Securities	• The AC must consist of at least 3 members with the Chairman and a majority of the members being independent non-executive directors.
Paragraph 15.09(1)(c)(i) of MMLR of Bursa Securities	• Tan Sri Ahmad Bin Mohd Don is a Fellow of Institute of Chartered Accountants in England and Wales as well as a Member of Malaysian Institute of Certified Public Accountants.
	• Ng Sing Hwa is a qualified Chartered Accountant and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

MEETINGS AND ATTENDANCE

The AC held 5 meetings during the financial year and the details of attendance of the Committee Members are as follows:

Name of Committee Member	Number of Meetings Attended
Elvin A/L Berty Luke Fernandez	4/5
Tan Sri Ahmad Bin Mohd Don	5/5
Tengku Nurul Azian Binti Tengku Shahriman	4/5
Ng Sing Hwa	5/5

During the financial year, the following parties were invited to attend the AC meetings:

Invitees	Frequency of attendance	Purpose
Chief Executive Officer, Chief Financial Officer and Compliance Officer	All AC meetings	Representing the management team to facilitate direct communication and to provide clarification on the audit issues as well as Sunway REIT's financial and business operations
Internal Auditors (IA)	All AC meetings	To table internal audit reports and respective investigation reports
External Auditors, Messrs BDO	2 meetings	To discuss audit plan and audit findings
Facilities Management team members of the respective assets	As and when necessary	To brief the AC on specific issues arising from the internal audit reports on matters relating to their areas of responsibilities

TERMS OF REFERENCE

The scope of responsibilities of the AC is outlined in its terms of reference.

Please refer to Sunway REIT's website at www.sunwayreit.com for terms of reference of the AC
DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 30 June 2017, the AC in the discharge of its functions and duties had carried out the following activities:

1. Overseeing Financial Reporting

(a) At the AC meetings held on 11 August 2016, 27 October 2016, 14 February 2017 and 3 May 2017, the AC reviewed and discussed with the Management, the respective quarterly management accounts and quarterly financial results, taking into consideration the necessary processes and controls were in place in the preparation of the financial reports.

At each of the meetings, the CFO presented the financial reports and confirmed to the AC, the following matters:

- The accounting policies and methods of computation adopted by Sunway REIT were consistent with those adopted in the previous audited financial statements. The new amendments to the Malaysian Financial Reporting Standards that affect Sunway REIT were also adopted;
- ii) There were no significant and unusual issues other than those reported in the financial statements;
- Sunway REIT continues to operate as a going concern; and
- iv) The accounting standards, regulatory and other legal requirements had been complied with the preparation of the financial statements.

The AC focused its attention on the accuracy of the reported financial figures and explanations to material variances or movements during the relevant quarters. The unaudited quarterly financial results were then recommended for approval at the subsequent Board meetings by the AC for release to Bursa Securities.

On 11 August 2016, the AC discussed the key audit matters raised by the External Auditors and the disclosure required in the Auditors' Report of Sunway REIT's audited financial statements for the financial year ended 30 June 2016. Having satisfied itself that the audited financial statements complied with the relevant accounting standards and legal requirements, the AC duly recommended the same for the Board's approval.

On 27 October 2016, the AC also reviewed and took note of the changes and amendments to the regulations, accounting standards and other regulatory requirements tabled by the CFO that affected Sunway REIT's financial year 2017. Some of the amendments to the Malaysian Financial Reporting Standards discussed were:

MFRS 134: Interim Financial Reporting;

- MFRS 116 and 138: Clarification of Acceptable Methods of Depreciation and Amortisation; and
- MFRS 101: Disclosure Initiatives.

Updates on tax related matters based on the Budget 2017 in relation to the widening of withholding tax scope and changes in respect of goods and services tax were also briefed to the AC on 14 February 2017.

- (b) On 20 December 2016, the Independent Directors from the AC met with Messrs Knight Frank Malaysia Sdn Bhd, an independent qualified valuer, to discuss the valuation techniques to be used for potential investment opportunities. The AC agreed that the valuer used the income approach by discounted cash flow as primary valuation methodology and supported by the comparison approach for a potential investment opportunity which is still under consideration by the Manager.
- (c) Minutes of the previous Committee meetings were tabled at the subsequent Board meetings by the AC Chairman. Significant issues were highlighted together with follow-up actions to rectify them were reported to the Board.
- (d) On 24 July 2017, the AC met with Sunway REIT's valuer, Messrs C H Williams Talhar & Wong Sdn Bhd, an independent qualified valuer, to discuss the valuation techniques used, i.e. investment method and profit method in arriving at the fair value changes of RM152,073,000 for the investment properties in relation to the financial year 2017.

2. Assessing Risks and Control Environment

- (a) The AC reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of the Management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- (b) The Management reported to the AC on a quarterly basis, all identified risks that were recorded in a risk management scorecard which had facilitated systematic review and monitoring of the risk areas. The financial impact and mitigation measures for the main risks such as interest rate risk and risk of decline in revenue were also deliberated at the meetings.
- (c) On 11 August 2016, the Committee reviewed and deliberated on matters relating to internal control as reported by the External Auditors in the course of their statutory audit of the financial statements for the financial year ended 30 June 2016. At the meeting, the External Auditors reported that there were no significant weaknesses in Sunway REIT's internal control systems.

3. Evaluate the Audit Process

(a) Internal Audit

(i) The AC approved the Internal Audit Department's (IAD) Audit Plan for the financial year ended 30 June 2017 at the meeting held on 11 August 2016. The Audit Plan was developed using a risk based audit methodology where business units and processes were selected for audit based on risk assessments carried out periodically by IAD. The AC reviewed the adequacy and relevance of the scope and resources allocated for the plan and subsequently, approved the plan and its proposed audit timetable and the budgeted man-hours.

The 2017 Audit Plan was also reviewed on a quarterly basis to ensure adequate audit coverage of the key risk areas and processes of the business operations activities of Sunway REIT taking into account any developments which had an impact on the audit coverage.

The key emphasis areas covered under the Audit Plan 2017 were as follows:

- Governance, Compliance and Financial Reporting Reviews for the Manager
- Continuing Internal Control Assurance reviews for significant properties:

Retail - To conduct scheduled audits on all the retail properties, focusing on key risk areas including procurement, billing and collection processes.

Hospitality - To conduct scheduled audits on all the hotel properties, focusing on all key operations or areas susceptible to fraud.

- Assess and make appropriate recommendations for improving the governance structures and processes within Sunway REIT
- (ii) The AC reviewed the results of audit engagements carried out by IAD at every AC meeting and discussed the major findings and audit recommendations. The AC also reviewed the status of implementation of corrective actions taken by the Management to ensure appropriate remedial actions were taken on a timely basis to address all areas of risk and internal control issues. In addition, IAD updated the AC on the progress of the 2017 Audit Plan and results of ad-hoc assignments including audit investigations.
- (iii) At the meeting held on 3 May 2017, the Internal Audit Function Evaluation Report was tabled for AC to assess the performance of IAD. The AC assessed the

effectiveness of the internal audit function in terms of scope and compliance with relevant regulatory standards as well as its collaboration with the External Auditors. The Committee also assessed the adequacy of resources and core skills and competencies of staff within the IAD.

The AC was satisfied with the performance of IAD and was of the opinion that the internal audit function was appropriate to its size, the nature and scope of its activities. The AC found that the Internal Audit was effective and able to function independently and able to provide Directors and the Management with pertinent information on potential weaknesses in the system of internal control and providing the Management with constructive input and ideas for remedial action.

- (iv) The AC had on 11 August 2016 and 14 February 2017, met with IAD without the presence of the Management and Executive Board members to facilitate discussions of additional matters in relation to audit issues and internal control weaknesses noted in the course of its audit.
- (b) External Audit
 - i) On 27 October 2016, the AC reviewed and discussed with the Management and the External Auditors, the Audit Planning Memorandum for financial year 2017. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to commencement of annual audit. It was noted that the External Auditors had written to their global office to seek clarification on Level 2 and Level 3 classification of asset valuation for investment properties after discussion with the AC. Subsequently, BDO global office confirmed that it is under Level 3 disclosure because the classification was based on the lowest level of the input.
 - ii) Discussed with the External Auditors on 11 August 2016, the Audited Financial Statements for the financial year ended 30 June 2016 particularly, on the major issues that arose during the course of the audit and their resolution, key accounting and audit adjustments as well as the unadjusted differences identified during the audit.

The External Auditors were of the opinion that Sunway REIT's audited financial statements gave a true and fair view of the financial position of Sunway REIT and was prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts (REIT Guidelines).

- iii) The AC on 11 August 2016 and 27 October 2016, had private sessions with the External Auditors to discuss any issues as well as reservations arising from their audit without the presence of the Management and the Executive Board members. No major concerns were highlighted by the External Auditors. The External Auditors also confirmed that they had been receiving full cooperation from the Management and were given unrestricted access to the Manager and Sunway REIT's records.
- iv) The AC at its meeting held on 11 August 2016, reviewed the audit fees of the External Auditors for the financial year 2016. There were no non-audit services fees incurred for the financial year ended 30 June 2016.

4. Reviewing Related Party Transactions & Conflict of Interest Situations

- (a) The AC at its quarterly meetings held on 11 August 2016, 27 October 2016, 14 February 2017 and 3 May 2017 deliberated on any Management's potential conflict of interest, related party transactions and recurring related party transactions. All related party transactions and recurring related party transactions were found to have complied with the following criteria:
 - Carried out in compliance with the REIT Guidelines and the Deed;
 - ii) Transactions were carried out on an arm's length basis and under normal commercial terms;
 - iii) Transactions were carried out in the best interest of the unitholders;
 - iv) Interested parties abstained from deliberation and voting;
 - v) Adequately disclose to the unitholders via Bursa Announcements, Quarterly Reports and Annual Report; and
 - vi) Approved by the Trustee.
- (b) The AC took note that there were no Management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the CEO at the quarterly meetings.
- (c) On 3 May 2017, the AC reviewed and deliberated on the proposal for a guaranteed rent adjustment for Sunway Hotel Seberang Jaya. Having examined the financial assumptions presented, the AC was of the opinion that it was in the best interest of Sunway REIT and was not detrimental to the interests of the minority unitholders and that the terms of the adjustment were fair, reasonable and made on normal commercial terms. It was then recommended to the Board for approval.

5. Other Matters

- (a) On 11 August 2016, the AC reviewed and recommended for the Board's approval, the Corporate Governance Statement, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion into the Annual Report 2016 of Sunway REIT. The AC also reviewed and recommended for the Board's approval, the Annual Report 2016 of Sunway REIT.
- (b) The Committee was satisfied that there were no noncompliance of the Trust Deed, Capital Markets Services Act 2007 and REIT Guidelines based on the compliance survey completed by the key management of the Manager, and as reported by the Compliance Officer at the quarterly meetings during the financial year.
- (c) The Committee was informed that there were no breaches of the MMLR of Bursa Securities as reported by the Company Secretary at the quarterly meetings during the financial year.
- (d) On 3 May 2017, the AC reviewed and discussed the Policy on Selection of External Auditors. The Committee deliberated on the key selection criteria, i.e. independence, competency and resources, material matters, rotation of audit partner and fees. The AC subsequently recommended the same for the Board's approval.
- (e) At its meetings held on 14 February 2017 and 3 May 2017, the AC was briefed on the new Companies Act 2016 and the new MCCG 2017 respectively.

ANNUAL ASSESSMENT OF THE AUDIT COMMITTEE

The assessment on the performance and effectiveness of the AC were undertaken by the Board annually. The AC members also undertook a Self and Peer Evaluation to assess whether the AC members had carried out their duties and responsibilities in accordance with its terms of reference.

Based on the assessment, the Board was satisfied that the AC was effective in discharging its duties and responsibilities as required under the AC's terms of reference.

CONTINUING EDUCATION

The details of training programmes and seminars attended by each Committee Member during the financial year ended 30 June 2017 are set out in Sunway REIT's website.

Please refer to Sunway REIT's website at www.sunwayreit.com

INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The Internal Audit function is performed in-house by the Manager's Internal Audit Department (IAD). The IAD adopts a risk-based auditing approach, taking into account global best practices and industry standards. The main role of the internal audit function is to provide the AC with independent and objective evaluation of the adequacy and effectiveness of the system of internal controls, risks and governance framework of Sunway REIT. IAD's reports arising from assignments were issued to the Management for their response, corrective actions and status of implementation of audit recommendations. The internal audit reports were subsequently tabled to the AC for their deliberation and approval. The IAD has unrestricted access to the AC and reports directly to the AC. In its current structure, the IAD has been able to provide the Directors and the Management with pertinent information about weaknesses in the system of internal control allowing the Management to take prompt remedial actions.

The IAD carries out yearly Conflict of Interest Declaration and all IAD personnel are free from any conflict of interest relationships and free from management or functions which it audits which could impair their objectivity and independence. The IAD is a Corporate Member of the Institute of Internal Auditors (IIA) and carries out its audits in compliance with the International Standards for the Professional Practice of Internal Auditing Malaysia (IIAM Standards) as laid down in the International Professional Practices Framework issued by the IIA.

The IAD team comprises 6 auditors with relevant qualifications ranging from bachelor's degrees to professional accounting qualifications. The IAD team is led by Ms Khong Shiyi who has 12 years of audit experience. She holds a Bachelors of Commerce Degree in Accounting and Marketing, a member of the Certified Practising Accountants Australia (CPA) and she is also a Chartered Accountant registered with the Malaysian Institute of Accountants (MIA).

During the financial year ended 30 June 2017, IAD carried out the following activities:

- (a) Prepared and presented the risk-based annual audit plan for the approval of the AC.
- (b) Performed audit engagements which covered reviews of internal control systems, accounting and management information systems, risk management and governance practices.
- (c) Issued internal audit reports to the AC and the Management providing results of the assessments of internal controls identifying key areas of concerns as well as highlighting recommendations for improvements and carried out follow-up audits.
- (d) Reviewed the investigation reports tabled during the year and ensured appropriate remedial actions/measures were taken.
- (e) Acted on suggestions made by the AC and/or the Management on concerns over operations or controls and significant issues pertinent to Sunway REIT.
- (f) Followed up on the Management's corrective actions on audit issues raised by the External Auditors.
- (g) Reported to the AC on review of the adequacy, appropriateness and compliance with the procedures established to monitor recurrent related party transactions.
- (h) Performed independent evaluation on the operation of risk management framework focusing primarily on the adequacy and effectiveness of the said framework.

The costs incurred for the internal audit function in respect of the financial year ended 30 June 2017 amounted to RM424,188.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of the Manager is pleased to present the Statement on Risk Management and Internal Control 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 (Guidelines).

The objective for establishing a sound risk management framework and internal controls system is to safeguard unitholders' investment and assets, as stipulated by the Malaysian Code on Corporate Governance (MCCG 2017).

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 in 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, 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 risk areas 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 these 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, are 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.

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Monitoring Mechanisms and Management Style

Scheduled periodic meetings of the Board, the Board Committees and the 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 Facilities Management team 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 the 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 up 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.

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 embedded into key activities and business processes, enabling proper risk management at operation level of each property, as well as at Sunway REIT's level. Key risk areas identified are systematically evaluated with proper mitigating action in place, developed to manage the risks to an acceptable level and monitored on a continuous basis.

The key risk areas are discussed under the Risk Management section in the Management Discussion & Analysis

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Whistle-blowing Policy

The Audit Committee (AC) has implemented the whistle-blowing policy and procedures. This whistle-blowing policy has been established to promote fraud awareness. The objective of whistle-blowing policy is to encourage the employees of the Manager and other stakeholders, to 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 with appropriate follow-up actions.

Key Elements of the Manager's System of Internal Control

The current system of internal control has within it, the following key elements:

 Comprehensive policies and procedures manuals that • Clear vision, mission, corporate philosophy and strategic provide guidelines on, and authority limits over various direction which are communicated to employees at all operating, financial, human resources and health and levels. safety matters. The Board with appropriate management reporting The use of the intranet as an effective means of mechanisms which enable the Board to review the communication and knowledge sharing. performance of Sunway REIT. • The Board approves annual budgets and business plans prepared by each property during the business plan Regular management meetings involving the review exercise to consider the challenges and strategies, relevant of the operations and financial performance of each strengths, weaknesses, opportunities and threats including property. competitor, market and broader environmental analysis. • Investment strategies and criteria which are agreed and formulated by the Investment Appraisal Working Group and • Communication of policies and guidelines in relation to recommendation on any acquisition or divestment would human resources matters to all employees through a be presented to the Board for approval before escalating staff handbook which is also available on the intranet. to the Trustee for approval. • The AC with formal terms of reference clearly outlining • A systematic performance appraisal system for all its functions and duties delegated by the Board. levels of staff. • The internal audit function which carries out internal audits • Relevant training provided to personnel across all based on an annual risk-based audit plan approved by the functions to maintain a high level of competency and AC. capability.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Assurance Mechanisms

The AC, 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 AC 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 AC.

Based on these audits, the AC is provided with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control. In addition, the AC 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 the Deed and all applicable SC Guidelines and Securities law relating to Sunway REIT. The compliance officer monitors compliance based on the framework within the policy manual and compliance guidelines, procedures, guidance and assessment questionnaires that are in place for the 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 a Risk Management Working Group which is responsible 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.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

THE BOARD'S COMMITMENT

The Board recognises that Sunway REIT operates in a dynamic business environment in which risk management and internal control systems must be responsive in order to be able to support its business objectives. To this end, the Board remains committed towards maintaining a sound risk management and internal control systems and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

REVIEW BY EXTERNAL AUDITORS

The Board has ensured that this Statement on Risk Management and Internal Control is reviewed by External Auditors in accordance with Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The external auditors have performed limited assurance procedure on the Statement pursuant to the scope set out in Recommended Practice Guide 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants, and reported to the Board that nothing has come to their attention that causes them to believe the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

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 objectives 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 of Directors on 10 August 2017.

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 2017.

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 2017.

3. SOFT COMMISSION

There was no soft commission received by the Manager during the financial year ended 30 June 2017.

4. VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 30 June 2017 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 MANAGEMENT COMPANY AND MAJOR UNITHOLDERS

Save as disclosed, there were no material contract (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 2017:-

(a) The Letter of Award dated 18 August 2016 totalling approximately RM15.2 million to Deco Style Sdn Bhd (Deco Style) as the project delivery partner (PDP) for the refurbishment and upgrading the multi-function hall, meeting rooms and back of house area of Sunway Pyramid Convention Centre.

The consideration amount will be paid in cash against progress billing received.

Relationship of Related Party for item (a) above

Deco Style, a wholly-owned subsidiary of Sunway Berhad (Sunway) is deemed related party to Sunway REIT by virtue of Sarena Cheah Yean Tih, *S.M.S.* is Director of Sunway and the Manager. She is also a substantial unitholder of Sunway REIT and a substantial shareholder of Sunway.

NURTURING THE PEOPLE AND ENVIRONMENT FOR THE FUTURE

Sustainable development is meeting the needs of the present without compromising the ability of the future generation to meet theirs. The Manager is committed in improving the quality of people's lives and the environment.

SUSTAINABILITY STATEMENT

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CONSTITUENT OF FTSE4GOOD BURSA MALAYSIA INDEX Sunway REIT was included in the FTSE4Good Bursa Malaysia

Index on 20 June 2016 and remained as a constituent following

the recent index revaluation in June 2017. Inclusion in the index

motivates us to continue improving our sustainability practices

and address any existing gaps in the areas of economic

contribution, environmental stewardship, societal engagement

Sustainability Working Group (SWG) was formed following the

adoption of the Sustainability Framework in April 2015. This

working group oversees and monitors all sustainability initiatives undertaken by the Manager. The SWG reports to the Board of

Directors on a quarterly basis. The formation of the working

group enhances the governance structure of the sustainability

and corporate governance best practices.

SUNWAY REIT SUSTAINABILITY WORKING GROUP

SUSTAINABILITY STATEMENT

INTRODUCTION

SUNWAY REIT'S STAND ON SUSTAINABILITY

Sunway REIT's philosophy is to adopt the best practices in corporate transparency and disclosure. We endeavour to deliver greater value creation to our stakeholders beyond financial performance. In the course of managing a portfolio of investment properties, sustainability practices have been part and parcel of the daily operations. Over the past 2 years, we have made a conscious effort to instill sustainability culture in all employees of the Manager and Facilities Management teams when performing their duties. Our core values guide us in the delivery of high quality and environmental-friendly business spaces for our tenants and customers.

We continue to perform active engagement with our stakeholders through various channels to understand their concerns and expectations. This approach helps us to build a sustainable business model that is well positioned to serve our large and diverse group of stakeholders over the long term.

SCOPE OF THIS STATEMENT

Reporting Period	1 July 2016 – 30 June 2017
Reporting Cycle	Annually
References and Guidelines	 Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines Bursa Malaysia Sustainability Reporting Guide International Organization (ISO) 26000:2010 Guidelines on Social Responsibility United Nations Sustainable Development Goals



Sustainability Working Group Members

programme.

