

# ADECADE OF PERFORMANCE

Since IPO, Sunway REIT has successfully diversified in Services and Industrial & Others segments.

**INDUSTRIAL & OTHERS** 

(million sa.ft. GFA)

TOTAL NO. OF

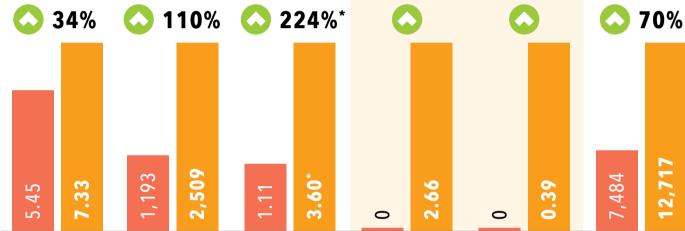
**CAR PARK BAYS** 



HOTEL

(no. of rooms)

A DECADE OF GROWTH



SERVICES

(million sa.ft. GFA)

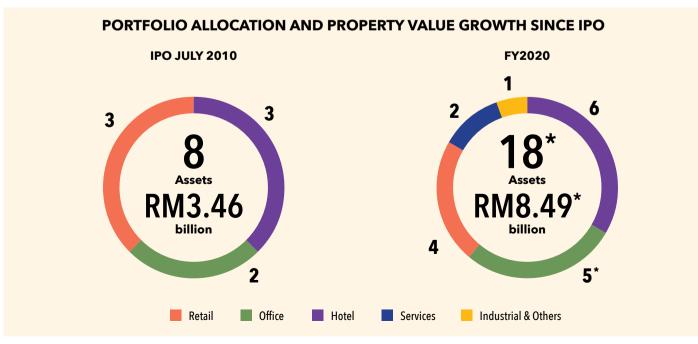
OFFICE

(million sa.ft. GFA)



RETAIL

(million sa.ft. GFA)



<sup>\*</sup> Including the proposed acquisition of The Pinnacle Sunway, subject to unitholders' approval.

# CELEBRATING 10 YEARS OF GROWTH

# **OUR PROPERTY PORTFOLIO**



# **CONTENTS**

2 About This Report

#### **WE ARE SUNWAY REIT**

- Our Key Financial Highlights
- 6 Corporate Profile
- 8 Corporate Information
- 9 Salient Features
- 10 Trust Structure
- 11 Organisation Structure
- 12 Property Details

#### LEADERSHIP THAT DRIVES STRATEGIC PROGRESS

- 18 Message From The Chairman
- 22 Letter From The CEO
- 26 Creating Value Through Innovation
- 28 In Conversation With The CFO
- 30 Financial Review
- 38 Fair Value Of Investment Properties
- 39 Capital Management
- 42 Financial Highlights
- 50 Value Added Statement
- 51 Trading Performance

#### **OPERATIONS AND INVESTMENT REVIEW**

- 56 KPI Highlights
- 58 Operations Review
- 78 Investment Review

#### **CREATING STRATEGIC VALUE**

- 82 Market Report
- 102 Materiality
- 106 Business Model
- 108 Understanding Our Risks

#### **SUSTAINABILITY STATEMENT**

- 116 Sustainability Governance
- 118 Goals And Targets
- 120 Economic
- 129 Environmental
- 144 Social

#### TRUST AND LEADERSHIP STRUCTURE

- 172 Directors' Profile
- 176 Management Team & Key Personnel
- 178 Corporate Governance Overview Statement
- 200 Statement On Risk Management And Internal Control
- 206 Additional Compliance Information

#### **FINANCIALS**

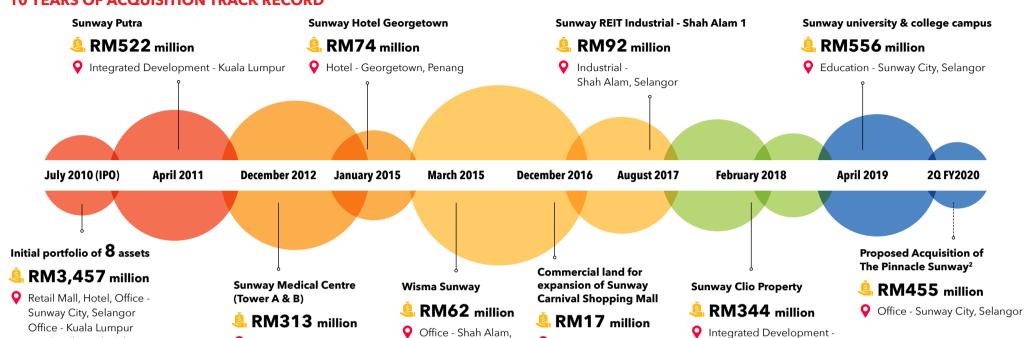
208 Financial Statements

#### **ADDITIONAL INFORMATION**

- $283\ Analysis\ Of\ Unitholdings$
- 286 Notice Of 8th Annual General Meeting
- 291 GRI Content Index
- 301 Alignment to the United Nations SDGs
- 302 Glossary
- Proxy Form