Dato' Jeffrey Ng Tiong Lip



Wai Sow Fun





Sarena Cheah Yean Tih, s.m.s. (Alternate: Loo Hoey Theen)



Chan Hoi Choy (Alternate: Kevin Tan Gar Peng)



Cheng Jew Keng



Crystal Teh Lay Ling

SUSTAINABILITY FRAMEWORK

Employee

interest

engagement and

 Health and safety
 Formation of Independent Board of Directors to protect unitholders'

development

In April 2015, Sunway REIT formalised its Sustainability Framework which outlines its strategic commitment to sustainability focus and practices. It is an integral part of our approach to risk management. The framework promotes transparency and accountability while having a positive impact to the people and environment. It also encourages our business units to conduct business in a sustainable manner by promoting sound environmental and social practices.

The framework aligns our strategy and initiatives in the execution of sustainability initiatives. Key measurables have been incorporated to evaluate the effectiveness of these initiatives.



compromising quality

unitholders, tenants,

media, industry

associations, etc.

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MATERIALITY ASSESSMENT

Sustainability is a broad topic and understanding our key priorities helps us allocate time, resources and investment to address issues that matter most to stakeholders. Materiality is the threshold at which sustainability aspects become sufficiently important that they should be reported in depth.

IDENTIFICATION OF MATERIAL ISSUES

The Manager conducted its second formal materiality assessment exercise during the last quarter of FY2017. This assessment helped us compile feedback from stakeholders of Sunway REIT.

An external consultant conducted the online survey to guarantee objectivity and anonymity. Representatives from the following stakeholder groups were consulted during the review.

STAKEHOLDERS GROUPS WHO TOOK PART IN THE MATERIALITY STUDY

Business Associates (e.g. Trustee, bankers, valuers, auditors, lawyers)		Investment Communities (e.g. investors, potential investors, analysts, retail investors)				
Tenants		Retail customers and hotel guests			Regulators and industry affiliations	
Local community	Em	ployees	Supplier contrac		Media	

The following 43 material issues were shortlisted for inclusion in this year's materiality assessment.

SUSTAINABILITY AREAS ASSESSED IN THE MATERIALITY STUDY

Business Model, Leadership and Risk Management

- Business strategy
- Financial sustainability (Sustainable DPU growth)
- Financial sustainability (Stable DPU)
- Capital structure (Gearing level)
- Capital structure (Debt profile (Fixed vs Floating))
- Capital structure (Debt maturity profile)
- Business innovation
- Leadership
- Succession planning
- Risk management
- Corporate governance
- Board management & oversight
- Business ethics & transparency

Economic

- Market presence
- Nation-building
- Community investment
- Capital market development

Environment

- Energy
- Water
- Waste
- Emissions
- Environmental impact from transportation
- Environmental cost
- Ozone-depleting substances
- Green buildings
- Climate change

Social

- Employment & benefits
- Health, safety & security
- Employee training, education & career development
- Promoting diversity, inclusion as well as fair and equal career opportunities
- Internal engagement & communication
- Human rights
- Non-discrimination
- Protecting employees' rights
- Anti-corruption & bribery
- Community engagement
- Fair competition
- Marketing & communication
- Sustainable procurement
- Supplier training
- Quality
- Customer satisfaction
- Customer privacy

Respondents from 9 stakeholder groups were requested to rate the importance they placed on the 43 issues. Respondents indicated how important each criterion was from 'very unimportant' (1) to 'very important' (5).

The same survey was completed by Sunway REIT's Board of Directors whose responses were used to represent the views of the Manager.



Relevance to Sunway REIT

17. Employee training, education &

career development

18. Marketing & communication

22. Capital structure (Debt) profile

- 1. Capital market development
- 2. Nation-building
- 3. Supplier training
- 4. Community investment
- 5. Environmental impact from transformation
- 6. Ozone-depleting substances
- 7. Community engagement
- 8 Green buildings
- 9. Employment & benefits
- 10. Protecting employees' rights
- 11. Human rights
- 12. Climate change
- 13. Non-discrimination
- 14. Waste management
- 15. Water management
- 16. Energy management

23 Capital structure (Debt maturity profile)

(Fixed vs Floating)

20. Environmental cost

21. Fair competition

- 24. Sustainable procurement
- 25. Diversity, inclusion and equal career opportunities
- 26. Business innovation
- 27. Quality
- 28. Anti-corruption & bribery
- 29. Leadership

19. Emissions

- 30. Customer privacy
- 31. Health, safety & security
- 32. Financial sustainability (Stable DPU)
- 33. Market presence
- 34. Capital structure (Gearing level)
- 35. Internal engagement & communication
- 36. Succession planning
- 37. Risk management
- 38. Corporate governance
- 39. Brand management & oversight
- 40. Financial sustainability (Sustainability DPU growth)
- 41. Business ethics & transparency
- 42. Business strategy
- 43. Customer satisfaction

High importance to stakeholders and the Manager

Please refer to Material Factors for further information

ECONOMIC

In the context of sustainability, this section discusses Sunway REIT's economic contributions to its stakeholders and nation. Sunway REIT is committed to ensuring the generation of profits in a sustainable and responsible manner. Generation of profits aside, Sunway REIT focuses on the following core areas in contributing to the positive economic development to the industry, capital market, community and nation.

Economic Focus Areas

Nation	Championing	Capital Market	Youth
Building	Industry Leadership	Development	Development
 Value creation through gains in fair value Employment opportunities Contributor to Malaysian economy and tourism sector 	 Active participation in industry associations Industry thought leader Engagement with authorities 	 Initiatives to enhance visibility of M-REITs Knowledge sharing 	 Perdana Fellowship Programme Youth Economic Forum

NATION-BUILDING



Sunway REIT's portfolio of assets consists of retail malls, hotels, offices, a hospital and an industrial property. Uniquely, the majority of these assets are strategically located within an integrated development, master planned by its Sponsor and provide tremendous synergistic benefits as a whole. Approximately 79% (based on property value) of Sunway REIT's properties are located in Sunway City, a robust 800-acre integrated township that benefits from 42 million visitations annually comprising both local and international tourists.

Our Presence Enhances Real Estate Value

Sunway REIT owns a total retail space (NLA) of 3.0 million sq. ft. with plans to further increase it to 3.3 million sq. ft. through the proposed expansion of Sunway Carnival Shopping Mall. We also own 1.1 million sq. ft. NLA in the office segment, 2,108 hotel rooms and approximately 1.0 million sq. ft. classified in the "Others" segment. Our sound management of the properties coupled with continuous efforts to enhance the values of the properties through active asset enhancement initiatives (AEIs) has increased the property value of our properties over the years. The total fair value gains accumulated to RM1.5 billion as at 30 June 2017, representing an appreciation in property value.

Since IPO, Sunway REIT has invested approximately RM740 million in AEIs to ensure that the assets are upgraded to meet customers' expectation and safety requirements. In this financial year, we embarked on the refurbishment of Sunway Pyramid Hotel which commenced in April 2016.

Value Creation Through Gains in Fair Value



Employment Opportunities

The commercial activities of Sunway REIT's properties lead to employment opportunities which contribute positively to lower unemployment in Malaysia. The Manager and the Facilities Management teams in the retail malls, hotels and offices, house approximately 2,000 employees. In addition, we have more than 1,400 tenants across these properties. These tenants coupled with all business partners in our supply chain, have a greater multiplying effect on job creation. Indirect employment opportunities have also been created from other supporting and ancillary industries such as public transportation, logistics, maintenance as well as tours and travel.

Contributor to Malaysian Economy and Tourism Sector

Sunway City is a renowned township that has won multiple awards for delivering world-class standards in retail malls, hotels, a theme park, education institutions and a medical centre in addition to a sizeable residential catchment. Sunway City welcomes 42 million visitations annually and the number continously grow over the years. This generates positively to economic and tourism activities. Likewise, Sunway REIT's assets in Sunway City contribute to the economy and tourism sector as part of the enlarged Sunway City.

The Ministry of Tourism Malaysia targets tourist arrivals of 31.8 million with tourism receipts amounting to RM118 billion for CY2017. Sunway City is one of the renowned tourist destination in Malaysia that attracts both domestic and international tourists. Sunway REIT's flagship retail mall, Sunway Pyramid Shopping Mall, the first Egyptian-Inspired retail mall in Malaysia is a tourist hotspot for retail therapy. In addition, Sunway REIT's hotels in Sunway City are also one of the preferred tourist accommodation in the Klang Valley for its unique integrated resort with world class facilities value proposition.

CHAMPIONING INDUSTRY LEADERSHIP

Sunway REIT plays its role in strengthening the REIT Market and is committed to supporting industry-related educational programmes. We continuously promote the M-REITs industry to contribute positively to the growth of the Malaysian capital market.

Active Participation in Industry Associations

The Manager's active involvement in industry-related associations enables us to share our voice through our participation. Dato' Jeffrey Ng, the Chief Executive Officer of Sunway REIT is in his second year of service as the Chairman of the Malaysian REIT Managers Association (MRMA). Through MRMA, members cohesively strive to achieve progressive growth of the M-REITs market by developing common benchmarks against international best practices and favourable regulatory regime. Sunway REIT's sustainability tenet is to engage with the public through investors' education, particularly in relation to raising awareness and sharing knowledge of investment in REITs. This approach is in line with MRMA's objectives as MRMA collaborates with Bursa Malaysia in providing investors education programme. Since CY2016, MRMA has committed to conducting REITs educational programme in Bursa Malaysia's CPE Accredited Products@ Bursa Programme nationwide.

During the financial year, Sunway REIT has reached out to more than 1,000 Dealer's Representatives and Securities Commission Licensed holders through this programme. We are pleased to share that participants have provided positive feedback that these educational programme have improved their understanding of REIT investment.

The Manager has participated in the following CPE Accredited Products@Bursa Programme in FY2017.

Date	Venue	No. of participants
20 August 2016	Kota Bharu, Kelantan	80
24 September 2016	Kuala Lumpur	180
11 March 2017	Penang	300
8 April 2017	Kuala Lumpur	250
6 May 2017	Kuching, Sarawak	200
22 July 2017	Kota Kinabalu, Sabah	80

Industry Thought Leader

The Manager's views are often sought after as a leading REIT in the country. We reach out to the public by giving our opinions through various media channels across multilingual publications.

Sunway REIT and other M-REITs shared their feedback with the Securities Commission of Malaysia and Bursa Malaysia Berhad through MRMA. This engagement concerned public consultation papers for the proposed revision to the SC REIT Guidelines and Bursa Malaysia Main Market Listing Requirements. Sunway REIT, through MRMA, engaged more than 50 analysts and fund managers to share our views and address our concerns in regards to the proposed revision in the guideline and listing requirements.

Engagement with Authority

Sunway REIT leverages on MRMA's platform to proactively engage with regulators and authority bodies. This platform serves to exchange ideas and proposals to pursue for a favourable regulatory regime and tax harmonisation to enhance the competitiveness of M-REITs in both regionally and internationally. In FY2017, the Manager alongside with members of MRMA initiated engagements with the Malaysian Investment Development Authority (MIDA), Ministry of Finance (MOF), Inland Revenue Board (IRB), Royal Malaysian Customs Department, amongst others to discuss tax harmonisation for M-REITs.



MRMA's engagement session with MIDA, MOF and IRB

CAPITAL MARKET DEVELOPMENT

Proposed Establishment of Bursa Malaysia REIT Index

Sunway REIT, through MRMA, has proposed the establishment of an index to represent M-REITs in the Bursa Malaysia Index series. A series of discussions were held and various options and costs were considered. MRMA proceeded with the establishment of a M-REITs index under the Bursa Malaysia sectorial index series.

Representing all listed M-REITs, the index is scheduled to be launched by the fourth quarter of CY2017 (4Q CY2017). This is in line with Sunway REIT's sustainability endeavour to contribute to the economic benefit of the M-REITs industry and Malaysian capital market.

APEC Capacity Building Programme: Technical Consultations and Study Visit

On 23 November 2016, Sunway REIT, through MRMA, hosted a delegate of 20 officials from Financial Services Authority (FSA) Indonesia, Ministry of Finance (MOF) Indonesia and Bank Indonesia for a knowledge transfer and sharing session on the M-REITs industry. The APEC Capacity Building Programme 'Technical Consultations and Study Visit' was organised by the Securities Industry Development Corporation (SIDC) under the purview of Securities Commission Malaysia.

The technical consulting programme shared professional experience and gave expert advice to the Indonesian delegates on areas such as the regulation, supervision and formation of REITs in the country.

Representatives from AmFirst REIT, CapitaLand Malaysia Mall Trust, KLCC Stapled Group, Axis REIT, Al-Aqar Healthcare REIT and Al-Salàm REIT were panelists.

YOUTH DEVELOPMENT

Perdana Fellows Programme Structured Bootcamp

On 25 August 2016, Sunway REIT hosted a group of 25 fellows under the Perdana Fellows Programme (PFP) for a leadership and management sharing session under the PFP Structured



Perdana Fellows with the management team of the Manager

Bootcamp Series. PFP is a government programme under the Ministry of Youth and Sports that aims to attract young Malaysian talents who are studying or have graduated from top universities globally through an internship programme in the various government departments in the country over a period of 3 to 6 months.

In 2016, the Ministry introduced an extension to the PFP by introducing the Structured Bootcamp series. The bootcamp promotes:

- Networking with top management of participating corporate bodies
- Leadership and management sharing sessions by the participating corporate bodies
- The sharing of industry knowledge

The bootcamp also equips the fellows that will be entering the market place in the private sectors.

A total of 18 corporate bodies participated in the bootcamp series in 2016. Sunway REIT aims to continue playing a role in youth development through continuous engagement with various organisations.

Sunway REIT also supported the Perdana fellows in the Perdana Economic Youth Forum 2016 through a sponsorship of RM3,000.

SUPPLY CHAIN

Sustainable Procurement

Sunway REIT addresses key social risks in its supply chain. It encourages the continuous improvement of supplier performance by subjecting all suppliers to a stringent procurement system.



Pre-qualification

 The pre-qualification criteria screens suppliers' financial, health and safety records along with preferred certifications such as ISO, OHSAS and other local and international standards. Suppliers failing the pre-qualification screening will not be invited for tender.

Tender

 The second screening is conducted during the tendering stage for all new suppliers. Our procurement team's evaluation committee comprises specialists, procurement team representatives and business process owners who evaluate the suppliers based on price and quality using a points system.

Execution

 All suppliers are expected to comply fully with prevailing laws and regulations such as the Employment Act, Occupational Safety and Health Act (OSHA) and relevant environmental laws.

Review

• Suppliers' performance is closely monitored through site inspections, audits and reviews. In the event of compliance breaches, warning letters are issued and we work closely with them to rectify the issues. The contract is terminated if supplier performance does not improve.

Ultimately, our aim is to deliver sustainable value through sustainable operations and sustainable procurement. Across Sunway REIT's assets, we are driving our activities to:

- Reduce waste, save money and minimise environmental impacts
- Improve delivery efficiency and ensure supply continuity
- Procure and operate responsibly and ethically
- Build supply chain resilience

Procurement Optimisation

Procurement optimisation can produce a host of benefits and add significant value to an organisation. We continuously improve our procurement system and target improved efficiency. An optimised purchasing process leads to more efficient sourcing, which leads to the on time delivery of quality goods and services.

On 6 March 2017, Sunway Resort Hotel & Spa and Sunway Pyramid Hotel migrated their procurement systems from ARIBA to

MetaCloud. MetaCloud transformed the procurement processes and uplifted the professionalism of purchasing functions in tandem with our dynamic business environment and everchanging technology. The web-based MetaBuyer helps digitise the entire procurement function from the conventional purchase requisition to approval before being sent out as a Purchase Order or from a request for proposal to e-Tendering and e-Sourcing.

Advantages of the MetaCloud System



Locating the requests and those yet to be approved

Strategic sourcing

• Promotes transparency, integrity and professionalism of the procurement function

Supplier Code of Conduct

Our Code of Conduct outlines the main principles for suppliers in the areas of labour standards, worker welfare, the environment, ethical behaviours and business continuity. We expect all suppliers to adhere to these principles. The code also encourages suppliers to communicate the principles and guidelines for ethical behaviour with their own subcontractors and business partners involved in supplying their goods and services.

Socio-environment in Procurement

Sunway REIT is committed to ensuring safe working conditions in its operations and across its supply chain. We also ensure that all workers are treated with respect and dignity and stipulate that business operations must be environmentally responsible and conducted ethically.

Sunway REIT developed several requirements for its suppliers and subcontractors which are incorporated into its supply chain contracts. We assess suppliers' commitment to compliance with these requirements when making sourcing and procurement decisions.

Compensation packages must comply with:

The Worker's Compensation (Foreign Workers Compensation Scheme) (Insurance) Order 1996: and/or

The Social Security Insurance, and/or

Employer's Liability Insurance and/or

Any other insurance with statutory limits as required by Malaysian laws.

Transportation must be provided to and from the site

All workers must be housed at locations where they can easily access to public transportation

Fair remuneration must be provided

In accordance with the Minimum Wage Order 2016

Valid permits to work

Must be issued before permanent or temporary workers can work in accordance with Malaysian Immigration and Labour Laws

Overtime

Must be paid to workers

Workers must not be exposed to hazards or risks

When carrying out work in addition to being supervised by our safety personnel on site

Workers must not degrade the environment

From potential pollution as far as is practicable and mitigate the potential impact to the environment

Persons committing environmental pollution offences or accidents or dangerous occurrences

In the sole opinion of the Site Environment, Safety and Health Committee must be removed from site

Reduce the impact of their operations

Measured through emissons released, biodiversity impacts, waste disposal, pollution and other environmental issues resulting from their operations

Share our commitment to the environment

Sunway REIT is committed to using resources efficiently, supporting renewable power and purchasing high-quality carbon offsets. Likewise, suppliers should endeavour to reduce the consumption of resources including raw materials, energy and water use, throughout all aspects of the project

Responsible procurement

The Manager endeavours to consider using locally produced and environmental-friendly products in its procurement processes subject to suitability, relevance and fulfilling cost-benefit considerations

ENVIRONMENTAL

We believe that sound environmental stewardship and resource conservation strategies must be fully integrated into our business operations. We have identified a set of environmental priorities which we target to achieve over the short, medium and longterm. The immediate key priorities include reducing greenhouse gas emissions, energy consumption, water consumption and waste management at our properties. Long-term targets include reducing water consumption, enhancing biodiversity and developing climate change adoption strategies.

PROACTIVE ENERGY MANAGEMENT



The Manager believes that energy efficiency is achieved by conscious effort to implement practices and consume energy in the most efficient and responsible manner. This, in turn will lead to long-term energy savings.

Four Energy-conserving Focal Points of our Assets



Lighting (changing habits, reduction of wattage and retrofits)

粱

Refrigeration



Various building improvements



Tracking usage and reductions

Sunway REIT's energy-saving policy addresses the following objectives:

- Continuously improving energy efficiency practices by implementing the latest technology throughout the premises, plant and equipment wherever it is cost effective to do so
- Constantly seeking achievable reductions in energy consumption
- Ensuring compliance with the Electricity Supply Act 1990 and Efficient Management of Electrical Energy Regulation 2008 (EMEER)
- Setting and reviewing the efficient energy objectives and goals periodically and improving energy performances
- Communicating, educating and training all employees, suppliers and customers to raise awareness and responsibilities in energy efficiency

Majority of Sunway REIT's assets are equipped with Building Management System (BMS) or Building Automation System (BAS). This computer-based control system controls and monitors the building's mechanical and electrical equipment such as ventilation, lighting, power, fire and security systems.

The BMS / BAS allows the centralised monitoring and control of mechanical services and security systems. The Facilities Management teams optimise operational and maintenance costs through the BMS / BAS without compromising on tenants' comfort, interest and safety. The manufacturer of the BAS conforms to ISO 9002 and ISO 140001 standards.

Chiller Plant Automation

A chiller is often the single largest consumer of energy in a building. Chillers utilise excess energy when their compressors run at full-rated constant speed, which is wasteful. The Facilities Management teams use a chilled water supply and variable speed drives to optimise the efficiency of the chillers in our assets as part of energy-saving initiatives.

Sunway REIT's properties operate a fully-networked open platform native BACnet IP-based Chiller Plant Automation System to control the chillers, chilled water, condenser water pumps and cooling tower.

The chiller plant can be effectively controlled using one workstation, hardware, software, sensors, controllers, actuators, a communication and controller network, interlocking circuits, local and remote controller and wiring work. A high-level interface is accessed through a TCP/IP network using standard BACnet IP protocol. The fully integrated Chiller Plant Automation (CPA) system enables direct digital control for energy management, equipment monitoring and control and subsystems with open communication capabilities. The chillers are operating at optimum efficiency at less than 0.75kWh/RT.



Chiller plant

Sunway REIT Energy Efficient Goals



- BAS system for lighting, chiller, Air Handling Unit (AHU) and Fan Coil Unit (FCU) time schedule
- LED lights in all guests rooms, corridors and public areas
- A key card system in all guest rooms
- Motion sensors in all public toilets
- Timer control in all car park lightings
- Chiller setting increased from 6°c to 8°c
- Lift landing FCU setting increased from 21°c to 25°c
- Guestroom corridor's FCU setting increased from 20°c to 23°c
- Guestrooms' air conditioning precool setting increased from 23°c to 25°c
- Menara Conversion into energy-efficient LED lighting
- Sunway Inverter system for domestic pump and storm pump



Double glass door

Big-S fan

The Sun Diamond glass façade

Energy Consumption for FY2015-FY2017 (kWh)

ASSET	FY2015	FY2016	FY2017
RETAIL			
Sunway Pyramid Shopping Mall	88,687,958	87,920,797	83,341,959
Sunway Carnival Shopping Mall	19,484,345	19,729,068	19,526,698
Sunway Putra Mall	_1	25,197,063	25,428,448
HOTEL			
Sunway Resort Hotel & Spa	21,179,780	19,860,121	19,743,925
Sunway Pyramid Hotel	6,806,874	6,402,297	4,260,425
Sunway Putra Hotel	3,669,144	3,805,449	5,017,471
Sunway Hotel Seberang Jaya	3,115,670	3,115,289	3,128,712
Sunway Hotel Georgetown	3,128,580	2,798,040	2,871,600
OFFICE			
Menara Sunway	7,875,075	6,451,991	6,017,380
Sunway Tower	3,558,164	1,472,622	1,473,231
Sunway Putra Tower	4,530,725	1,086,877	1,035,483
Wisma Sunway	2,494,440	2,384,750	2,235,030
Total	164,530,755	180,224,364	174,080,362

¹ Sunway Putra Mall was closed for refurbishment and re-opened in end-May 2015



Sunway REIT prioritises energy management to manage greenhouse gas (GHG) emissions and minimise the impact on climate change. In FY2017, total energy consumption by Sunway REIT's assets reduced by 3.4%, contributed by optimising chillers efficiency and continuous effort in energy savings initiatives. The biggest contributor to the energy savings is Sunway Pyramid Shopping Mall due to its efficient chillers operating at less than 0.75kWh/RT, adjustment in air-conditioning temperature in the mall and installation of LED and T5 lightings throughout the mall.



TARGET AND FUTURE PLANS			
5-year energy savings target	1% to 3% per annum		
Future plans	 Co-generation by generating power using natural gas which reduces carbon dioxide (CO₂) emissions and air pollution. Waste heat from co-generation can be used to produce chilled and hot water Renewable solar energy 		

MANAGING OUR CARBON FOOTPRINT



Humans continue to impact Earth's climate by producing GHG emissions. One of the proposed ways to combat this climate change is through businesses reporting the impact of their activities.

We support this endeavour and this is the second year we have reported our carbon emissions. Our reporting follows the GHG Protocol which subcategorises emissions into 3 scopes.



Scope 1

Sunway REIT monitors all fuel purchases used to power generators, Trust-owned vehicles and other equipment. Separate calculations have been performed for petrol and diesel vehicles and diesel from gensets. CO₂ emissions from the consumption of fuel were derived from the emission factor published by the Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories.



CO, e Emissions (tonnes) From Trust-owned Vehicles and Gensets

Scope 2

Scope 2 emissions have been calculated from the electricity bills of Sunway REIT's assets. Electricity is used by office buildings, hotels and shopping malls. CO₂ emissions from the use of electricity were derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid.



CO₂e Emissions (tonnes) From Electricity

Scope 3

Air travel GHG emissions were calculated point to point including the number of employees on board, distance and flight class. Online tools derived from the World Resource Institute (WRI) Greenhouse Gas Protocol have been used to calculate the CO₂ emissions from air travel.

The Scope 3 is computed based on air travel by the Manager and Facilities Management teams.





WASTE MANAGEMENT

The Manager and its Facilities Management teams practise a responsible waste management programme in partnership with the vendors and tenants in the respective assets.

Refuse is collected daily from the common area waste bins at our shopping malls by the housekeeping department at 11am and 3pm. The Facilities Management teams also service their tenants by passing their properly-kept non-F&B trade, non-bulky items and domestic waste to the collector for disposal. This service saves the tenant the inconvenience of having to deliver small amounts of waste to the refuse chamber at the loading bay. It also prevents malodorous aromas being generated over time at the property common areas.

This initiative addresses the usual need for tenants to dispose off food waste from the common area bins. The refuse chamber is maintained daily by a dedicated contractor from 8am to 8pm. The contractor sometimes makes 2 trips per day for the open top refuse bins for off-site disposal.



Open top bins and servicing by dedicated personnel are favoured over an on-site compactor bin



This approach prevents waste from accumulating



Reduces environmental risks to occupants



We have started a three to five-year waste management project across our retail assets to address:

- i) Waste compilation from tenants and shoppers
- ii) The feasibility of turning food waste and wet waste into compost
- iii) The proper disposal of electronic waste.

Scheduled waste collection and disposal are handled by a licensed scheduled waste contractor which collects and transports all scheduled/hazardous wastes to the scheduled waste landfill. Cooking oil from malls and hotels are disposed off separately using third-party service providers.

The Manager recognises that there is room for improvement in its waste management process and data compilation. The Manager collaborates with the Facilities Management teams to strengthen the reporting in this area.

Recycling of Brewery Beer Bottles

Glass is 100% recyclable and can be reused many times without loss of quality or purity. Recycled glass can be substituted for up to 95% of raw materials. This recycling reduces emissions and the consumption of raw materials, extends the life of plant equipment and saves energy.

Our hotels such as Sunway Resort Hotel & Spa and Sunway Pyramid Hotel recycle beer bottles by stacking them back in crates for easy collection by the beer manufacturing companies for recycling.

Recycling Buy Back Centre

Recycling Buy Back Centres are available at 2 of our shopping malls, namely, Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. The recycling buy back centre is a convenient drive-through centre for the community to leave their recyclables for a small amount of cash.

Materials Recycled by Type in FY2017 (tonnes)



Sunway REIT Waste Management Plan

Biodegradable Waste	Biodegradable waste is defined as both food and greasy waste that can decompose. This waste is collected and disposed off off-site each day. The waste cannot be segregated or compacted on site to mitigate pests and environmental pollution.
Non-Biodegradable Waste	Non-biodegradable waste is defined as packaging materials, construction materials, bulky and heavy materials, and structure and plants that cannot decompose biologically. This type of waste is collected in a separate designated bin. No waste segregation or compaction activities are allowed on site in order to mitigate environmental pollution.
Recyclable Waste	The recycling of waste by our malls is based on non-biodegradable waste from toiletry and office items such as carton boxes, toilet paper boards, plastic bottles and packets, and shredded paper waste. All recyclable items are collected and segregated for recycling efforts.
Grease Waste	Grease waste from food and beverage outlets are collected at the main grease interceptors to first filter the food sediments before discharge. The grease interceptors are serviced during scheduled maintenance.
Solid waste	Solid waste is collected at the sewerage septic tank before being discharged to the sewerage treatment plant. The sewerage septic tank is serviced during scheduled maintenance.

Sunway REIT hotels are working towards segregating wet and dry collected waste. Recycling bins will be placed in the back and administration offices so employees can begin segregating rubbish they dispose off.

WATER MANAGEMENT



Generally, Sunway REIT malls have adopted water monitoring, water quality control and washroom management efforts to optimise water usage.

Water Consumption Reduction Efforts

Water monitoring	Separate water meters are installed for different applications such as domestic use, drinking, toilets, air-conditioning and cooling towers. Water consumption is monitored daily to detect any unusual usage or potential leakage.
Water quality control	Full servicing and cleaning of the main water tank and transfer water tank is conducted. Water filteration system cleans the raw water supply in the water tanks.
Washroom management	Self-closing faucets have been installed on all toilet basins with each press releasing water for 3 to 5 seconds to minimise water wastage. Waterless urinals and built-in bidet systems have been installed in all water closets. Sensor flushing actuator systems have been installed in water closets and urinals. Foam-based soap is utilised to avoid heavy water usage during hand washing.

Moving towards a sustainable city, Sunway Group has constructed a water treatment plant in Sunway South Quay, which will produce approximately 10,000m³ water per day to serve the host of commercial buildings in Sunway City. The water treatment plant is expected to supply clean drinking water to Sunway REIT's assets by FY2018.

Water conservation efforts were rolled out at our shopping malls throughout the year. We recently introduced the waterless, odour-free, porcelain urinals at Sunway Pyramid Shopping Mall and Sunway Putra Mall. Waterless urinals conserve water, reduce water/sewer maintenance costs and provide reliable, long-term performance. This system records savings of 4.1 litres per flush from each urinal.

Taps, toilets and showers are responsible for between 30% and 40% of the hotel's total water consumption. Optimising their use is a key area for reducing total consumption which saves money and improves sustainability. When refurbishing guest bathrooms, water-efficient low-flow showerheads and aerator taps are fitted. This initiative has saved 3 litres of water per use at Sunway Putra Hotel, reducing consumption from 10LPM to 7LPM.

Our hotels encourage hotel guests to reuse towels and linen to reduce water consumption. Green cards are placed in the rooms to educate guests on the benefits of protecting the planet.

Water Consumption for FY2015 to FY2017 (m³)

PROPERTY	FY2015	FY2016	FY2017
RETAIL			
Sunway Pyramid Shopping Mall	924,390	829,772	1,003,560
Sunway Carnival Shopping Mall	165,710	173,123	185,639
Sunway Putra Mall	_1	102,957	130,159
HOTEL			
Sunway Resort Hotel & Spa	360,280	359,260	382,553
Sunway Pyramid Hotel	105,828	73,709	49,165
Sunway Putra Hotel	128,918	122,546	135,382
Sunway Hotel Seberang Jaya	56,847	41,963	46,090
Sunway Hotel Georgetown	43,690	41,017	50,787
OFFICE			
Menara Sunway	75,094	68,876	80,225
Sunway Tower	23,419	7,606	10,778
Sunway Putra Tower	71,492	17,145	15,282
Wisma Sunway	17,677	14,805	13,815
Total	1,973,345	1,852,779	2,103,435

¹ Sunway Putra Mall was closed for refurbishment and re-opened in end-May 2015



Sunway REIT's assets have recorded higher water consumption in FY2017 compared to the previous year. This was mainly due to higher occupancies across all segments and higher footfall in our assets.

	TARGET AND FUTURE PLANS
5-year water savings target	1% to 3% per annum
Future Plans	 Supply of clean water from Sunway Group's water treatment plant Rainwater harvesting for Menara Sunway's facade planter, basement and open garden in FY2018



Pest Control

Pests can leave guests and visitors with a negative impression of our assets. Although we strive to prevent pests from entering our properties, treating our entire property for pests is also critical. Whether a visitor or guest is staying the night at our hotels, visiting our malls or dining at our restaurants, we aim to present a clean, tidy environment where they feel comfortable eating, drinking, shopping or sleeping.

We also routinely inspect all tenants' demised premises to ensure they follow our strict hygiene standards. The frequency of inspection varies according to the type of operations. Similarly, an appointed pest controller fumigates the common areas and guestrooms at our hotels. Ad hoc treatment is performed in the event that any pests are sighted.



Pest Control at Our Shopping Malls

11 0			
Type of Pest	Type of Treatment	Location	Frequency
Cockroaches, common ants and rats	Inspection, residual spray and baiting	Common area	Monthly
Cockroaches	Ultra low volume (ULV) misting	Public washroom	Quarterly
Flies	Fogging	Refuse chamber	Monthly
Mosquitoes	Fogging & larvaciding	Compound & covered car park	Monthly
Termites	Inspection	Dungeon area	Quarterly

PROMOTING GREEN MOBILITY



Adoption of Elevated Pedestrian Sky Bridge

Sunway REIT consciously promotes green mobility within its assets as part of our effort to reduce its carbon footprint and impact on climate change.

In this financial year, Sunway REIT has adopted the elevated pedestrian sky bridge connecting to Sunway Putra Mall from the local council, Dewan Bandaraya Kuala Lumpur (DBKL) to improve connectivity and encourage green mobility in the vicinity. Sunway REIT has incurred approximately RM1.1 million to upgrade the elevated pedestrian sky bridge. The works included were repairing the basic wear and tear of the physical structure and roof, improving the lighting and adding security surveillance features with patrols by Sunway's in-house auxiliary police. It also created a direct linkage from the mall at Level 1 to the bridge for the convenience of pedestrians. Sunway REIT also installed a pair of escalators at Seri Pacific Hotel to enhance the connectivity and mobility of pedestrians.





Elevated pedestrian sky bridge equipped with escalators at Sunway Putra Mall

Integrated Connectivity at Sunway City

In Sunway City, our green mobility programme is part of the township master plan. Today, Sunway City is at the forefront of sustainable city development with world class public transportations and extensive connectivity. Sunway REIT, together with Sunway Group continues to improve green mobility in the township. New initiatives include providing bicycle rental services in collaboration with a vendor and designated bicycle parking facilities to encourage intra-township bicycle ridership. Sunway Pyramid Shopping Mall collaborates with Uber to encourage car-pooling and the use of public transportation as an effort to reduce traffic congestion in the township.

Future Plans

The construction of a new canopy walk connecting Sunway Medical Centre to Menara Sunway, will complete the existing pedestrian route within Sunway City. All properties will be integrated through pedestrian connectivty upon completion of this project.

GREEN INITIATIVES



Say NO to Plastic Bags

Plastic bags and climate change are linked in a variety of ways: they clog drainage and lead to ocean toxicity. The build-up of plastic in our oceans is a greater cause of eco-system disruption. An estimated 100,000 marine animals die each year from suffocating on or ingesting plastic bags.

The ban on free plastic bags is being practised at our malls with Sunway Carnival Shopping Mall championing this initiative since July 2009. Penang became the first state to implement the green ruling to protect the environment and raise environmental awareness. Since then, supermarkets and retail shops are forbidden from giving free plastic bags to customers and must collect a 20 sen levy for each plastic bag. This money is channelled to the state's poverty fund (Agenda Ekonomi Saksama), which aims to eradicate poverty in the state.

The same 'No Plastic Bag' campaign was introduced in Selangor on 1 January 2017. It took effect immediately at supermarkets and shops at Sunway Pyramid Shopping Mall and other shopping malls in the state. Polysterene food packaging containers are also banned at the F&B outlets in our malls.

Future Plans



The hotel operator is considering replacing plastic laundry bags with woven or other alternatives that are biodegradable. These bags are environmental-friendly and sufficiently durable for daily use.

Mud Ball Making Programme

Sunway Carnival Shopping Mall has organised the 'Mud Ball Making' programme since 2010. Surrounding community members are invited to make and throw mud balls into the community river, Sungai Pertama. The programme is open to the public and is held on the last Saturday of each month.

The mud balls help keep drains, sewers and streams clean as they have been enriched with Effective-Microorganism (EM), a consortium of good microbes that can degrade pollutants that are continuously being poured into rivers. The mud balls are fermented mixture of clay, bokashi – Japanese for "shading off, gradation" (rice bran fermented with EM and molasses) and EM. EM bokashi mud balls inhibit the growth of algae and breaks down any sludge that sits in the water, resulting in clear and healthy water.

Recycling Activities

Sunway Carnival Shopping Mall launched the Second Chance Toys Programme in this financial year. The mall invites the public and shoppers to donate gently used, unwanted toys for infants, toddlers and older children. These toys are donated to children from surrounding charity homes.

The recycling of materials is considered during AEIs, where applicable. Sunway REIT refurbished and refreshed Sunway Pyramid Hotel in FY2017. Used furniture, discarded during upgrading works, was donated to the Jeffrey Cheah Foundation.

Green Landscaping

Parking lots and paved areas are essential urban features that are usually unsightly in their basic form. The Facilities Management teams are working on green landscaping in and around its parking lots and pavements to improve their appearance, prevent soil erosion and promote carbon sequestration through photosynthesis. Planted areas reduce storm water drainage problems and the detrimental effects of wind and noise. They also provide shade to improve human comfort. Trees in our car parks reduce solar gain in parked cars and the evaporation of petrol.

Sunway REIT continues to green the surrounding perimeter of its properties and roof-top car parks by planting more trees and shrubs. We have completed the greening project of Sunway Pyramid Shopping Mall's roof-top car park in FY2017. We will replicate this initiative in Sunway Putra Mall and Sunway Carnival Shopping Mall next year.

SOCIAL

LABOUR PRACTICES AND DECENT WORK



We aim to provide our employees with a fair, equitable, transparent and conducive environment. The Manager embraces diversity, inclusivity, respect, work-life balance, leadership and career development in its human capital practices. The sustainability of employees lies in providing them with a conducive working environment that unleashes their full potential. We believe that a highly engaged and empowered workforce aligns employees with a common strategic goals to drive business performance.

Profile of the Workforce

Sunway REIT's sustained growth and value creation are intrinsically linked with the quality of its workforce. As part of the Sunway Group, the Manager attracts and retains its talent pool by continuously promoting equal opportunity and investing in the skills and competencies development of its people.

Workforce diversity is important to us and provides a wealth of viewpoints and opinions to help us continually improve.



Breakdown of Employees by Type

Breakdown of Employees by Contract



Breakdown of Employees by Gender



Breakdown of Employees by Age Group



Breakdown of Employees by Ethnicity



Female Representatives in the Management and Top Management



Professional Development and Training



training hours

The Manager is committed to investing in employees' learning and development to build a strong and talented workforce that is capable of delivering value creation to stakeholders. Our human resource team drives this commitment through a robust talent management framework and performance management system.

The Manager develops the team's competencies, experiences and career development through various opportunities such as training programmes and professional qualifications. In FY2017, our employees have completed the equivalent of 498 total training hours.

Protecting the Welfare of Our Employees

The Manager protects the welfare of its employees through a two-fold approach:

- Tackling work life balance by introducing flexible working arrangements such as scheduling flexible hours and parental leave, which give employees time to enjoy important moments in life. In FY2017, enhanced benefits were offered to employees such as paternity and childcare leave.
- 2. Promoting well-being by facilitating employee access to initiatives that improve their daily quality of life such as health and wellness, recreational activities and sporting events.

Sunway REIT supports new mothers' return to work by equipping the workplace with facilities such as nursing rooms in its offices. Childcare centres are offered to employees at subsidised rates to encourage women to remain in the workforce.

Safety

Sunway REIT is committed to minimising health risks, securing the safety and protecting the health of its tenants, contractors, employees and visitors who work in or visit Sunway REIT assets. We enforce a safety culture with zero tolerance to workplace injuries. Our health and safety management system complies with government regulations and is certified with the international standards of the OHSAS 18001 Occupational Health and Safety System. Sunway REIT implements a safety and health management system to focus our efforts on improving our work environment. Our health and safety management system focuses on:

- Carrying out risk assessments and checking all that control measures are implemented prior to the initiation of any work activity
- Conducting regular safety awareness training to employees and safety induction for those who have recently joined the company
- Ensuring that all contractors are certified to carry out jobs at our sites

- Ensuring contractors are 100% aware of safety management systems through declaration and performance evaluation
- Displaying promotional posters, emails and campaign programmes for workplace safety
- Implementing standard operating procedures for emergencies such as evacuation drills and establishing an Emergency Response Team at every asset
- The timely investigation and execution of preventive and corrective actions following any reported incidents by employees, tenants and visitors
- Performing regular internal and external audits
- Holding regular meetings to discuss safety lapses, performance progress and improvement plans.

Safety Initiatives Practised at Sunway REIT's Assets



Sunway REIT safeguards both properties and people through its three-tiered security system.



Employee and Tenant Health and Well-being

Managing Occupational Health Issues

Sunway REIT is well-prepared to deal with public health situations. Its standard operating procedures for its assets follow instructions and advice from local authorities for carrying out pest control activities regularly, fitting air handling units with air filters and cleaning them more frequently especially during haze periods.



Other Safety Precautions Followed by Sunway REIT's Assets



No smoking signage around the hotels



Emergency button



CCTV surveillance signage

HUMAN RIGHTS

Sunway's Code of Conduct and Business Ethics Policy are applicable to every company within the Sunway Group and to every country where the associated company is located. Sunway Group's business centres around trust, as we can only maintain our stakeholders' confidence and preserve our reputation by acting with professionalism and integrity. The Sunway Code of Conduct and Business Ethics Policy apply to the Manager. The Facilities Management teams and the lessees of the hotel assets.

Basic Principles of Human Rights at Sunway REIT

Child Labour

• The Manager adheres to the Children and Young Persons

Forced Labour

Discrimination

to engage in any discriminatory practices. Discrimination race, colour, sexual orientation, religion, political opinion,

Freedom of Association and Right to Collective Bargaining

freedom of association and their right to freely choose their collective bargaining.

Health Care and Safety at Work

is safe for the physical integrity or health of employees.

Working Hours

• The Manager ensures that the national applicable legal

Remuneration Packages



Privacy

Sunway REIT respects and is committed to the protection of its stakeholders' personal information and privacy. Sunway REIT complies with the Personal Data Protection Act (PDPA). The PDPA is designed to protect the confidentiality of data and the privacy of individuals by regulating the way in which personal data is managed.

All personal information is restricted to employees who are contractually required to process it in accordance with their respective job requirements. Only necessary information is released to the relevant employees. Personal information may be disclosed to relevant third parties, within or outside Malaysia, as required by law.

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Emergency Evacuation Steps

behind the doors in every

auest room

Emergency Evacuation Plan at the lift landing areas on all floors





COMMUNITY ENGAGEMENT

Sunway REIT Launched Clean Air Project



Sunway REIT launched its community sustainability campaign, 'The Clean Air – A Smoke Free Environment Project' at its flagship asset, Sunway Pyramid Shopping Mall in May 2017.

The campaign is part of Sunway Group's five-year roadmap to make Sunway City Malaysia's first smoke-free city by 2018. This is in line with the government's aspiration to make the entire nation smoke-free by 2045.