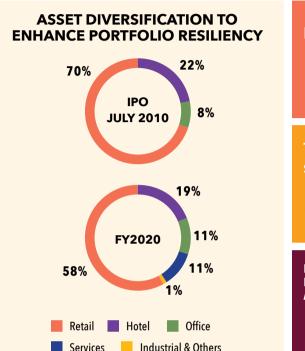
# A DECADE OF PERFORMANCE

#### 10 YEARS OF ACQUISITION TRACK RECORD



O Vacant Land -

Seberang Jaya, Penang



Property Value at IPO<sup>1</sup> RM3.46 billion

Total Acquisition since IPO<sup>1,2</sup>

billion

Net Fair Value Gain, AEIs and Property Development Activities since IPO

billion

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

#### <sup>2</sup> Including the proposed acquisition of The Pinnacle Sunway, subject to unitholders' approval.

#### **MAJOR ASSET ENHANCEMENT INITIATIVES AND PROPERTY DEVELOPMENT ACTIVITIES**

Sunway City, Selangor

Medical Centre



Retail Mall, Hotel - Seberang Jaya, Penang

► Refurbishment of Sunway Putra integrated development

Hypermarket - Ipoh, Perak



► Expansion for Sunway Carnival Shopping Mall





Sunway City, Selangor

**CAPITAL MANAGEMENT** 

Substantial interest savings arising from lower average cost of debt

Lowest average cost of debt amongst M-REITs

Strategies focused on optimising gearing level and maintaining a balanced fixed-to-floating ratio, with periodic financial rate reviews

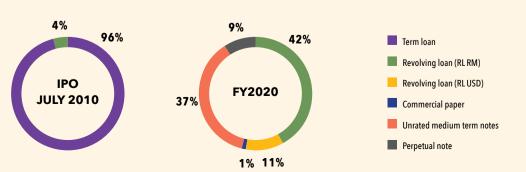
Managing refinancing risk through diversification of sources of debt funding

#### Capital management at a glance

FP2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
1.6	1.6	1.6	1.7	2.1	2.2	2.3	2.9	3.1	3.4
4.54	4.45	3.77	3.85	3.93	3.93	3.95	3.98	4.02	3.66
33 : 67	20:80	81 : 19	76 : 24	88:12	94 : 6	89 : 11	40 : 60	45 : 55	43:57
3.0	0.6	3.1	2.2	1.7	1.0	0.4	0.6	0.4	0.4
3.7	3.8	5.0	5.0	3.7	4.9	4.1	3.7	3.4	3.1
35.3	33.5	31.0	31.1	33.3	33.3	34.3	38.6	37.9	40.7
	1.6 4.54 33:67 3.0 3.7	1.6 1.6 4.54 4.45 33:67 20:80 3.0 0.6 3.7 3.8	1.6 1.6 1.6 4.54 4.45 3.77 33:67 20:80 81:19 3.0 0.6 3.1 3.7 3.8 5.0	1.6     1.6     1.7       4.54     4.45     3.77     3.85       33:67     20:80     81:19     76:24       3.0     0.6     3.1     2.2       3.7     3.8     5.0     5.0	1.6     1.6     1.6     1.7     2.1       4.54     4.45     3.77     3.85     3.93       33:67     20:80     81:19     76:24     88:12       3.0     0.6     3.1     2.2     1.7       3.7     3.8     5.0     5.0     3.7	1.6     1.6     1.6     1.7     2.1     2.2       4.54     4.45     3.77     3.85     3.93     3.93       33:67     20:80     81:19     76:24     88:12     94:6       3.0     0.6     3.1     2.2     1.7     1.0       3.7     3.8     5.0     5.0     3.7     4.9	1.6     1.6     1.6     1.7     2.1     2.2     2.3       4.54     4.45     3.77     3.85     3.93     3.93     3.95       33:67     20:80     81:19     76:24     88:12     94:6     89:11       3.0     0.6     3.1     2.2     1.7     1.0     0.4       3.7     3.8     5.0     5.0     3.7     4.9     4.1	1.6     1.6     1.6     1.7     2.1     2.2     2.3     2.9       4.54     4.45     3.77     3.85     3.93     3.93     3.95     3.98       33:67     20:80     81:19     76:24     88:12     94:6     89:11     40:60       3.0     0.6     3.1     2.2     1.7     1.0     0.4     0.6       3.7     3.8     5.0     5.0     3.7     4.9     4.1     3.7	1.6     1.6     1.6     1.7     2.1     2.2     2.3     2.9     3.1       4.54     4.45     3.77     3.85     3.93     3.93     3.95     3.98     4.02       33:67     20:80     81:19     76:24     88:12     94:6     89:11     40:60     45:55       3.0     0.6     3.1     2.2     1.7     1.0     0.4     0.6     0.4       3.7     3.8     5.0     5.0     3.7     4.9     4.1     3.7     3.4