Over the years, in the first and second phases of the roadmap, Sunway Group has partnered with various government agencies including the Ministry of Health and My Sihat as well as the World Health Organisation to realise the vision of becoming a smokefree nation. To-date, Sunway Group has implemented a smokefree workplace policy and gazetted six premises within Sunway City, namely Monash University Malaysia, Sunway University, Sunway Medical Centre, Sunway Lagoon, Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Pyramid Shopping Mall as smoke-free zones. Menara Sunway and The Pinnacle Sunway are also smoke-free buildings and will be officially gazetted by the Ministry of Health.

Through this project, we also hope to support the United Nations

Sustainable Development Goal (SDGs) Number 3 - Good Health and Well-Being.

Experiences have a strong emotional impact that tends to affect our decision making. We use art as an instigation of change rather than relaying the traditional sombre and negative-skew messaging to smokers. We have pooled a group of talented local artist to commission mural walls with positive messages advocating for The Clean Air - A Smoke-Free Environment Project. We aim to break away from the blindness and desensitisation to the traditional "No Smoking" messaging, encouraging people to see the benefits of quitting in a new light, which results in clean air for everyone.

Kenji Chai is one of the most internationally-recognised young graffiti artists in the country. He has represented Malaysia in most cities around Asia including Mongolia, Philippines, Taiwan and Hong Kong.

Kenji Chai is passionate about graffiti art and strongly believes that arts have an ability to bring out the best in people as it is an avenue for individual expressions, stories, thoughts and emotions.

Kenji's masterpiece depicts a sharp juxtaposition between a healthy, happy and non-polluted city blessed with clean air vis-àvis a hazardous smoke-polluted environment. The soaring pigeon reflects the choices that mankind are given: we can either come together to create a better environment for the next generation; or all together destroy the beautiful ecosystem. The choice lies in our hands.



Launch of Sunway REIT's Clean Air Project

1,665 public pledges for Clean Air Project

RM550,000 invested on the campaign



Masterpiece : "Resurrection" Location : Ground Floor, adjacent to the Sunway Pyramid West Link Bridge



Masterpiece : "Bloom" Location : Ground Floor next to Sephora



 Masterpiece : "Rose Petals"

 Location : Lower Ground 2, on an exterior wall behind An Viet

Caryn Koh's artworks are gentle, subtle, yet deep and meaningful. For The Clean Air - A Smoke-Free Environment Project, she has created a wall mural of a young girl enjoying clean air, surrounded by a bed of sunflowers.

Inspired by a childhood song, the wall mural intends to evoke the same childhood song in the minds of the audience, reminding them of the beauty of nature. While designing the masterpiece, the artist remembered how sunflowers would grow even taller than her in the garden of her childhood home. Sunflowers are hard to take care of, yet they are so beautiful and majestic.

Caryn's artwork reminds us how we need to take care of our natural environment and aspire to keep it clean and smoke-free.

Louise Low is a full-time artist based in Kuala Lumpur famed for her breathtaking installations and paintings. She has created murals in Penang, which is now part of the Penang Global Tourism art trail. Her work has been featured by Petronas and she has been named one of the Top 10 Young Female Malaysian Artists.

For The Clean Air – A Smoke-Free Environment Project, Louise has created an installation mirroring the broken mirror shards depicting the wondrous beauty yet inherent fragility of a rose



On-ground and digital pledges from the public.

from which ruby-red 3D petals flutter. The rose is reflective, so viewers can see their own images in the rose, and take a moment to ponder on their individual responsibilities to keep the air smoke-free and clean.

Putting words into action, a microsite *(www. sunwaycleanairproject.com)* was created to engage the public to join us as a clean air advocate by pledging to create a clean air environment. Since the launch in May 2017, we have collected a total of 1,665 pledges from the public.

To demonstrate our strong commitment to the project, Sunway REIT's community sustainability programme includes a commitment to giving back to the society. In collaboration with Sunway Medical Centre and Johnson & Johnson, Sunway REIT is offering a "Smoking Cessation Programme" to the tenants and shoppers of Sunway Pyramid Shopping Mall and members of the public. The fully-sponsored Sunway REIT's Smoking Cessation Programme includes a 3-month behavioural training clinic programme which is supported by professionals from Sunway Medical Centre to help smokers undergo the cessation process. The pilot programme is offered to the first 250 participants and each participant is entitled to enjoy 1 full programme.

Smoke-free at Sunway Putra Mall

In May 2017, Sunway Putra Mall and the Kuala Lumpur City Hall (DBKL) have jointly declared that the elevated pedestrian sky bridge is now a smoke-free area. This is part of DBKL's initiative to strive for no smoking in public premises. The DBKL has declared 141 pedestrian walkways, elevated walkways, and covered bridges spanning over 20 km in the city as no-smoking zones. As an ardent advocate for smoke-free workplaces, Sunway Group founder and chairman, Tan Sri Dato' Dr Jeffrey Cheah, A0, was present at the launch of 'KL Bebas Asap Rokok di Jejantas dan Laluan Pejalan Kaki Berbumbung 2017' which took place at the elevated pedestrian bridge connecting Sunway Putra Mall and PWTC.

Sunway REIT strives to achieve sustainability through a positive ethical impact on the communities in which it operates. Our sustainability philosophy guides business decisions and the execution of our business plans. It also helps us engage and interact with surrounding community members.

We strive not only to be the leading REIT in Malaysia but also one that does the right thing. Our unitholders' interests are prioritised as we conduct business in a responsible and sustainable manner, care for our people while sharing our skills and successes with the local community.

In FY2017, Sunway REIT and its business units have made donations to various charitable organisations amounting to RM140,000.



Tan Sri Dato' Seri Dr Jeffrey Cheah, A0, at the launch of 'KL Bebas Asap Rokok di Jejantas dan Laluan Pejalan Kaki Berbumbung 2017'

Zero Food Wastage Programme



Sunway Resort Hotel & Spa and Sunway Pyramid Hotel supported the Zero Food Wastage Programme by the Kechara Soup Kitchen (KCK). KCK is a registered non-governmental organisation that provides food for the homeless on the streets and the urban poor.

Surplus food from these hotels was collected and distributed to the homeless and urban poor. Reducing food wastage amongst



Puteri Diraja Selangor, Tengku Zatashah Sultan Sharafuddin Idris Shah giving out food to the homeless and urban poor alongside with the hotel team

Malaysians is part of Sunway REIT's efforts to align their businesses with the United Nations 17 Sustainable Development Goals (SDGs).

The society feeds an average of 80 families and over 100 homeless individuals each night with the participating hotels' excess food. There is also a need to educate the public about food wastage.

This initiative is part of the *#sunwayforgood* movement, which is Sunway's commitment to a sustainable environment, economy and society.

Food Bank

Sunway Putra Mall launched its Zero Food Wastage Programme known as 'Food Bank' in July 2016. This is a food drive that encourages the public to donate non-perishable food items and home supplies for the underprivileged children, old-folks and families. Sunway Putra Mall's Food Bank project distribute food during the festive seasons to share festive joy with the underprivileged and raise public awareness of appreciating their blessings and not to waste food. To date, more than RM50,000 worth of donations has been made and delivered to the selected homes, such as Rumah Anak Yatim Sg Penchala, Persatuan Kebajikan Kanak-Kanak Istimewa Insan (PKKII) in Taman OUG and Orang Asli Settlement in Tapah, Perak.



Donations of food items and home supplies for the underprivileged children
Food Pantry

Sunway Putra Mall and Sunway Pyramid Shopping Mall worked with 2 universities on a programme called 'Food Pantry'. Partnering with the University of Malaya and Cybernatics College of Technology, the team helped needy students by collecting food and distributing it to financially-challenged students. We hope this programme will prevent students from experiencing hunger as they are often neglected by society.

Adoption of Yayasan Chow Kit (YCK)

YCK is a 24-hour crisis and drop-in centre that provides basic support to children and youths who are at risk in Chow Kit, Kuala Lumpur. YCK aims to build a safe and nurturing environment for at-risk children and youths as well as developing educational programmes and essential skills for them to learn and grow.

Sunway Putra Mall has adopted YCK under its Corporate Social Responsibility (CSR) programme since 2015. Children from the centre are often invited to the mall during festive seasons for joyous celebrations that leave them with a memorable experience.

The Gift of Reading

Sunway Putra Mall's 'The Gift of Reading' event was held in conjunction with the Christmas season in 2016. The mall collaborated with Salvation Army, a non-profit organisation that collects and donates second-hand books for underprivileged children under its care. Sunway Putra Mall invited shoppers and tenants to bring their used books to a dedicated donation corner in the mall. Books collected were donated to the Salvation Army with the hope of encouraging good reading habits among the younger generation and sharing the joy of Christmas with them.

An Afternoon of Learning for the G.O.L.D students

Since 2006, Sunway Group has supported G.O.L.D, a nongovernmental organisation helping special students maximise their potential and become contributing members of society. Beginning March 2017, Sunway Resort Hotel & Spa became the first Sunway Hotel to host activities for the G.O.L.D students. Sunway Resort Hotel & Spa conducts practical sessions for these students on basic skills such as table setting and napkin folding. This real-world experience, supervised by experienced personnel, inculcates confidence, independence and social skills in the students.

Celebrating Diversity of Cultures and Races

Festive seasons are the most awaited events that locals and tourists look forward to when visiting shopping malls as we are heavily driven by the colourful cultures and races in Malaysia. This presents a commercial opportunity as retailers and tenants offer a host of festive discounts to boost sales.

Being truly Malaysian, all of our shopping malls celebrate major festivities including Hari Raya, Chinese New Year, Deepavali and Christmas. Our shopping malls become great 'hangouts' and 'meetup' places for the community. We also take these opportunities to showcase local cultures during these busiest times to attract more visitors, especially foreigners, who reside near our shopping malls.



'The Gift of Reading' event was held in conjunction with the Christmas season



Celebrating the festive season with the communities, Sunway Putra Mall's Raya Klasik 2016

Festival	Activities
Hari Raya	Sunway Resort Hotel & Spa and Sunway Pyramid Hotel distributed food to the homeless on the streets and the urban poor during the month of Ramadhan. In addition, Sunway Hotel Georgetown treated 34 children from Wisma Yatim Perempuan to a 'buka puasa' dinner at the hotel. The management presented 'duit raya' and spent time with the children at the Sun Café.
Chinese New Year	Sunway Putra Mall collaborated with the Touching Lives Club Kuala Lumpur and Selangor and invited 150 underprivileged children for a fun day out in the mall. The children aged between 8 to 18 years were treated to a movie at TGV Cinemas.
	On 18 January 2017, Sunway Hotel Georgetown held a charity haircut for senior citizens residing in Bethesda Home on Jalan Berek. Held in partnership with Hair Impression, volunteers consisted of hotel staff and heads of departments. The hotel provided the residents with a buffet lunch and 'Ang Pao'.
	Sunway Hotel Seberang Jaya and Sunway Carnival Shopping Mall held a Chinese New Year celebration for Rumah Sejahtera welfare home in Permatang Tinggi on 6 February 2017. The senior citizens were treated to a buffet lunch by the hotel. 'The God of Prosperity' also distributed 'Ang Pao' to each person.
Deepavali	Sunway Putra Mall collaborated with Sunway Putra Hotel to invite 80 underprivileged children and single mothers for a shopping spree and a fun day out at the Parenthood Playland at Sunway Putra Mall.
	Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya treated children and caretakers from Shan Homes, Children's Protection Society, St. Joseph's Home and Pusat Jagaan The Ramakrishna to a festive evening and dinner on 15 October 2016. The home received food and school necessities for each child.
Christmas	Children from Agathians Shelter were requested to write their Christmas wishes in a secret letter to Santa. Sunway Putra Hotel fulfilled each child's wish by purchasing presents using the money that had been raised by the hotel employees.



Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng handing out goodies



Children and caretakers were treated to dinner to celebrate Deepavali

PRODUCT RESPONSIBILITY

Ensuring Satisfaction

Our customers are far-reaching and include guests, shoppers, tenants and the general public. The majority of our business is based upon our relationship with these customers in order to reach people who ultimately enjoy our assets.

Sunway REIT's hotels, through the hotel lessees, conduct guest satisfaction surveys which are sent through email once the guest checks out.

The hotel lessees also actively measure guest satisfaction through reputable online systems such as Review Pro and TripAdvisor, which help us benchmark and manage our online reputation more efficiently. With the information gathered, we are able to continuously improve our products and services, and to ultimately deliver consistent quality experiences for our guests.

We are pleased to report that our hotels achieved a Global Review Index (GRI) score of well above 80% in FY2017. This index covers all online travel agents (OTAs), social media such as TripAdvisor, Booking.com and Agoda.com.

Customer Satisfaction rating of Sunway REIT's Hotels



The Facilities Management team at the malls conducts shoopers' satisfaction survey on a monthly basis. Elements covered in the shoppers' satisfaction survey include tenancy mix, amenities and facilities, parking and security as well as other areas of interest.



Value-Added Services

For Our Shoppers

- Child distance monitors and wristbands to promote child safe shopping
- Dates and water for fasting Muslim shoppers are placed in 'suraus' during Ramadhan
- · Masks provided during the haze period
- Water is available at the concierge during the hot season and notices to keep hydrated are pasted throughout the malls
- Plush rattle toys for babies can be redeemed at the concierge
- Flowers are presented to mothers on Mother's Day
- Cookies are given to shoppers on Valentine's Day
- Dance classes for shoppers and the surrounding community (Sunway Carnival Shopping Mall only)

For Our Guests

- Discounts at food and beverage outlets in the hotels
- · Complimentary shuttle bus service
- Discount voucher book for offers at retail outlets and F&B outlets
- Arabic, Japanese and Mandarin speaking managers and associates are available at the lobby for guest assistance
- Designated mobile number of the Guest Relations Manager is provided to guests for any last minute requests
- Special menu for guests with food allergies or special dietary requirements
- Separate utensils and containers for guests with allergies

Positive Impact of Our Asset Presence

Enhancing Public Safety

Sunway Group works closely with the Royal Malaysian Police (PDRM) and the Malaysian Crime Prevention Foundation in realising the first Safe City Initiatives in Malaysia. The Sunway Group has one of the largest security teams in the nation including 500 auxiliary police who are trained by the PDRM and work closely with the Malaysian Crime Prevention Foundation.

Auxiliary police, CCTVs and smart guard systems are positioned at Sunway REIT's properties. To enhance the surveillance at the premises, police beat bases were built at Sunway Pyramid Shopping Mall and Sunway Putra Mall. Internal security at the



Patrolling Auxiliary Police

Building-wide, Cross-system Security Measures Implemented

malls are enhanced through frequent patrolling by auxiliary police on segways. Sunway REIT's properties collectively operate with a total of 64 auxiliary police and 2,234 CCTVs.

Emergency Rescue Team (ERT)

An ERT is established at each asset to address building-wide crises such as fire. Team members consist of senior and junior management, grounds staff, security and technical personnel. The team is trained annually on aspects such as search and rescue, firefighting, first aid and technical knowledge of the firefighting system.

The Facilities Management teams organise joint fire-drill exercises annually which involve the building's occupants and tenants. The local fire department are also invited to observe the entire exercise. All ERT members are required to perform their pre-arranged tasks and roles. All fire prevention systems and fire-fighting systems are extensively tested and run during the drill to test the effectiveness of the system. Upon completion of the drill, a post-mortem is coordinated by the fire department to identify possible risks and areas for improvement.

Ensuring Public Safety

The Facilities Management teams have extensive experience in organising, managing and implementing large scale commercial projects with expertise in managing security and risk prevention, fire mitigation and prevention as well as other security and safety protocols to ensure that properties under their aegis are safe, productive and viable investments.

i-Alert Panic Button system	Fire Shutters	Fire Alarm System	Fire Sprinkler System
Multiple Exit Points/ Fire Doors	Wet Riser System	Carbon Dioxide Flooding System	Auxiliary Policemen
Smart Guard System	Self-balancing two- wheeled vehicle (Segway)	24-hour CCTV monitoring system	Safety briefings for event organisers, visitors or guests attending events
Food safety audits in F&B outlets at hotels & malls	Yearly inspection by local authorities such as MOH & JAKIM	Compliance with Malaysia Food Act 1983	Conformance to Hygiene Regulation 2009 for F&B outlets at hotels and malls

The Brand Value Proposition

'Sunway' brand is a well-established brand in the retail and hotel segments in the country with 20 years of proven track records. The brand inspires confidence from tenants, guests, shoppers, and business partners who support the business over the years. This results in the creation of economic value and enriching communities.

In order to remain relevant, the Manager and Facilities Management team adapt to the dynamism of the market forces. In the retail business, the traditional modus operandi of a mall business have evolved in line with emergence of disruptive business models such as e-commerce and change in lifestyle. The dynamic Facilities Management teams constantly keep abreast with the change in lifestyle and trend and employ business strategies to address the changing dynamics in the business. Retail malls in Sunway REIT's asset portfolio offer unique value proposition by positioning the malls as a lifestyle destinations with emphasis on experiential shopping to create a long-lasting experience to shoppers.

In the hotel segment, the portfolio of hotels in Sunway REIT's asset portfolio offers strong value proposition to both the leisure and business clientele. The hotels are well known for their warm hospitality and superior customer service.

The Manager believes that the strong brand name is one of the core success factors that continues to drive the business performance of Sunway REIT's asset portfolio.

Competitive Advantages of Sunway REIT's Malls

Built-to-suit development projects that cater to prospective tenants' operational requirements and specifications

Proactive marketing and leasing of spaces to achieve a healthy occupancy

Delivery of quality property and customer services to tenants

Acquisition of good quality income-producing properties with established tenants or asset enhancement potential Improvement of operational efficiency and optimisation of operating costs with asset enhancement initiatives

Quality Certifications Achieved by our Shopping Malls

	Sunway Pyramid Shopping Mall	Sunway Carnival Shopping Mall
ISO	ISO 9001:2015	IS09001:2008
Scope	 Provision of Centre Management Services for Sunway Pyramid Shopping Mall Provision of Carpark Services Provision of Ice Skating Services 	 Provision of Centre Management Services Provision of Carpark Services

General Standard Disclosures

General Standard Disclosure	Description	Disclosure Level	Page reference
Strategy and A	Analysis		
G4-1	Statement from the most senior decision-maker of the organisation	•	22
Organisationa	l Profile		
G4-3	Organisation's name		Front Cover
G4-4	Primary brands, products and services	•	9
G4-5	Location of the organisation's headquarters	•	17
G4-6	Countries of major operation	•	9, 106
G4-7	Nature of ownership and legal form	•	40
G4-8	Market served	•	9, 106
G4-9	Scale of the organisation	•	6, 16
G4-10	Total number of employees	•	211
G4-11	Percentage of total employees covered by collective bargaining agreements	Not applicable. There is no union registered at the Manager. There are unions at the lessee of the hotels.	-
G4-12	Organisation's supply chain	•	198
G4-13	Significant changes during the reporting period	•	22
G4-14	Implementation of the precautionary approach	•	194, 16, 78
G4-15	Endorsement of external economic, environmental and social characters and initiatives	•	201
G4-16	Membership in national/international associations	•	197
Identified Ma	terial Aspects and Boundaries		
G4-17	Entities included in the organisation's consolidated Financial Statements	•	235
G4-18	Process for defining the report content and the aspect boundaries	•	194
G4-19	Material aspects identified in the process for defining report content	•	194
G4-20	Aspect boundary within the organisation	•	194
G4-21	Aspect boundary outside the organisation	•	194
G4-22	Effect of any restatements	•	22
G4-23	Significant changes during the reporting period	•	22
Stakeholder E	ngagement	·	
G4-24	Stakeholder groups engaged by the organisation	•	14, 194
G4-25	Basis for identification of stakeholders	•	14, 194
G4-26	Approach to stakeholder engagement	•	14, 194
G4-27	Key topics and concerns raised by stakeholders	•	14, 16, 194
Report Profile			
G4-28	Reporting period	•	192
G4-29	Date of most recent previous report	•	192
G4-30	Reporting cycle	•	192

Note:

Fully disclosed
 Partially disclosed

General Standard Disclosures

General Standard Disclosure	Description	Disclosure Level	Page reference
G4-32	Chosen 'in accordance' option including reference to the GRI Content Index and the External Assurance Report	This Report has been prepared in accordance to the GRI G4 Guideline. However, it has not gone through the GRI Check and verification of the sustainability statement by the corporate auditor is limited.	-
G4-33	Organisation's policy and practice with regard to seeking external assurance	The sustainability statement was verified by the corporate auditor for its consistency with the rest of the Annual Report.	-
Governance			
G4-34	Organisation's governance structure	•	166
Ethics and Int	egrity		
G4-56	Organisation's codes of conduct and codes of ethics	•	166

Specific Standard Disclosures

. Category: Economic

Description	Disclosure Level	Page reference
	•	
Direct economic value generated and distributed	•	6
Coverage of the organization's defined benefit plan obligations	•	212
icts	•	
Development and impact of infrastructure investments and services supported	•	216
Significant indirect economic impacts, including the extent of impacts	•	214
	•	
Proportion of spending on local suppliers at significant locations of operation	0	199
al		·
	•	
Energy consumption within the organisation	•	201
	•	204
Direct greenhouse gas (GHG) emissions (Scope 1)	•	204
Energy indirect greenhouse gas (GHG) emissions (Scope 2)	•	204
	•	
Total weight of waste by type and disposal method	0	206
·	·	
	•	
Extent of impact mitigation of environmental impacts of products and services	•	214
	•	
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	•	201
	Direct economic value generated and distributed Coverage of the organization's defined benefit plan obligations acts Development and impact of infrastructure investments and services supported Significant indirect economic impacts, including the extent of impacts Proportion of spending on local suppliers at significant locations of operation al Direct greenhouse gas (GHG) emissions (Scope 1) Energy indirect greenhouse gas (GHG) emissions (Scope 1) Energy indirect greenhouse gas (GHG) emissions (Scope 2) Total weight of waste by type and disposal method Extent of impact mitigation of environmental impacts of products and services Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with	

Transport G4-DMA		•	
	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	0	205

Category : Social

Sub-Category: Labour Practices and Decent Workplace

Employment G4-DMA		•	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	0	211
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	•	212
Training and Edu G4-DMA	location	•	
G4-LA9	Average hours of training per year per employee by gender, and by employee category	0	212
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	0	212
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	0	186
Diversity and Equal Opportunity G4-DMA		•	212
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	•	211

Category : Social

Sub-Category: Labour Practices and Decent Workplace

Non-discriminatio	on		
G4-DMA			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	•	213
Freedom of Assoc G4-DMA	ciation and Collective Bargaining	•	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	•	213
Child Labour G4-DMA		•	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	•	213
Forced or Compulsory Labour G4-DMA		•	
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	•	213

Category : Social

Sub-Category: Labour Practices and Decent Workplace

Local Communities G4-DMA		•	
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	•	215

G4-S02	Operations with significant actual or potential negative impacts on local communities	•	214
Public Policy G4-DMA		•	
G4-S06	Total value of political contributions by country and recipient/beneficiary	0	197
Compliance G4-DMA		•	
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	0	198

Sub-Category: Product Responsibility

Customer Health and Safety G4-DMA		•	
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	0	6
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	•	198
Customer Privac G4-DMA	εγ	•	
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	0	213
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	•	213

POWERING FROM STRENGTH TO STRENGTH

We dedicate a substantial amount of effort and energy into ensuring the delivery of sustainable financial performance. With each move, we set out to scale new heights while also achieving consistency in everything we do.

FINANCIAL INSIGHTS

Financial Statements

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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 2017.

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 RHB Trustees 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 2017. There was no change in the strategies and policies employed during the financial year.

Other information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Fund were made out, the Manager took reasonable steps:
 - 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 other than debts, which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to their estimated realisable values.
- (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.
- (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 (12) after the end of the financial year which would 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.

MANAGER'S REPORT (CONT'D)

Significant events during the financial year

Significant events during the financial year are disclosed in Note 34 to the financial statements.

Subsequent events after the financial year

Subsequent events after the financial year are disclosed in Note 35 to the financial statements.

Material litigations

Material litigations are disclosed in Note 36 to the financial statements.

Auditors

The auditors, BDO, 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 10 August 2017.

Dato' Ng Tiong Lip

Sarena Cheah Yean Tih, S.M.S.

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 235 to 282 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 2017 and of their financial performance and cash flows for the financial year then ended.

The information set out in Note 38 on page 283 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 and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 10 August 2017.

Dato' Ng Tiong Lip

Sarena Cheah Yean Tih, S.M.S.

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 235 to 283 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 10 August 2017 f. J.

Wai Sow Fun

Before me,



No. 69A, Jalan SS21/37 Damansara Utama (Up Town) 47400 Petaling Jaya, Selangor D.E

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 2017. 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 235 to 282, 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 2017 are in line with and are reflective of the objective of Sunway REIT.

For and on behalf of the Trustee, RHB Trustees Berhad

Lee Yit Cheng Head, Trustees Operations

Kuala Lumpur, Malaysia 10 August 2017

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Mohd Sofian Bin Kamaruddin Vice President

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

Report on the Audit of the Financial Statements

Opinion

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 2017 of the Group and of the Fund, and the statements of profit or loss and other comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 235 to 282.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Valuation of investment properties

As disclosed in Note 14 to the financial statements, the Group's and the Fund's investment properties were carried at RM6,689,200,000 as at 30 June 2017.

There were significant judgements and estimates involved in relation to the valuation of the Fund's investment properties including allowance for void, term yield rates, reversionary yield rates, capitalisation rates and discount rates.

Our audit procedures included the following:

- (a) assessed and discussed with management their process for reviewing the work of the independent valuer.
- (b) assessed the competency, independence and integrity of the independent valuer.
- (c) obtained the valuation reports and discussed with the independent valuer the results of their work.
- (d) tested the integrity of the data provided to the independent valuer to underlying lease agreements.
- (e) benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the allowance for void, term yield rates, reversionary yield rates, capitalisation rates and discount rates.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Manager and Trustee for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements of the Group and of the Fund so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Group and of the Fund that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Fund.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 38 on page 283 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 in accordance with the trust deed of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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BDO AF : 0206 Chartered Accountants

10 August 2017 Kuala Lumpur

Lum Chiew Mun 03039/04/2019J Chartered Accountant

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2017

		Group		Fund	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Gross revenue	6	522,868	507,013	522,868	507,013
Property operating expenses	7	(134,051)	(133,162)	(134,051)	(133,162)
Net property income		388,817	373,851	388,817	373,851
Other income	8	8,296	10,072	8,296	10,072
Changes in fair value of investment properties	14	152,073	63,482	152,073	63,482
Net investment income		549,186	447,405	549,186	447,405
Manager's fees	9	(31,650)	(30,802)	(31,650)	(30,802)
Trustee's fees		(1,266)	(1,248)	(1,226)	(1,208)
Auditors' remuneration:					
- Statutory audits		(134)	(130)	(131)	(127)
Tax agent's fee		(27)	(32)	(26)	(27)
Valuation fees		(346)	(653)	(346)	(653)
Other trust expenses		(1,984)	(4,602)	(2,028)	(4,650)
Finance costs	10	(89,295)	(86,242)	(89,295)	(86,242)
Total expenses		(124,702)	(123,709)	(124,702)	(123,709)
Profit before tax		424,484	323,696	424,484	323,696
Income tax expense	11	-	-	-	-
Profit for the financial year		424,484	323,696	424,484	323,696
Profit for the year comprises the following:					
Realised		270,586	262,473	270,586	262,473
Unrealised		153,898	61,223	153,898	61,223
		424,484	323,696	424,484	323,696
Basic earnings per unit (sen):	12				
Realised		9.19	8.92	9.19	8.92
Unrealised		5.22	2.08	5.22	2.08
		14.41	11.00	14.41	11.00
Distribution per unit (sen)	13	9.19	9.18	9.19	9.18

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the financial year ended 30 June 2017

	Group/F	und
	2017	2016
	RM'000	RM'000
Profit for the financial year	424,484	323,696
Other comprehensive income to be reclassified to profit or loss in subsequent periods*:		
Cash flow hedge - fair value gains on derivative	26,570	21,785
Cash flow hedge reserve recycled to profit or loss	(26,250)	(18,100)
Total comprehensive income for the financial year	424,804	327,381
Realised profit for the financial year is arrived at as follows:		
Profit for the financial year	424,484	323,696
Less: Changes in fair value of investment properties	(152,073)	(63,482)
(Less)/Add: Net changes in fair value of derivative financial instrument	(1,725)	2,218
Add: Unrealised foreign exchange loss (hedged item)	26,250	18,100
Less: Cash flow hedge reserve recycled to profit or loss	(26,250)	(18,100)
(Less)/Add: Others	(100)	41
Realised profit for the financial year	270,586	262,473

* There is no tax effect arising from each of the components of the other comprehensive income.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D) For the financial year ended 30 June 2017

Income distribution

	Group/F	und
	2017	2016
	RM'000	RM'000
Realised profit for the financial year	270,586	262,473
Add: Surplus cash arising from Nil (2016: 25%) Manager's fees paid in units		7,701
Total available for income distribution for the financial year	270,586	270,174
Brought forward undistributed income available for distribution	513	414
Total available for income distribution	271,099	270,588
Distribution to unitholders during the year:		
Distribution of 2.12 sen per unit for period from 1 July 2015 to 30 September 2015	-	(62,330)
Distribution of 2.57 sen per unit for period from 1 October 2015 to 31 December 2015	-	(75,592)
Distribution of 2.37 sen per unit for period from 1 January 2016 to 31 March 2016	-	(69,742)
Final income distribution of 2.12 sen per unit for period from 1 April 2016 to 30 June 2016	-	(62,411)
Distribution of 2.27 sen per unit for period from 1 July 2016 to 30 September 2016	(66,853)	-
Distribution of 2.28 sen per unit for period from 1 October 2016 to 31 December 2016	(67,147)	-
Distribution of 2.37 sen per unit for period from 1 January 2017 to 31 March 2017	(69,799)	-
Proposed final income distribution of 2.27 sen per unit for period from 1 April 2017 to 30 June 2017 ¹	(66,853)	-
Balance undistributed arising from rounding difference	447	513

¹The proposed final income distribution will be recognised and paid in the financial year ending 30 June 2018.

STATEMENTS OF FINANCIAL POSITION As at 30 June 2017

		Grou	р
	Note	2017	2016
		RM'000	RM'000
Assets			
Non-current assets			
Investment properties	14	6,689,200	6,433,000
Plant and equipment	15	9,063	8,698
		6,698,263	6,441,698
Current assets			
Trade receivables	17	16,821	16,713
Other receivables	18	16,153	9,129
Derivatives	20	8,112	-
Cash and bank balances	19	100,544	69,719
		141,630	95,561
Total assets		6,839,893	6,537,259
Financed by:			
Unitholders' funds			
Unitholders' capital	21	2,727,829	2,725,933
Undistributed income		1,483,891	1,325,297
Total Unitholders' funds		4,211,720	4,051,230
Non-current liabilities			
Borrowings	22	-	1,403,150
Long term liabilities	24	65,724	56,256
Deferred tax liability	25	5,896	5,896
Derivatives	20	529	22,189
		72,149	1,487,491
Current liabilities			
Borrowings	22	2,343,759	772,400
Trade payables	26	3,366	4,867
Other payables	27	207,422	221,271
Derivatives	20	1,477	-
		2,556,024	998,538
Total liabilities		2,628,173	2,486,029
Total equity and liabilities		6,839,893	6,537,259
Units in circulation ('000)	21	2,945,078	2,943,918
Net asset value ("NAV") per unit (RM):			
Before income distribution ¹		1.4301	1.3761

¹ Before the proposed final income distribution of 2.27 sen per unit (2016: 2.12 sen per unit)

² After the proposed final income distribution of 2.27 sen per unit (2016: 2.12 sen per unit)

STATEMENTS OF FINANCIAL POSITION (CONT'D) As at 30 June 2017

		Fund	
	Note	2017	201
		RM'000	RM'00
Assets			
Non-current assets			
Investment properties	14	6,689,200	6,433,00
Plant and equipment	15	9,063	8,69
Investments in subsidiaries	16	_1	
		6,698,263	6,441,69
Current assets			
Trade receivables	17	16,821	16,71
Other receivables	18	16,153	9,12
Derivatives	20	8,112	
Cash and bank balances	19	100,514	69,71
		141,600	95,56
Total assets		6,839,863	6,537,25
Financed by:			
Unitholders' funds			
Unitholders' capital	21	2,727,829	2,725,93
Undistributed income	21	1,483,894	1,325,30
Total Unitholders' funds		4,211,723	4,051,23
		4,211,720	7,001,20
Non-current liabilities			
Borrowings	22	-	403,15
Amount due to a subsidiary	23	-	1,000,00
Long term liabilities	24	65,724	56,25
Deferred tax liability	25	5,896	5,89
Derivatives	20	529	22,18
		72,149	1,487,49
Current liabilities			
Borrowings	22	1,309,800	772,40
Trade payables	26	3,366	4,86
Other payables	27	199,895	213,75
Amounts due to subsidiaries	23	1,041,453	7,50
Derivatives	20	1,477	
		2,555,991	998,53
Total liabilities		2,628,140	2,486,02
Total equity and liabilities		6,839,863	6,537,25
Units in circulation ('000)	21	2,945,078	2,943,91
Net asset value ("NAV") per unit (RM):			
Before income distribution ²		1.4301	1.376

¹ Value less than RM1,000

² Before the proposed final income distribution of 2.27 sen per unit (2016: 2.12 sen per unit)

³ After the proposed final income distribution of 2.27 sen per unit (2016: 2.12 sen per unit)

STATEMENTS OF CHANGES IN NET ASSET VALUE

For the financial year ended 30 June 2017

Group	Unitholders'		ited Income >	Unitholders'
	Capital RM'000	Realised RM'000	Unrealised RM'000	Funds RM'000
At 1 July 2016	2,725,933	(4,688)	1,329,985	4,051,230
Total comprehensive income	, .,	())	,,	,,
Profit for the financial year	-	270,586	153,898	424,484
Other comprehensive income:				
- Cash flow hedge - fair value gains on derivative	-	-	26,570	26,570
- Cash flow hedge reserve recycled to profit or loss	-	-	(26,250)	(26,250)
Total comprehensive income, representing the increase in net				
assets resulting from operations	2,725,933	265,898	1,484,203	4,476,034
Unitholders' transactions				
Creation of units (Note 21):				
- Manager's fees paid in units	1,896	-	-	1,896
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 13)	-	(203,799)	-	(203,799
- Income distribution proposed in prior year but paid in current year	-	(62,411)	-	(62,411
Increase/(decrease) in net assets resulting from unitholders'				
transactions	1,896	(266,210)	-	(264,314
At 30 June 2017	2,727,829	(312)	1,484,203	4,211,720
At 1 July 2015	2,716,456	727	1,265,077	3,982,260
Total comprehensive income	_,,,		.,,	0,000_,200
Profit for the financial year	-	262,473	61,223	323,696
Other comprehensive income:		,	0.7==0	0_0,000
- Cash flow hedge - fair value gains on derivative	-	-	21,785	21,785
- Cash flow hedge reserve recycled to profit or loss	-	-	(18,100)	(18,100)
Total comprehensive income, representing the increase in net			(10)100)	(10)100)
assets resulting from operations	2,716,456	263,200	1,329,985	4,309,641
Unitholders' transactions				
Creation of units (Note 21):				
- Manager's fees paid in units	0 /77			0 /77
Distribution to unitholders:	9,477	-	-	9,477
- Income distribution declared and paid in current year (Note 13)		(207,664)		(207,664
	-		-	
- Income distribution proposed in prior year but paid in current year	-	(60,224)	-	(60,224
Increase/(decrease) in net assets resulting from unitholders'				
transactions	9,477	(267,888)		(258,411)

STATEMENTS OF CHANGES IN NET ASSET VALUE (CONT'D)

For the financial year ended 30 June 2017

Fund	Unitholders'		ted Income >	Unitholders'	
	Capital RM'000	Realised RM'000	Unrealised RM'000	Funds RM'000	
At 1 July 2016	2,725,933	(4,685)	1,329,985	4,051,233	
Total comprehensive income	2,723,333	(4,003)	1,020,000	7,001,200	
Profit for the financial year	-	270,586	153,898	424,484	
Other comprehensive income:		270,000	100,000	121,101	
- Cash flow hedge - fair value gains on derivative	-	-	26,570	26,570	
- Cash flow hedge reserve recycled to profit or loss	_	_	(26,250)	(26,250	
Total comprehensive income, representing the increase in net			(20,200)	(20,230	
assets resulting from operations	2,725,933	265,901	1,484,203	4,476,037	
Unitholders' transactions					
Creation of units (Note 21):					
- Manager's fees paid in units	1,896	_	_	1,896	
Distribution to unitholders:	1,050	-	-	1,030	
- Income distribution declared and paid in current year (Note 13)		(203,799)		(203,799	
 Income distribution declared and paid in current year (Note 13) Income distribution proposed in prior year but paid in current year 	-	(203,799)	-	(203,793	
Increase/(decrease) in net assets resulting from unitholders'	-	(02,411)	-	(02,411	
transactions	1,896	(266,210)		(264,314	
At 30 June 2017	2,727,829	(309)	1,484,203	4,211,723	
	2,121,023	(303)	1,404,203	4,211,723	
At 1 July 2015	2,716,456	730	1,265,077	3,982,263	
Total comprehensive income					
Profit for the financial year	-	262,473	61,223	323,696	
Other comprehensive income:					
- Cash flow hedge - fair value gains on derivative	-	-	21,785	21,785	
- Cash flow hedge reserve recycled to profit or loss	-	-	(18,100)	(18,100	
Total comprehensive income, representing the increase in net					
assets resulting from operations	2,716,456	263,203	1,329,985	4,309,644	
Unitholders' transactions					
Creation of units (Note 21):					
- Manager's fees paid in units	9,477	-	-	9,477	
Distribution to unitholders:					
- Income distribution declared and paid in current year (Note 13)	-	(207,664)	-	(207,664	
- Income distribution proposed in prior year but paid in current year	-	(60,224)	-	(60,224	
Increase/(decrease) in net assets resulting from unitholders'					
transactions	9,477	(267,888)	-	(258,411	
At 30 June 2016	2,725,933	(4,685)	1,329,985	4,051,233	

STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2017

		Group		Fund	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Cash receipts from customers		599,159	574,176	599,159	574,176
Refundable security deposits from customers		2,688	7,898	2,688	7,898
Cash paid for operating expenses		(242,883)	(227,015)	(242,883)	(227,015)
Net cash generated from operating activities		358,964	355,059	358,964	355,059
Cash flows from investing activities					
Acquisition of plant and equipment	Note a	(2,164)	(4,844)	(2,164)	(4,844)
Deposit for acquisition of investment property		(9,150)	-	(9,150)	-
Acquisition of investment property	14	(17,200)	-	(17,200)	-
Incidental costs on acquisition of investment property	Note b	(307)	-	(307)	-
Subsequent expenditure of investment properties	Note c	(93,761)	(67,190)	(93,761)	(67,190)
Interest received		3,196	3,546	3,196	3,546
Net cash used in investing activities		(119,386)	(68,488)	(119,386)	(68,488)
Cash flows from financing activities					
Drawdown of term loan		-	422,000	-	422,000
Proceeds from issuance of commercial papers		165,000	4,395,000	-	-
Drawdown of revolving loans/credits		9,194,400	4,959,800	9,194,400	4,959,800
Repayment of term loan		-	(360,900)	-	(360,900)
Repayment of commercial papers		(131,000)	(4,415,000)	-	-
Repayment of revolving loans/credits		(9,086,400)	(4,930,800)	(9,086,400)	(4,930,800)
Interest paid		(84,543)	(85,282)	(84,543)	(85,282)
Net change in inter-company balances		-	-	33,970	(20,000)
Distribution paid		(266,210)	(267,888)	(266,210)	(267,888)
Net cash used in financing activities		(208,753)	(283,070)	(208,783)	(283,070)
Net increase in cash and cash equivalents		30,825	3,501	30,795	3,501
Cash and cash equivalents at beginning of year		69,719	66,218	69,719	66,218
Cash and cash equivalents at end of financial year	19	100,544	69,719	100,514	69,719

STATEMENTS OF CASH FLOWS (CONT'D)

For the financial year ended 30 June 2017

		Grou	р	Fund	i
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Note a:					
Additions of plant and equipment	15	1,973	4,812	1,973	4,812
Additions via deferred payment		(81)	(597)	(81)	(597)
Payment of plant and equipment purchased via deferred					
payment in prior year		272	629	272	629
Cash outflow for acquisition of plant and equipment		2,164	4,844	2,164	4,844
Note b:					
Incidental costs on acquisition of investment property,					
representing cash outflow for incidental costs on					
acquisition of investment property	14	307	-	307	-
Note c:					
Subsequent expenditure of investment properties	14	86,620	45,518	86,620	45,518
Additions via deferred payment		(10,437)	(18,719)	(10,437)	(18,719)
Payment of subsequent expenditure of investment					
properties incurred via deferred payment in prior year		17,578	40,391	17,578	40,391
Cash outflow for subsequent expenditure of investment properties		93,761	67,190	93,761	67,190

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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 16.

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 2017 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager on 10 August 2017.

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 of 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 fee 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.

1. Fund information (Cont'd)

1.2 Property management fees

The Property Manager, AREM (Malaysia) Sdn. Bhd. ("AREM"), is entitled to receive a fixed fee for managing the retail and office properties owned by Sunway REIT. AREM 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 AREM and/or its service providers as provided in the Property Management Agreement dated 11 August 2016. The property management fees and reimbursements are payable monthly in arrears.

1.3 Trustee's fees

Pursuant to the Deed, the Trustee of Sunway REIT is entitled to receive a fee of 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.

The trustee of SunREIT Unrated Bond Berhad, AmanahRaya Trustees Berhad, is entitled to receive a predetermined annual fixed fee.

2. 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 ("MFRSs") and International Financial Reporting Standards. However, Note 38 to the financial statements has been 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 ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

The financial statements of the Group and of the Fund have been prepared under the historical cost convention, except as otherwise stated in the financial statements and on a going concern basis.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless when otherwise stated.

The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 37(a) to the financial statements.

3. Basis of accounting

The Group has a net current liabilities (excluding derivatives which is non-cash item) of RM2,421,029,000 as at 30 June 2017.

The following matters have been considered by the Manager in determining the appropriateness of the going concern basis in the preparation of the financial statements of the Group:

- (a) RM97,497,000 relates to accrual for subsequent expenditure of investment properties of which will be funded by the existing debt facilities of the Group and the Group has sufficient debt facilities limit available to be utilised within the gearing allowed under the REIT Guidelines for the next twelve months;
- (b) RM2,343,759,000 relates to borrowings, of which RM1,463,359,000 are secured by the investment properties as mentioned in Note 14 and borrowings as at 30 June 2017 (included secured and non-secured) are likely to be refinanced with the existing debt programme underpinned by the strength of the underlying assets and adequate liquidity in the debt market; and
- (c) the Group generated net operating cash inflows of RM358,964,000 for the financial year ended 30 June 2017. The Manager projects continued profitability and operating cash inflows for the Group in the next twelve months.

4. 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.

4. Segment information (Cont'd)

(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 premises to a hospital operator

(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 premises 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 premises to a hotel operator.
- (iii) Penang the operations in this area are principally renting of a retail premises and leasing of hotel premises to hotel operators.
- (iv) Perak the operation in this area is principally renting of a retail premises.

4. Segment information (Cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

Business segments	

	I 2017				I
	Retail	Hotel	Office	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Rental income	371,554	1,780	30,320	-	403,654
Hotel/hospital master lease income	-	60,775	-	21,884	82,659
Car park rental income	20,041	1,907	1,153	-	23,101
Other operating income	13,450	-	4	-	13,454
Gross revenue	405,045	64,462	31,477	21,884	522,868
Segment net property income	289,856	60,568	16,509	21,884	388,817
Other income					8,296
Changes in fair value of investment properties	156,367	(20,279)	5,985	10,000	152,073
Total expenses (excluding finance costs)					(35,407)
Finance costs					(89,295)
Profit before tax					424,484
Income tax expense					-
Profit for the year					424,484

			2017		·I	
	Retail	Hotel	Office	Others	Total	Not
	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets						
Segment assets	4,547,758	1,361,467	475,743	337,966	6,722,934	
Unallocated assets					116,959	
Total assets					6,839,893	
Liabilities						
Segment liabilities	195,242	49,542	9,541	-	254,325	
Unallocated liabilities					2,373,848	
Total liabilities					2,628,173	_
Other segment information						
Capital expenditure	13,290	80,285	(4,982) *	-	88,593	Α
Depreciation	1,550	7	51	-	1,608	
Other significant non-cash income/ (expenses)	156,672	(20,279)	6,046	10,000	152,439	
Unallocated					1,825	
					154,264	В

 \ast Overac
crual in previous year.

4. Segment information (Cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments: (Cont'd)

Business segments (Cont'd)

	II				
	Retail	Hotel	Office	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Rental income	351,425	1,789	29,180	-	382,394
Hotel/hospital master lease income	-	69,220	-	21,142	90,362
Car park rental income	19,013	1,785	1,060	-	21,858
Other operating income	12,381	-	18	-	12,399
Gross revenue	382,819	72,794	30,258	21,142	507,013
Segment net property income	269,435	68,788	14,486	21,142	373,851
Other income					10,072
Changes in fair value of investment properties	147,710	(53,039)	(32,138)	949	63,482
Total expenses (excluding finance costs)					(37,467)
Finance costs					(86,242)
Profit before tax					323,696
Income tax expense					-
Profit for the year					323,696

	II 2016I			I		
	Retail	Hotel	Office	Others	Total	No
	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets						
Segment assets	4,362,618	1,304,642	473,801	327,900	6,468,961	
Unallocated assets					68,298	
Total assets					6,537,259	
Liabilities						
Segment liabilities	198,939	41,577	18,974	-	259,490	
Unallocated liabilities					2,226,539	
Total liabilities					2,486,029	
Other segment information						
Capital expenditure	4,812	44,105	1,362	51	50,330	А
Depreciation	1,332	2	48	-	1,382	
Other significant non-cash income/ (expenses)	146,879	(53,037)	(32,207)	949	62,584	
Unallocated					(2,260)	
					60,324	В

4. Segment information (Cont'd)

The following table provides an analysis of the Group's revenue, net property income, capital expenditure and assets by geographical segments:

Geographical segments

	II					
	Kuala					
	Selangor	Lumpur	Penang	Perak	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Gross revenue	392,886	70,504	54,562	4,916	522,868	
Segment net property income	309,005	37,839	37,366	4,607	388,817	
Capital expenditure	98,874	(8,065) *	(2,216) *	-	88,593	
Segment assets	4,924,367	1,183,696	553,886	60,985	6,722,934	
Unallocated assets					116,959	
					6,839,893	

* Overaccrual in previous year.

	I		2016		I		
		Kuala					
	Selangor	Lumpur	Penang	Perak	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000		
Gross revenue	394,743	54,940	52,328	5,002	507,013		
Segment net property income	310,339	22,802	36,014	4,696	373,851		
Capital expenditure	3,671	46,418	241	-	50,330		
Segment assets	4,696,956	1,187,576	523,754	60,675	6,468,961		
Unallocated assets					68,298		
					6,537,259		

4. Segment information (Cont'd)

NOTE Nature of eliminations to arrive at amounts reported in the consolidated financial statements.

Capital expenditures consist of:			
	Group/	Group/Fund	
	2017	2016	
	RM'000	RM'000	
Investment properties (Note 14)	86,620	45,518	
Plant and equipment (Note 15)	1,973	4,812	
	88,593	50,330	

В

А

Other significant non-cash income/(expenses) consist of the following items as presented in the respective notes:

	Group/Fund	
	2017	2016
	RM'000	RM'000
Fair value gain on investment properties (Note 14)	152,073	63,482
Net changes in fair value of derivative financial instrument	1,725	(2,218)
Unrealised foreign exchange loss (hedged item)	(26,250)	(18,100)
Cash flow hedge reserve recycled to profit or loss	26,250	18,100
Reversal/(Allowance) of impairment on trade receivables (Note 7)	905	(467)
Bad debts written off (Note 7)	(539)	(432)
Other income/(expense)	100	(41)
	154,264	60,324

5. Capital and financial risk management

(a) 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 2017.

The Manager monitors capital using a gearing ratio, which is total gross borrowings divided by total assets 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%.

Sunway REIT's capital is represented by its unitholders' fund in the Statements of Financial Position.

	Grou	ıp
	2017	2016
	RM'000	RM'000
Non-current assets	6,698,263	6,441,698
Current assets	141,630	95,561
Total assets value	6,839,893	6,537,259
Total gross borrowings (Note 22)	2,343,800	2,175,550
Gearing ratio	34.3%	33.3%

The Group is not subject to any other externally imposed capital requirement.

5. Capital and financial risk management (Cont'd)

(b) 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.

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 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 Manager manages the Group's and the Fund's interest rate exposure by monitoring a mix of fixed and floating rate borrowings. The Group also entered into interest rate swap contracts to hedge the floating rate interest payable on certain borrowings. At the reporting date, after taking into account the interest rate swap contracts, approximately 89% (2016: 94%) of the Group's borrowings are at fixed rates of interest.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 19 and 22 to the financial statements.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rate.

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 the USD100 million Loan Facility as disclosed in Note 22(c).

The USD100 million Loan Facility is hedged with cross currency swap contracts. 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.

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 their 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 their portfolio with some short term funding so as to achieve overall cost effectiveness.

At the reporting date, RM914,400,000 (2016: RM772,400,000) of the Group's borrowings comprising CPs and revolving loan (2016: revolving loan) 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 CPs are fully underwritten by a financial institution for the entire duration of the CP Programme.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 22, 23, 24, 26 and 27 to the financial statements.
5. Capital and financial risk management (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

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.

The credit risk concentration profiles have been disclosed in Note 17 to the financial statements.

6. Revenue

	Group/I	Group/Fund	
	2017	2016	
	RM'000	RM'000	
Rental income	403,654	382,394	
Hotel/hospital master lease income	82,659	90,362	
Car park rental income	23,101	21,858	
Other operating income	13,454	12,399	
	522,868	507,013	

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Fund and the revenue can be reliably measured. Revenue is 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.

6. Revenue (Cont'd)

(c) Hospital master lease income

Hospital master lease income is derived from leasing of a medical premises 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.

(d) Car park rental income

Car park rental income is derived from renting of the investment properties' car park space to car park operators and is recognised on accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis. The car park rental income is derived based on the following variable rent formula:

Variable rent = Base rent plus 95% of car park's gross operating profit

- (i) Base rent: 20% of the car park's gross operating revenue
- (ii) Gross operating profit: car park'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.

7. Property operating expenses

	Group/Fund	
	2017	2016
	RM'000	RM'000
Quit rent, assessment and insurance	14,088	12,850
Property management fees and reimbursements	42,750	41,352
Utilities	25,513	26,001
Service contracts and maintenance	24,401	25,768
Advertising and promotion	16,296	17,338
(Reversal)/Allowance of impairment on trade receivables (Note 17)	(905)	467
Bad debts written off	539	432
Depreciation of plant and equipment (Note 15)	1,608	1,382
Administrative and other operating expenses	9,761	7,572
	134,051	133,162

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2017

8. Other income

	Group/H	Group/Fund	
	2017	2016	
	RM'000	RM'000	
Interest income from deposits with licensed financial institutions	3,238	3,801	
Others	5,058	6,271	
	8,296	10,072	

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.

Included in others is court award of RM3,189,072 (2016: RM6,189,000) as further disclosed in Note 36(a) to the financial statements.

9. Manager's fees

	Group,	Group/Fund	
	2017	2016	
	RM'000	RM'000	
Base fee	19,979	19,579	
Performance fee	11,671	11,223	
	31,650	30,802	

In the previous financial year, 25% of Manager's fees were paid in units.

10. Finance costs

	Group		Fund	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest paid/payable:				
- subsidiaries	-	-	39,440	55,127
- term loan	14,216	15,128	14,216	15,128
- commercial papers	459	16,039	-	-
- revolving loan/credit and interest rate swap	33,203	13,339	33,203	13,339
- unrated medium term notes	38,981	39,088	-	-
Amortisation of transaction costs	2,640	2,640	2,640	2,640
Others	10	47	10	47
	89,509	86,281	89,509	86,281
Less: Interest expense capitalised in investment properties (Note 14)	(214)	(39)	(214)	(39)
	89,295	86,242	89,295	86,242

11. 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 approximately 100% of its realised income available for distribution for the financial year ended 30 June 2017 which translates to more than 90% of its total taxable income.

Reconciliation of the tax expense is as follows:

	Group/Fund	
	2017	2016
	RM'000	RM'000
Profit before tax	424,484	323,696
Income tax at Malaysian statutory tax rate of 24% (2016: 24%)	101,876	77,687
Fair value adjustment of investment properties not subject to tax	(36,498)	(15,236)
Income not subject to tax	(67,816)	(65,348)
Expenses not deductible for tax purposes	2,438	2,897
Income tax expense	-	-

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	24%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24%.

12. 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	Fund	
	2017	2016	
	Unit '000	Unit '000	
Weighted average number of units in issue	2,944,881	2,941,129	

12. Basic earnings per unit (Cont'd)

	Group/Fund	
	2017	2016
	RM'000	RM'000
Realised		
Total realised profit for the year attributable to unitholders of the Group/Fund	270,586	262,473
Realised basic earnings per unit (sen)	9.19	8.92
Unrealised		
Total unrealised profit for the year attributable to unitholders of the Group/Fund	153,898	61,223
Unrealised basic earnings per unit (sen)	5.22	2.08

13. Distribution per unit

Distribution to unitholders is from the following sources:

	Group/Fund	
	2017	2016
	RM′000	RM'000
Net property income	388,817	373,851
Other income	8,296	10,072
Changes in fair value of investment properties (Note 14)	152,073	63,482
Net investment income	549,186	447,405
Less: Expenses	(124,702)	(123,709)
Profit for the year	424,484	323,696
Less: Unrealised income	(153,898)	(61,223)
Add: Surplus cash arising from Nil (2016: 25%) Manager's fees paid in units	-	7,701
Add: Brought forward undistributed income available for distribution	513	414
Total available for income distribution	271,099	270,588
Less: Income distributed	(203,799)	(207,664)
Less: Proposed final income distribution	(66,853)	(62,411)
Balance undistributed arising from rounding difference	447	513
Distribution per unit (sen)	9.19	9.18

14. Investment properties

	Group/Fund	
	2017	2016
	RM′000	RM'000
At beginning of financial year	6,433,000	6,324,000
Addition from acquisition	17,200	-
Incidental costs on acquisition	307	-
Additions from subsequent expenditure (Note 4)	86,620	45,518
Changes in fair value (Note 4)	152,073	63,482
At end of financial year	6,689,200	6,433,000

During the financial year, Sunway REIT acquired a vacant land adjacent to Sunway Carnival Shopping Mall for a purchase consideration of RM17,200,000, which was fully financed through proceeds from drawdown of borrowings.

Included in the subsequent expenditure of investment properties are the borrowing costs capitalised for certain capital workin-progress which satisfied the recognition criteria of MFRS 123: *Borrowing Costs* amounting to RM214,000 (2016: RM39,000) as disclosed in Note 10.

Investment properties of the Group and of the Fund amounting to RM6,600,000,000 (2016: RM5,973,000,000) are pledged as securities for borrowings as disclosed in Note 22.

The following are recognised in profit or loss in respect of investment properties:

	Group/F	Group/Fund	
	2017	2016	
	RM'000	RM'000	
Revenue	522,868	507,013	
Property operating expenses (Note 7)	(134,051)	(133,162)	
Net property income	388,817	373,851	

follows:
as
are
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investment
of the
Details

					Remaining	Fair value	Fair value	Percentage of net	of net
		Date of	Tenure of	Term of	term of	as at	as at	asset value as at	e as at
Description of property	Location	acquisition	land	lease	lease	30.6.2017 ^ RM'000	30.6.2016 * RM'000	30.6.2017 %	30.6.2016 %
Retail									
Sunway Pyramid Shopping Mall	Selangor	8 July 2010	Leasehold	99 years 8	80/85/88 years	3,450,000	3,300,000	81.9	81.5
Sunway Carnival Shopping Mall	Penang	8 July 2010/ 27 December 2016	Leasehold	99 years	75 years	415,200	380,000	9.9	9.4
SunCity Ipoh Hypermarket	Perak	8 July 2010	Leasehold	99 years	83 years	61,000	61,000	1.4	1.5
Sunway Putra Mall	Kuala Lumpur	19 April 2011	Freehold			595,000	595,000	14.1	14.7
						4,521,200	4,336,000	107.3	107.1
Hotel									
Sunway Resort Hotel & Spa	Selangor	8 July 2010	Leasehold	99 years	80 years	530,000	530,000	12.6	13.1
Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East)	Selangor	8 July 2010	Leasehold	99 years	85 years	360,000	295,000	8.5	7.3
Sunway Hotel Seberang Jaya	Penang	8 July 2010	Leasehold	99 years	75 years	63,000	68,000	1.5	1.7
Sunway Putra Hotel	Kuala Lumpur	19 April 2011	Freehold	,		335,000	335,000	8.0	8.3
Sunway Hotel Georgetown	Penang	28 January 2015	Freehold			72,000	72,000	1.7	1.8
						1,360,000	1,300,000	32.3	32.2
Office									
Menara Sunway	Selangor	8 July 2010	Leasehold	99 years	80 years	169,000	164,000	4.0	4.0
Sunway Tower	Kuala Lumpur	8 July 2010	Freehold	,		128,000	135,000	3.0	3.3
Sunway Putra Tower	Kuala Lumpur	19 April 2011	Freehold	'		113,000	110,000	2.7	2.7
Wisma Sunway	Selangor	23 March 2015	Leasehold	99 years	77 years	62,000	62,000	1.5	1.4
						472,000	471,000	11.2	11.4
Others									
Sunway Medical Centre	Selangor	31 December 2012	Leasehold	99 years	80 years	336,000	326,000	8.0	8.0
						6,689,200	6,433,000	158.8	158.7
 ^A Based on valuation carried out by an independent professional valuer, C H Williams Talhar & Wong Sdn. Bhd. on 30 June 2017 * Based on valuation carried out by an independent professional valuer, C H Williams Talhar & Wong Sdn. Bhd. on 30 June 2016 ¹ Inclusive of an unencumbered vacant land, Lot 5493, acquired on 27 December 2016 with fair value of RM17, 200,000 as at 30 June 2017 	ofessional valuer, C H M ofessional valuer, C H M acquired on 27 Decemb	villiams Talhar & Wong Sdn. Villiams Talhar & Wong Sdn. er 2016 with fair value of RN	Bhd. on 30 June 21 Bhd. on 30 June 21 A17,200,000 as at 31	017 316 3 June 2017					

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2017

14. Investment properties (Cont'd)

(a) 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.

(b) Fair value information

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 fair values of investment properties of the Group and of the Fund are categorised as Level 3. Level 3 fair value is estimated using unobservable inputs for the investment properties. There is no transfer between levels in the fair value hierarchy during the financial year.

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)	 Allowance for void of 5.00% - 17.50% Term yield rates ranging from 6.00% - 6.75% Reversionary yield rates ranging from 6.50% -7.25% 	The estimated fair value would increase/ (decrease) if: - Allowance for void was lower/(higher) - Term yield rate was lower/(higher) - Reversionary yield rate was lower/ (higher)
Profits method (refer below)	 Average room rates during holding period ranging from RM175 per room - RM534 per room Average occupancy rates during holding period ranging from 70.00% - 85.00% Capitalisation rate of 7.00% Discount rate of 9.00% over 10-year holding period 	 The estimated fair value would increase/ (decrease) if: Average room rates during the holding period were higher/(lower) Average occupancy rates during the holding period were higher/(lower) Capitalisation rate was lower/(higher) Discount rate was lower/(higher)

The investment method involves 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, the valuer 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, the valuer 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.

14. Investment properties (Cont'd)

(c) The following table shows a reconciliation of Level 3 fair value:

	Group/	Fund
	2017	2016
	RM'000	RM'000
At beginning of financial year	6,433,000	6,324,000
Additions	104,127	45,518
Changes in fair value	152,073	63,482
At end of financial year	6,689,200	6,433,000

Valuation processes applied by the Group and the Fund for Level 3 fair value

The fair value of investment properties are determined by independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the investment properties being valued. The independent professional valuers provide 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 valuers.

(d) 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.

15. Plant and equipment

Net carrying amount	6,816	2,247	9,063
At end of financial year	3,548	693	4,241
Disposal	(2)	-	(2)
Depreciation charge for the year (Note 7)	1,336	272	1,608
At beginning of financial year	2,214	421	2,635
Accumulated depreciation			
At end of financial year	10,364	2,940	13,304
Disposal	(2)	-	(2)
Additions (Note 4)	1,266	707	1,973
At beginning of financial year	9,100	2,233	11,333
Cost			
	RM'000	RM'000	RM'000
	equipment	fittings	Total
Group/Fund	omce/ computer	rurniture and	
At 30 June 2017 Crown/Eurod	Office/	Furniture	

At 30 June 2016

Group/Fund	Office/	Furniture	
	computer	and	
	equipment	fittings	Total
	RM'000	RM'000	RM'000
Cost			
At beginning of financial year	4,832	1,689	6,521
Additions (Note 4)	4,268	544	4,812
At end of financial year	9,100	2,233	11,333
Accumulated depreciation			
At beginning of financial year	1,038	215	1,253
Depreciation charge for the year (Note 7)	1,176	206	1,382
At end of financial year	2,214	421	2,635
Net carrying amount	6,886	1,812	8,698

15. Plant and equipment (Cont'd)

(a) All items of plant and equipment are initially recorded at cost.

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 useful lives and residual values of plant and equipment are 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.

16. Investments in subsidiaries

	Fu	nd
	2017	2016
	RM	RM
At cost		
Unquoted ordinary shares	4	4

Details of the subsidiaries are as follows:

			Proportio	n of
			ownership i	nterest
Name of	Country of		2017	2016
company	incorporation	Principal activity	%	%
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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2017

17. Trade receivables

	Group)	Fund	
	2017	2016	2017	2016
	RM′000	RM'000	RM'000	RM'000
Current				
Third parties	13,334	15,481	13,334	15,481
Amount due from parties related to the Manager	4,972	5,174	4,972	5,174
	18,306	20,655	18,306	20,655
Less: Allowance for impairment	(1,485)	(3,942)	(1,485)	(3,942)
Total trade receivables	16,821	16,713	16,821	16,713
Total trade receivables	16,821	16,713	16,821	16,713
Add: Other receivables (Note 18)	16,153	9,129	16,153	9,129
Less: Prepayments (Note 18)	(5,985)	(5,981)	(5,985)	(5,981)
Add: Cash and bank balances (Note 19)	100,544	69,719	100,514	69,719
Total loans and receivables	127,533	89,580	127,503	89,580

(a) Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method.

(b) Included in trade receivables is the following amount due from parties related to the Manager:

	Group/F	und
	2017	2016
	RM'000	RM'000
Sunway Berhad Group	4,972	5,174

The amount due from parties related to the Manager is unsecured and bears interests ranging from 8% to 18% per annum (2016: 8% to 18% per annum) and the credit period is generally for a period of 7 days to 30 days (2016: 7 days to 30 days). The relationship with the parties related to the Manager is as disclosed in Note 33.

(c) 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 (2016: 7 days to 30 days). The Group and the Fund seek to maintain strict control over its outstanding receivables and have 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 (2016: 8% to 18% per annum).

17. Trade receivables (Cont'd)

(d) Ageing analysis of trade receivables

The ageing analysis of the Group's and of the Fund's trade receivables is as follows:

	Grou	p/Fund
	2017	2016
	RM'000	RM'000
Neither past due nor impaired	9,343	8,398
Past due but not impaired:		
1 to 30 days	2,922	5,184
31 to 60 days	2,378	1,978
61 to 90 days	271	773
91 to 120 days	1,144	198
More than 120 days	763	182
	7,478	8,315
Impaired	1,485	3,942
	18,306	20,655

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/Fi	und
	2017	2016
	RM′000	RM'000
At beginning of financial year	3,942	3,475
(Reversal)/Charge for the year (Note 7)	(905)	467
Written off	(1,552)	-
At end of financial year	1,485	3,942

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.

The Manager assesses at the reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group 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.

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.

17. Trade receivables (Cont'd)

(e) 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			
	20	2017		16	
	RM′000	%	RM'000	%	
Retail	12,649	75.2	11,830	70.8	
Hotel	984	5.8	1,790	10.7	
Office	1,222	7.3	1,193	7.1	
Others	1,966	11.7	1,900	11.4	
	16,821	100.0	16,713	100.0	

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.

18. Other receivables

	Group/Fi	Jund
	2017	2016
	RM'000	RM′000
Deposits	9,641	2,204
Prepayments (Note 17)	5,985	5,981
Sundry receivables	527	944
	16,153	9,129

(a) Included in other receivables is the following amount due from parties related to the Manager:

	Group/I	Fund
	2017	2016
	RM'000	RM'000
Sunway Berhad Group	956	1,232

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 33.

- (b) 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.
- (c) Deposits includes 10% earnest deposit paid for Shah Alam factory as disclosed in Note 34(b).

19. Cash and bank balances

	Group		Fund	
	2017	2016	2017	2016
	RM′000	RM′000	RM′000	RM'000
Cash on hand and at banks	20,544	21,123	20,514	21,123
Deposits with licensed financial institutions	80,000	48,596	80,000	48,596
	100,544	69,719	100,514	69,719

(a) Cash at banks earn interest rates ranging from 2.85% to 3.50% per annum (2016: 3.05% to 3.70% per annum).

The weighted average interest rate and range of maturities of deposits with licensed financial institutions of the Group and of the Fund in current financial year are 3.76% per annum (2016: 3.85% per annum) and between 11 to 119 days (2016: 11 to 75 days) respectively.

(b) For the purpose of the statements of cash flows, cash and cash equivalents represents total cash and bank balances.

(c) At the reporting date, the interest rate profile of the cash and bank balances was:

	Group/I	Fund
	2017	2016
	RM'000	RM'000
Fixed rate	80,000	48,596

Sensitivity analysis for fixed rate cash and bank balances at the end of the reporting date is not presented as change in interest rates would not affect profit or loss.

20. Derivatives

		Group/ Fund	
	Contract/		
	Notional		
	amount	Asset	Liability
	RM'000	RM'000	RM'000
At 30 June 2017			
Non-current			
Non-hedging derivative:			
Interest rate swap	150,000	-	(529)
Current			
Non-hedging derivative:			
Interest rate swap	922,000	-	(1,477)
Hedging derivative: Cash flow hedge			
Cross currency swap	422,000	8,112	-
	1,344,000	8,112	(1,477)
At 30 June 2016			
Non-current			
Non-hedging derivative:			
Interest rate swap	1,072,000	-	(3,731)
Hedging derivative: Cash flow hedge			
Cross currency swap	422,000	-	(18,458)
	1,494,000	-	(22,189)

20. Derivatives (Cont'd)

(a) Derivatives are classified as at fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss.

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.

- (b) The Group has derivative contracts as follows:
 - (i) An interest rate swap is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flow. During the previous financial years, Sunway REIT had entered into several 2-year and 3-year interest rate swap contracts to exchange floating interest rates for fixed interest rates in order to minimise the exposure from fluctuation of interest rate. The interest rate swap contracts receive floating interest rates equal to Kuala Lumpur Interbank Offered Rate ("KLIBOR") per annum, pay fixed rates of interest rates at the end of reporting period and changes in the fair value is recognised in the profit or loss. Accordingly, the Group and the Fund recognised an unrealised net gain of RM1,725,000 (2016: unrealised net loss of RM2,218,000) arising from changes in fair value of interest rate swap in the current financial year.
 - (ii) Sunway REIT also entered into 2-year cross currency swap contracts on 4 February 2016, upon maturity of the previous 1-year cross currency swap contract, 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 recognised 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 cross currency swap contract is determined by using the market rate at the end of the reporting period and changes in the fair value is recognised in equity due to the application of hedge accounting.
- (c) Cross currency swap and interest rate swap contracts are 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.

The fair value of the derivatives are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

21. Unitholders' capital

			Group/Fund		
			2017	2016	
			Unit '000	Unit '000	
Authorised					
At beginning/end of financial year			3,650,889	3,650,889	
		Group/	Fund		
	2017	2016	2017	2016	
	Unit '000	Unit '000	RM'000	RM'000	
Issued and fully paid					
At beginning of financial year	2,943,918	2,937,777	2,793,476	2,783,999	
Manager's fees paid in units	1,160	6,141	1,896	9,477	
Total issued and fully paid	2,945,078	2,943,918	2,795,372	2,793,476	
Less: Unit issuance expenses (Note 28)	-	-	(67,543)	(67,543)	
At end of financial year	2,945,078	2,943,918	2,727,829	2,725,933	

As at 30 June 2017, 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			
	Num	Number of units Mark		ket Value
	2017	2016	2017	2016
	Unit '000	Unit '000	RM'000	RM'000
Direct unitholdings of Directors of the Manager:				
Elvin A/L Berty Luke Fernandez	90	90	160	149
Indirect unitholdings of Directors of the Manager:				
Sarena Cheah Yean Tih, <i>s.m.s.</i> *	1,217,338	1,263,561	2,166,862	2,097,511
Ng Sing Hwa **	4,730	4,498	8,419	7,467
Direct unitholdings of parties related to the Manager:				
Sunway Berhad	-	987	-	1,638
Millennium Pavilion Sdn. Bhd.	4,730	4,498	8,419	7,467
Sunway REIT Holdings Sdn. Bhd.	1,099,578	1,097,664	1,957,249	1,822,122
Indirect unitholdings of parties related to the Manager:				
Sunway Berhad ^	1,099,578	1,097,664	1,957,249	1,822,122

* Deemed interest by virtue of Section 8 of the Companies Act, 2016 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 8 of the Companies Act, 2016 held through Millennium Pavilion Sdn. Bhd.

^ Deemed interest by virtue of Section 8 of the Companies Act, 2016 held through Sunway REIT Holdings Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2017

22. Borrowings

		Grou	Fu Fu		Fund	
	Note	2017	2016	2017	2016	
		RM'000	RM'000	RM'000	RM'000	
Short term borrowings						
Secured:						
Commercial papers	(a)	34,000	-	-	-	
Term loan	(c)	429,400	-	429,400	-	
Unrated medium term notes	(d)	1,000,000	-	-	-	
		1,463,400	-	429,400	-	
Unsecured:						
Revolving loan	(b)	880,400	772,400	880,400	772,400	
		2,343,800	772,400	1,309,800	772,400	
Less: Discount on commercial papers		(41)	-	-	-	
		2,343,759	772,400	1,309,800	772,400	
Long term borrowings						
Secured:						
Term loan	(c)	-	403,150	-	403,150	
Unrated medium term notes	(d)	-	1,000,000	-	-	
		-	1,403,150	-	403,150	
		2,343,759	2,175,550	1,309,800	1,175,550	

(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 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.

22. Borrowings (Cont'd)

- (a) Commercial papers (Cont'd)
 - (i) Details of the CP Programme (Cont'd)

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 finance 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.

(b) Revolving loan

On 21 June 2016, Sunway REIT had renewed the floating rate Revolving Loan Facility (the "Facility") of RM1.1 billion from a financial institution for another 3 years. 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 25 April 2019.

(c) Term loan

Sunway REIT had secured a 3-year term loan facility ("USD100 million Loan Facility") of USD100 million (equivalent to RM422.0 million) from a financial institution to repay the existing 3-year term loan on 4 February 2015.

Sunway REIT had, on 4 February 2016, entered into 2-year floating rate cross currency swap contracts 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, upon maturity of the previous 1-year fixed rate cross currency contract.

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 years, 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.

On 30 June 2017, revisions to the principal terms and conditions of the MTN programme were made as explained in Note 34(c) to the financial statements.

22. Borrowings (Cont'd)

(e) Sunway REIT had entered into several 2-year and 3-year interest rate swap contracts to hedge the floating interest rate payable on CPs, revolving loan and term loan. The contracts entitle the Group and the Fund to pay interest at fixed rates on notional principal amounts and oblige them to receive interest at floating rates on the same amounts. Under the swaps, Sunway REIT agrees with the other parties to exchange the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Sunway REIT also entered into cross currency swap contracts to manage its exposure in foreign currency risk arising from foreign currency borrowing.

(f) Details of the borrowings are as follows:

-	Year of	Average i	interest rate	Group		
Type of borrowings	maturity	2017	2016	2017	2016	
				RM'000	RM'000	
Secured						
Fixed rate:						
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	
				1,000,000	1,000,000	
Floating rate:						
Term Ioan	2018	3.36 %	3.61%	429,400	403,150	
Commercial papers	2017	3.92 %	-	34,000		
				463,400	403,150	
Total secured borrowings				1,463,400	1,403,150	
<u>Unsecured</u>						
Floating rate:						
Revolving loan	2017	3.92 %	3.99%	880,400	772,400	
Total gross borrowings				2,343,800	2,175,550	
Less: Discount on commercial papers				(41)	-	
Total carrying amount				2,343,759	2,175,550	
	Year of	Average i	interest rate		Fund	
Type of borrowings	maturity	2017	2016	2017	2016	
				RM'000	RM'000	
Secured						
Floating rate:						
Term loan	2018	3.36%	3.61%	429,400	403,150	
<u>Unsecured</u>						
Floating rate:						
Revolving loan	2017	3.92 %	3.99%	880,400	772,400	

22. Borrowings (Cont'd)

(g) Maturity of the gross borrowings is as follows:

	Group		Fund	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	2,343,800	772,400	1,309,800	772,400
Later than 1 year and not later than 2 years	-	1,403,150	-	403,150
Later than 2 years and not later than 3 years	-	-	-	-
Later than 3 years and not later than 4 years	-	-	-	-
Later than 4 years and not later than 5 years	-	-	-	-
	2,343,800	2,175,550	1,309,800	1,175,550

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 RM6,600,000,000 (2016: RM5,973,000,000) as disclosed in Note 14.

(h) At the reporting date, the interest rate profile of the gross borrowings was:

	Gro	Group		Fund	
	2017	2016	2017	2016	
	RM'000	RM'000	RM'000	RM'000	
Fixed rate	1,000,000	1,000,000	-	-	
Variable rate	1,343,800	1,175,550	1,309,800	1,175,550	

Sensitivity analysis for fixed rate borrowings at the end of the reporting date is not presented as changes in interest rates would not affect profit or loss.

Excluding hedged variable rate instruments of RM1,079,400,000 (2016: RM1,053,150,000), an increase/(decrease) of 25 basis points in interest rates for the balance unhedged variable rate instruments, assuming all other variables remained constant, at the reporting date would result in the profit for the year of the Group and of the Fund to be (lower)/higher by RM661,000 (2016: RM306,000) and RM576,000 (2016: RM306,000) respectively.

(i) The maturity profile of the Group's and the Fund's borrowings at the reporting date based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000
Group				
As at 30 June 2017	2,373,747	-	-	2,373,747
As at 30 June 2016	826,868	1,451,688	-	2,278,556
Fund				
As at 30 June 2017	1,318,307	-	-	1,318,307
As at 30 June 2016	787,887	431,034	-	1,218,921

22. Borrowings (Cont'd)

(j) The carrying amounts of the borrowings of the Group and of the Fund as at reporting date were as follows:

	Grou	Group		Fund	
	Carrying	Fair value	Carrying	Fair value	
	amount	at Level 3	amount	at Level 3	
	RM'000	RM'000	RM'000	RM'000	
Borrowings					
At 30 June 2017	2,343,759	2,375,108	1,309,800	1,357,840	
At 30 June 2016	2,175,550	2,189,219	1,175,550	1,189,988	

There is no transfer between levels in the hierarchy during the financial year.

23. Amounts due to subsidiaries

- (a) The amount due to a subsidiary (non-current) in the previous financial year was unsecured, bore an average interest rate of 3.90% per annum and was repayable in year 2017 and year 2018.
- (b) The amounts due to subsidiaries (current) are unsecured, non-interest bearing (2016: non-interest bearing) and are repayable on demand, except for an amount of RM1,000,000,000 and RM33,959,000 for SunREIT Unrated Bond Berhad and SunREIT Capital Berhad respectively, which is unsecured, bears an average interest rate of 3.90% per annum and is repayable in year 2017 and year 2018.
- (c) The maturity profile of amounts due to subsidiaries of the Fund at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

24. Long term liabilities

- (a) Long term liabilities are in respect of refundable deposits received from tenants for tenancy contracts with tenure of two to three years. The long term liabilities are unsecured and non-interest bearing.
- (b) The carrying amounts of the long term liabilities of the Group and of the Fund as at reporting date were as follows:

	Group/	Fund
	Carrying	Fair value
	amount	at Level 3
	RM'000	RM'000
Long term liabilities		
At 30 June 2017	65,724	61,155
At 30 June 2016	56,256	52,460

There is no transfer between levels in the hierarchy during the financial year.

(c) The maturity profile of the Group's and Fund's long term liabilities at the reporting date based on contractual undiscounted repayment obligations is repayable in one to five years.

25. Deferred tax liability

	Group/F	und
	2017	2016
	RM'000	RM'000
At beginning/end of financial year	5,896	5,896

The deferred tax liability relates to fair value gain of freehold land component within the investment properties which is expected to be recovered through sale.

Where investment properties are carried at fair value as disclosed in Note 14 to the financial statements, 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 held with the objective to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

26. Trade payables

	Grou	р	Fund	l
	2017	2016	2017	2016
	RM′000	RM'000	RM'000	RM'000
Total trade payables	3,366	4,867	3,366	4,867
Add: Other payables (Note 27)	207,422	221,271	199,895	213,759
Less: Deferred income (Note 27)	(1,564)	(4,823)	(1,564)	(4,823)
Add: Amounts due to subsidiaries (Note 23)	-	-	1,041,453	1,007,509
Add: Borrowings (Note 22)	2,343,759	2,175,550	1,309,800	1,175,550
Add: Long term liabilities (Note 24)	65,724	56,256	65,724	56,256
Total financial liabilities carried at amortised cost	2,618,707	2,453,121	2,618,674	2,453,118

(a) Included in trade payables is the following amount due to parties related to the Manager:

	Group/I	Fund
	2017	2016
	RM'000	RM'000
Sunway Berhad Group	1,220	340

The amount due to 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 33.

- (b) The normal trade credit terms granted to the Group and the Fund range from 1 day to 90 days (2016: 1 day to 90 days).
- (c) The maturity profile of the Group's trade payables at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

27. Other payables

	Gr	Group		Fund	
	2017	2016	2017	2016	
	RM'000	RM'000	RM'000	RM'000	
Sundry payables	4,749	6,640	4,754	6,640	
Accruals	154,851	158,089	147,319	150,577	
Deferred income (Note 26)	1,564	4,823	1,564	4,823	
Refundable deposits	46,258	51,719	46,258	51,719	
	207,422	221,271	199,895	213,759	

(a) Included in other payables is the following amount due to parties related to the Manager:

	Group/	Fund
	2017	2016
	RM'000	RM'000
Sunway Berhad Group	24,722	29,939

The amount due to 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 33.

- (b) In the previous financial year, deferred income of the Group and of the Fund included court award of RM3,189,072 as further disclosed in Note 36(a) to the financial statements.
- (c) The maturity profile of the Group's other payables (excluding deferred income) at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

28. Unit issuance expenses

	Group/	Fund
	2017	2016
	RM′000	RM'000
At beginning/end of financial year	67,543	67,543

29. Portfolio turnover ratio

	Gro	Group	
	2017	2016	
	RM'000	RM'000	
Average of the total acquisitions	17,200	-	
Average net asset value during the financial year	4,029,606	3,943,697	
Portfolio Turnover Ratio ("PTR") (times)	_ *	-	

* Less than 0.01 times

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.

30. Management expense ratio

	Group	
	2017	2016
	RM′000	RM'000
Total trust expenses	35,197	35,038
Net asset value at end of financial year	4,211,720	4,051,230
Less: Proposed final income distribution	(66,853)	(62,411)
Net asset value at end of financial year, after proposed final income distribution	4,144,867	3,988,819
Management Expense Ratio ("MER")	0.85%	0.88%

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 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.

31. 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/I	Fund
	2017	2016
	RM'000	RM'000
Not later than 1 year	410,879	371,289
Later than 1 year and not later than 5 years	445,187	477,171
Later than 5 years	21,739	92,033
	877,805	940,493

32. Capital commitments

	Group/F	und
	2017	2016
	RM'000	RM'000
Capital expenditure		
Subsequent expenditure of investment properties:		
Approved and contracted for	21,086	91,582
Approved but not contracted for	445,104	34,218
	466,190	125,800

33. 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		Group/Fi	Ind
related to the Manager	Nature of transactions	2017	2016
		RM′000	RM′000
(a) Sunway Berhad Group *	Rental income and utilities charges	131,262	137,737
	Property management and related services	(31,650)	(30,802)
	Construction and related services	(97,718)	(43,286)
	Others	(7,644)	(10,588)
(b) Sunway Technology Sdn. Bhd. Group			
("STSB Group") #	Rental income and utilities charges	608	542

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.

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 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, AO, has deemed interests in Sunway Berhad Group and the Group. Sarena Cheah Yean Tih, *s.M.s.*, being the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling. AO, has deemed interests in Sunway Berhad. Evan Cheah Yean Athe 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, AO, is a director in several subsidiaries of Sunway Berhad and he has interest in Sunway Berhad. Sarena Cheah Yean Tih, *s.M.s.* and Evan Cheah Yean Shin have interests in Sunway Berhad Group and the 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 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, A0, also has deemed interests in STSB Group and the Group. Sarena Cheah Yean Tih, *s.m.s.* and Evan Cheah Yean Shin, being the children of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, A0, have deemed interests in STSB Group and the Group. Evan Cheah Yean Shin is a Director of STSB Group.

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Information regarding outstanding balances arising from transactions with parties related to the Manager as at 30 June 2017 are disclosed in Notes 17, 18, 26 and 27.

34. Significant events during the financial year

(a) Acquisition of vacant land for expansion

On 20 June 2016, Kenanga Investment Bank Berhad ("Kenanga") announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, the Manager for Sunway REIT, represented by its trustee, RHB Trustees Berhad, had on even date entered into a conditional sale and purchase agreement ("SPA") with Commercial Parade Sdn Bhd, an indirect subsidiary of Sunway Berhad, to acquire a parcel of vacant land ("Proposed Acquisition") held under Pajakan Negeri 1814, Lot 5493, Mukim 1, Seberang Perai Tengah, Pulau Pinang which is adjacent to Sunway Carnival Shopping Mall for a purchase price of RM17.2 million. The Proposed Acquisition is to facilitate the plans of the Manager to expand the existing Sunway Carnival Shopping Mall.

The completion of the sale of Lot 5493 is conditional upon fulfilling the following conditions precedent:

- (i) State Authority approval;
- (ii) the Securities Commission's ("SC") approval for the waiver of Clause 8.44(b) and Clause 8.44(c) of the Guidelines on Real Estate Investment Trusts ("REIT Guidelines")¹; and

(iii) any other appprovals of any authority as may be deemed necessary by the parties.

The Proposed Acquisition has been completed on 27 December 2016 in accordance with the terms and conditions of the SPA, upon fulfilment of the above conditions precedent.

¹ Clause 8.44(b) and Clause 8.44(c) of the REIT Guidelines state that a fund is not permitted to conduct property development activities and/or acquire vacant land.

(b) Acquisition of industrial property

On 11 January 2017, the Board of Directors of Sunway REIT Management Sdn Bhd, the Manager for Sunway REIT ("SunREIT"), represented by its trustee, RHB Trustees Berhad ("Trustee"), had on even date entered into a conditional sale and purchase agreement with Champion Edge Sdn Bhd ("CESB") to acquire the land and the buildings, collectively referred to as the "Property", erected on the land held under H.S.(D) 132499, Lot No. PT 65, Section 23, Bandar Shah Alam, Daerah Petaling, Negeri Selangor Darul Ehsan ("SPA") for a purchase price of RM91.5 million to be fully satisfied in cash ("Purchase Price").

The completion of the SPA by the parties shall be conditional upon the satisfaction of the following conditions precedent:

- (i) CESB obtaining the written approval of the State Authority (as defined in the SPA) in respect of the transfer of the Property in favour of the Trustee;
- (ii) the Trustee obtaining from CESB a copy of the full set of approved building plans and as-built plans;
- (iii) CESB having delivered the BOMBA (fire authority) certificate and the latest renewal thereof;
- (iv) the Trustee obtaining the latest redemption statement and letter of undertaking from CESB's financier addressed to the Trustee;
- (v) CESB obtaining (i) the signed lease novation agreement from the lessee which will take effect from the Completion Date (as hereinafter defined) and substantially in the form as annexed in the SPA subject to any amendments as may be agreed by both CESB and the Trustee and (ii) the lessee's letter of consent addressed to the relevant land registry to the transfer of the Property in favour of the Trustee; and
- (vi) the Trustee obtaining a copy of the assignment agreement duly signed by CESB in respect of the assignment of the corporate guarantee in respect of the existing lease in favour of the Trustee.

(collectively, "Conditions Precedent") within a period of 3 months from the date of the SPA or such extended period as may be determined by CESB in writing ("Conditional Period") and the SPA shall become unconditional on the date all the Conditions Precedent are fulfilled or waived as the case may be ("Unconditional Date").

CESB and SunREIT, represented by its Trustee, has via a Letter Agreement dated 10 April 2017, mutually agreed to extend the Conditional Period to 25 May 2017 or such other period as may be mutually agreed in writing between the Parties.

The Conditional Period was further extended to 25 July 2017 or such other period as may be mutually agreed in writing between the Parties via a Letter Agreement dated 25 May 2017.

A supplemental Letter Agreement dated 24 July 2017 was entered into between the Parties to amend the condition precedent (iii) above to read as, CESB to deliver to the Trustee, the building plans which are approved by BOMBA (fire authority) for the area that requires upgrading of the firefighting system of the Property.

The parties agreed that the Unconditional Date of the SPA shall be on 21 July 2017.

The acquisition was completed on 1 August 2017 in accordance with the terms and conditions of the SPA, upon full payment of the Purchase Price.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2017

34. Significant events during the financial year (Cont'd)

(c) Revision to the principal terms and conditions of the medium term notes programme

SunREIT Unrated Bond Berhad ("the Issuer"), a special purpose vehicle whose shares are held by RHB Trustees Berhad (as trustee for SunREIT), had appointed Affin Hwang Investment Bank Berhad ("Affin Hwang IB") as the Principal Adviser and Lead Arranger for the unrated medium term notes programme ("MTN Programme") to advise the Issuer on the following key revisions to the principal terms and conditions of the MTN Programme ("Revisions"):

- (i) Extension of the tenure of the MTN Programme from a 15-year programme to a 35-year programme;
- (ii) Conversion of the non-transferability and non-tradability restrictions of the Unrated MTNs to transferable and tradable Unrated MTNs; and
- (iii) Upsizing of the MTN Programme limit from RM1 billion to RM10 billion.

The noteholder approval for the above Revisions had been obtained on 21 March 2017 and 9 May 2017. On behalf of the Issuer, Affin Hwang IB had on 27 April 2017 and 30 June 2017 notified the Securities Commission Malaysia that the Revisions above have taken effect.

35. Subsequent events after the financial year

(a) First Supplemental Agreement to the Hotel Master Lease dated 26 May 2010 between RHB Trustees Berhad (As Trustee for Sunway REIT) ("the Lessor" or "the Trustee"), Sunway REIT Management Sdn Bhd as the Manager for Sunway REIT ("the Manager") and Sunway Hotel (Seberang Jaya) Sdn Bhd ("SHSJ" or "the Lessee")

On 27 July 2017, the Manager announced that pursuant to the Hotel Master Lease dated 26 May 2010 ("SHSJ Hotel Master Lease"), the Lessor and Lessee have agreed that Sunway Carnival Convention Centre will cease to be operated by the Lessee and hence, the Manager and the Lessor (pursuant to the recommendation by the Manager) have agreed to reduce the Guaranteed Rent by RM311,805 per annum for the period from 1 July 2017 to 30 June 2020 (8th Fiscal Year to 10th Fiscal Year) for the portion of the Guaranteed Rent as set out in the First Supplemental Agreement to the SHSJ Hotel Master Lease ("First Supplemental Agreement"), subject to the terms and conditions as stipulated in the First Supplemental Agreement.

(b) Proposed acquisition of Sunway Clio Property

On 3 August 2017, RHB Investment Bank Berhad announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, the Manager for Sunway REIT ("SunREIT"), that RHB Trustees Berhad, as the trustee of SunREIT ("Trustee"), entered into a conditional sale and purchase agreement ("SPA") with Sunway Forum Hotel Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of Sunway Berhad, for the proposed acquisition of the Sunway Clio Property (as defined below) for a total purchase consideration of RM340 million to be entirely satisfied in cash ("Proposed Acquisition").

The Proposed Acquisition entails the acquisition of a parcel of leasehold land held under H.S. (D) 259881, Lot No. PT 1333, Bandar Sunway, District of Petaling, Selangor Darul Ehsan together with a 27-storey building with a lower ground floor (and all services infrastructure, fixtures and fittings affixed or located or used in the property) comprising:

- (i) a 19-storey 4-star rated hotel with 401 hotel rooms and facilities including a swimming pool, an exercise area, a dining area and meeting rooms known as Sunway Clio Hotel ("Hotel Property");
- (ii) 3-storey (including 1 storey at lower ground floor) retail lots known as Sunway Pyramid West ("Retail Space"); and

(iii) a 6-storey podium car park ("Podium Car Park") and 4-storey basement car park (collectively, "Multi-storey Car Park"), (collectively, the "Sunway Clio Property").

The SPA and the completion of the Proposed Acquisition is conditional upon the following conditions precedent being fulfilled or obtained within 6 months after the date of the SPA, or such other extended date as the Trustee and the Vendor may mutually agree upon in writing, unless the condition(s) precedent are being waived by the Trustee:

- (i) the approval of the unitholders of Sunway REIT at a unitholders' meeting to be convened for the Proposed Acquisition;
- (ii) the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking with the Vendor in relation to the Sunway Clio Property, if required;
- (iii) the approval or consent of the financiers of the Vendor, if required;
- (iv) the approval of the State Authority for the transfer of the Sunway Clio Property; and
- (v) any other approvals of any authorities as may be deemed necessary by the Trustee and the Vendor.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2017

36. Material litigations

(a) Sunway Putra - Assessment for Damages

(High Court Originating Summons No. 24NCVC-1255-2011, Court of Appeal W-02(NCVC)-1680-2011 and W-02(NCVC)-1773-2011, Federal Court Leave to Appeal 08(f)-425-09-2011 and Rayuan Sivil No. W-03(IM)(NCVC)-8-01/20-15)

After the Federal Court has on 20 February 2012 dismissed Metroplex Holdings Sdn Bhd's ("MHSB") application for leave to appeal, RHB Trustees Berhad (as Trustee for 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 Trustee and the Manager instituted the assessment proceedings to determine the amount of damages to be paid by MHSB.

On 27 August 2014, the court awarded a total of RM3,184,071.67 in damages to be paid to the Trustee being RM2,859,000 for revenue foregone and RM325,071.67 for security costs. The court found that these claims were justified as they were a direct result of MHSB's unlawful possession of Sunway Putra (formerly known as Sunway Putra Place). No costs were awarded by the court.

On 19 April 2016, the Manager received a cheque for RM3,189,071.67 (including costs of RM5,000) from MHSB's lawyers after the court dismissed various appeals by MHSB.

The Manager has recognised the amount received of RM3,189,071.67 in the current financial year, following confirmation by the Manager and Trustee's lawyer that this case is closed.

(b) Sunway Putra (formerly known as Putra Place) - Striking out statement of claim on chattels and movable items (Kuala Lumpur High Court Civil Suit No. 22NCVC-523-09/2015)

MHSB had filed writ summons and a statement of claim dated 28 September 2015 claiming for various chattels and movable items (e.g. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) which were allegedly acquired and owned by MHSB but not removed by MHSB when the Manager took possession of the hotel at Sunway Putra on 27 September 2011. MHSB has in its statement of claim alleged that the various chattels and moveable items were worth in excess of RM80 million as at September 2011.

A striking out application dated 24 November 2015 was filed by the Manager to strike out the said writ summons and statement of claim on the grounds that the claim by MHSB was scandalous, frivolous or vexatious and/or an abuse of the process of the court.

On 1 April 2016, the Manager was informed that the High Court of Malaya at Kuala Lumpur had on 31 March 2016, dismissed the striking out application. The Learned High Court Judge dismissed the Manager's application on the grounds that there are triable issues in the pleadings and that MHSB should be given an opportunity to prove its claim. The hearing for the trial on liability commenced on 13 April 2017 and concluded on 5 June 2017. The matter is fixed for oral submission on facts of the case, arguments and evidence from both lawyers on 25 August 2017. After deliberating on the facts of the case and the evidence submitted, the Learned High Court Judge will fix another date to deliver his decision.

If the eventual outcome of this case is not in the Manager's favour, it would not have any impact on the distribution per unit and immaterial impact on the total asset value of Sunway REIT.

37. Adoption of MFRSs and Amendments to MFRSs

(a) New MFRSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2016, the Group and the Fund adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2016.

Title	Effective date
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101 Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	n 1 January 2016
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRSs Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Fund other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

- (a) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.
- (b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Fund are disclosed below. The Group and the Fund intend to adopt these Standards, if applicable, when they become effective.

Title	Effective date
Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2017
Amendments to MFRS 107 Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
Amendments to MFRS 140 Transfer of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	See MFRS 4 Paragraphs 46, 47AA and 48
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its	
Associate or Joint Venture	Deferred

The Group and the Fund are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

38. Supplementary information

The breakdown of the retained profits/undistributed income of the Group and of the Fund as at 30 June 2017 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.

	Grou	Group		
	2017	2016	2017	2016
	RM′000	RM'000	RM'000	RM'000
Total retained profits/undistributed income:				
- realised	(309)	(4,685)	(309)	(4,685)
- unrealised	1,484,203	1,329,985	1,484,203	1,329,985
	1,483,894	1,325,300	1,483,894	1,325,300
Less: Consolidation adjustments	(3)	(3)	-	-
Total retained profits/undistributed income	1,483,891	1,325,297	1,483,894	1,325,300

The unrealised retained profits/undistributed income mainly comprise fair value gain on investment properties of RM1,490,634,000 (2016: RM1,338,561,000).

ON TARGET TOWARDS ACHIEVING OUR GOALS

We remain focused on our strategies to work towards achieving our strategic objectives, akin to how a fencer places huge focus on his opponent.

UNITHOLDERS' INFORMATION

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×



FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

27 October 2016

Announcement of the unaudited results for the 1st quarter ended 30 September 2016

14 February 2017 Announcement of the unaudited results for the 2nd guarter ended 31 December 2016

3 May 2017

Announcement of the unaudited results for the $3^{\rm rd}$ quarter ended 31 March 2017

10 August 2017

Announcement of the unaudited results for the $4^{\mbox{th}}$ quarter ended 30 June 2017

INCOME DISTRIBUTION

For the 1st quarter ended 30 September 2016

2.27 sen per unit (of which 1.83 sen per unit is taxable and 0.44 sen per unit is non-taxable / tax exempt)

Announcement of the notice of entitlement and payment 27 October 2016

Date of entitlement 14 November 2016

Date of payment 29 November 2016

For the 2nd quarter ended 31 December 2016

2.28 sen per unit (of which 1.67 sen per unit is taxable and 0.61 sen per unit is non-taxable / tax exempt)

Announcement of the notice of entitlement and payment 14 February 2017

Date of entitlement 1 March 2017

Date of payment 15 March 2017

For the 3rd quarter ended 31 March 2017

2.37 sen per unit (of which 1.90 sen per unit is taxable and 0.47 sen per unit is non-taxable / tax exempt)

Announcement of the notice of entitlement and payment 3 May 2017

Date of entitlement 22 May 2017

Date of payment 6 June 2017

For the 4th quarter ended 30 June 2017

2.27 sen per unit (of which 1.45 sen per unit is taxable and 0.82 sen per unit is non-taxable / tax exempt)

Announcement of the notice of entitlement and payment 10 August 2017

Date of entitlement 28 August 2017

Date of payment 12 September 2017

ANNUAL GENERAL MEETING

25 October 2017 5th Annual General Meeting

ANALYSIS OF UNITHOLDINGS AS AT 28 JULY 2017

:

Approved fund size Issued and fully paid units 3,

3,650,888,858 Units 2,945,078,000 Units (voting right : 1 vote per unit)

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of	% of	No. of	% of
	Unitholders	Unitholders	Units Held	Unitholdings
Less than 100	21	0.20	372	#
100 - 1,000	2,058	19.63	1,526,800	0.05
1,001 - 10,000	5,804	55.37	28,746,100	0.98
10,001 - 100,000	2,165	20.65	69,937,980	2.38
100,001 to less than 5% of issued units	430	4.10	1,492,089,183	50.66
5% and above of issued units	5	0.05	1,352,777,565	45.93
	10,483	100.00	2,945,078,000	100.00

Negligible

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS

	Name of Unitholders	No. of Units	%
1	Bank of Tokyo - Mitsubishi UFJ (Malaysia) Berhad - Sunway REIT Holdings Sdn Bhd	405,000,000	13.75
2	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	312,412,900	10.61
3	HSBC Nominees (Tempatan) Sdn Bhd - Sunway REIT Holdings Sdn Bhd	260,000,000	8.83
4	Amanahraya Trustees Berhad - Amanah Saham Bumiputera	213,286,100	7.24
5	Sunway Reit Holdings Sdn Bhd	162,078,565	5.50
6	Cartaban Nominees (Tempatan) Sdn Bhd - Sunway REIT Holdings Sdn Bhd	126,000,000	4.28
7	Kumpulan Wang Persaraan (Diperbadankan)	122,754,400	4.17
8	Tan Sri Dato' Seri Dr Cheah Fook Ling	117,757,320	4.00
9	RHB Nominees (Tempatan) Sdn Bhd - Sumitomo Mitsui Banking Corporation Malaysia Berhad For Sunway REIT Holdings Sdn Bhd	115,000,000	3.90
10	Valuecap Sdn Bhd	100,800,000	3.42
11	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	87,153,800	2.96
12	Sunway Education Group Sdn Bhd	50,000,000	1.70
13	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An For AIA Bhd	45,194,000	1.53
14	HSBC Nominees (Asing) Sdn Bhd - BBH And Co Boston For SMAM Asia REIT Sub Trust	40,950,200	1.39
15	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin - Hwg)	37,814,800	1.28
16	Cartaban Nominees (Tempatan) Sdn Bhd - Prulink Equity Fund	33,752,800	1.15
17	Permodalan Nasional Berhad	32,413,600	1.10
18	HSBC Nominees (Asing) Sdn Bhd - Vanguard Emerging Markets Stock Index Fund	24,693,000	0.84
19	RHB Nominees (Tempatan) Sdn Bhd - Industrial And Commercial Bank of China (Malaysia) Berhad For Sunway Reit Holdings Sdn Bhd	23,900,000	0.81
20	Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	23,000,000	0.78
21	HSBC Nominees (Asing) Sdn Bhd - Vanguard Total International Stock Index Fund	19,841,900	0.67
22	Cartaban Nominees (Asing) Sdn Bhd - State Street Bank & Trust Company (West Clt Od67)	18,269,300	0.62
23	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Cimb Prin)	18,011,100	0.61
24	Citigroup Nominees (Asing) Sdn Bhd - DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc	17,387,800	0.59
25	Maybank Nominees (Tempatan) Sdn Bhd - Public Regular Savings Fund (N14011940100)	17,158,100	0.58
26	DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank AG London (Prime Brkrg Clt)	16,971,400	0.58
27	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Amundi)	13,800,000	0.47
28	Affin Hwang Nominees (Tempatan) Sdn Bhd - Lim Say Chong	12,000,000	0.41
29	DB (Malaysia) Nominee (Asing) Sdn Bhd - Sumitomo Mitsui Asia Oceania Dividend Yield Stock Open	11,000,000	0.37
30	Amanahraya Trustees Berhad - Public Equity Fund	10,194,400	0.35
		2,488,595,485	84.49

ANALYSIS OF UNITHOLDINGS AS AT 28 JULY 2017 (CONT'D)

SUBSTANTIAL UNITHOLDERS (5% and above)

Name of Unitholders	Direct interest		Deemed interest	
	No. of Units	%	No. of Units	%
1. Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, A0	117,757,320	4.00	1,099,578,565 (i)	37.34
2. Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng	-	0.00	1,217,335,885 (ii)	41.34
3. Sarena Cheah Yean Tih, <i>s.m.s.</i>	-	0.00	1,217,338,885 (iii)	41.34
4. Evan Cheah Yean Shin	-	0.00	1,217,335,885 (iv)	41.34
5. Active Equity Sdn Bhd	-	0.00	1,099,578,565 (v)	37.34
6. Sungei Way Corporation Sdn Bhd	-	0.00	1,099,578,565 (vi)	37.34
7. Sunway Berhad	-	0.00	1,099,578,565 (vii)	37.34
8. Sunway REIT Holdings Sdn Bhd	1,099,578,565	37.34	-	-
9. Employees Provident Fund Board	388,423,700	13.19	-	-
10. AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	213,286,100	7.24	-	-

Notes:

(i) Deemed interest by virtue of Section 8 of the Companies Act, 2016 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 8 of the Companies Act, 2016 held through spouse

(iii) Deemed interest by virtue of Section 8 of the Companies Act, 2016 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 8 of the Companies Act, 2016 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 8 of the Companies Act, 2016 held through Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway REIT Holdings Sdn Bhd

(vi) Deemed interest by virtue of Section 8 of the Companies Act, 2016 held through Sunway Berhad and Sunway REIT Holdings Sdn Bhd

(vii) Deemed interest by virtue of Section 8 of the Companies Act, 2016 held through Sunway REIT Holdings Sdn Bhd

DIRECTORS' INTERESTS

Name of Directors	Direct interest	l	Deemed interest	
	No. of Units	%	No. of Units	%
1. Sarena Cheah Yean Tih, <i>s.m.s.</i>	-	-	1,217,338,885 ^(a)	41.34
2. Elvin A/L Berty Luke Fernandez	90,000	#	-	-
3. Ng Sing Hwa			4,730,220 ^(b)	0.16

Notes:

(a) Deemed interest by virtue of Section 8 of the Companies Act, 2016 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway REIT Holdings Sdn Bhd, spouse and parent

(b) Deemed interest by virtue of Section 8 of the Companies Act, 2016 held through Millennium Pavilion Sdn Bhd

Negligible

NOTICE OF $\mathbf{5}^{\text{TH}}$ annual general meeting

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting ("**5th AGM**") of Sunway Real Estate Investment Trust ("**Sunway REIT**") will be held at Grand Bahamas, Level 12, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 25 October 2017 at 3.00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 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:-

2. 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:

- (i) 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;
- (ii) the expiration of the period within which the next Annual General Meeting of the unitholders is required by law to be held; or
- (iii) 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 2017

NOTICE OF 5TH ANNUAL GENERAL MEETING (CONT'D)

Notes:

- 1. 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.
- 2. If a Unitholder has appointed a proxy to attend this Meeting and subsequently he attends the Meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend this Meeting.
- 3. Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, 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.
- 4. 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.
- 5. Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless the proportion of unitholdings to be represented by each proxy is specified in the instrument appointing the proxies.
- 6. 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.
- 7. 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.
- 8. In respect of deposited securities, only Unitholders whose names appear in the Record of Depositors on 16 October 2017, shall be entitled to attend, speak and vote at the 5th AGM.

Explanatory Notes on Special Business

1. 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 Annual General Meeting 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 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)

PROXY FORM

5TH ANNUAL GENERAL MEETING

SUNWAY REIT MANAGEMENT SDN BHD (Company No. 806330-X) Manager for Sunway Real Estate Investment Trust

Registered Office: Level 16, Menara Sunway, Jalan Lagoon Timur Bandar Sunway, 47500 Subang Jaya Selangor Darul Ehsan, Malaysia Tel: (603) 5639 8889 / 5639 8841 Fax: (603) 5639 9507

Number of units held	
CDS Account No.	

*I/We (Full Name)*NRIC No./Passport No./Company No.....

being a Unitholder of SUNWAY REAL ESTATE INVESTMENT TRUST ("Sunway REIT") and entitled to vote hereby appoint:-

1ST PROXY 'A'

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
Address	NRIC No./Passport No.	No. of Units	%

and/or failing *him/her,

2ND PROXY 'B'

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
Address	NRIC No./Passport No.	No. of Units	%

100%

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 5th Annual General Meeting of Sunway REIT to be held at Grand Bahamas, Level 12, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 25 October 2017 at 3.00 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 resolution at his/her/their discretion.

		1 ST PROXY 'A'		2 ND PROXY 'B'	
NO.	ORDINARY RESOLUTION	FOR	AGAINST	FOR	AGAINST
1.	Proposed Mandate				

Dated this......2017

Common Seal

Signature of Unitholder.....

Notes

- A Unitholder who is entitled to attend and vote at any meeting of Unitholders, 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.
- 2. If a Unitholder has appointed a proxy to attend this Meeting and subsequently he attends the Meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend this Meeting
- Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, 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.
- 4. 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.
- 5. Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless the proportion of unitholdings to be represented by each proxy is 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
- 6. 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 16 October 2017, shall be entitled to attend, speak and vote at the 5th AGM

Please refer to the Management Company's Personal Data Notice in page 290 of the Annual Report in relation to Personal Data Privacy

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STAMP

THE UNIT REGISTRAR **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
	Asset emancement initiatives
AGM	Annual general meeting
ARR	Average rental rate
bps	Basis point
CAGR	Compounded annual growth rate
СР	Commercial paper
СҮ	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
MICE	Meetings, incentives, conferences and exhibitions
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 Subang Jaya, Selangor Darul Ehsan.

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Website	: www.sunwayreit.com
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