Average cost of debt

# **DIVERSIFICATION OF SOURCES OF FINANCING**



**Fixed Rate: Floating Rate** 

**Gearing Ratio** 40.7%

# **CELEBRATING 10 YEARS OF GROWTH**

# **OUR PROPERTY PORTFOLIO**



# **CONTENTS**

2 About This Report

#### **WE ARE SUNWAY REIT**

- 4 Our Key Financial Highlights
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- 9 Salient Features 10 Trust Structure
- 11 Organisation Structure
- 12 Property Details

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- 28 In Conversation With The CFO 30 Financial Review
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- 51 Trading Performance

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- 58 Operations Review
- 78 Investment Review

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- 82 Market Report
- 102 Materiality
- 106 Business Model
- 108 Understanding Our Risks

#### SUSTAINABILITY STATEMENT

- 116 Sustainability Governance
- 118 Goals And Targets
- 120 Economic
- 129 Environmental 144 Social

#### TRUST AND LEADERSHIP STRUCTURE

- 172 Directors' Profile
- 176 Management Team & Key Personnel
- 178 Corporate Governance Overview Statement
- 200 Statement On Risk Management And Internal Control
- 206 Additional Compliance Information

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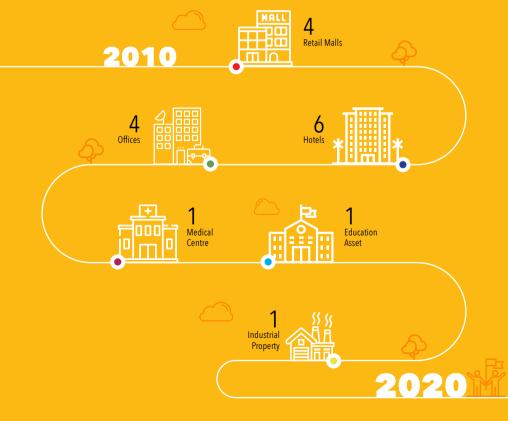
#### **ADDITIONAL INFORMATION**

- 283 Analysis Of Unitholdings
- 286 Notice Of 8th Annual General Meeting
- 291 GRI Content Index
- 301 Alignment to the United Nations SDGs
- 302 Glossary
- Proxy Form

# THE SUCCESS OF SUNWAY REIT IN 10 YEARS

SUNWAY REIT IN THE LAST 10 YEARS HAS GROWN TO 17 ASSETS COMPRISING 4 RETAIL MALLS, 6 HOTELS, 4 OFFICES, A MEDICAL CENTRE, AN EDUCATION ASSET AND AN INDUSTRIAL PROPERTY

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





Land Area (sq.ft.) **820,070** 

Gross Floor Area (sq.ft.)

2,454,795

Gross Floor Area – Car park (sq.ft.)

1,873,470

Net Lettable Area – Main Building (sq.ft.)

1,630,892

Net Lettable Area – Convention Centre (sq.ft.)

143,467

Number of Parking Bays

> 4,000

Number of Tenancies

743

Appraised Value as at 30 June 2020

3,830<sup>1</sup>

Value per sq.ft. (RM)

2,159

Capitalisation/Discount Rate (%)

6.25/8.25

Valued by Knight Frank Malaysia Sdn Bhd

# SUNWAY PYRAMID SHOPPING MALL

#### **CENTRE MANAGEMENT OFFICE:**

Level CP6, Blue Atrium, Sunway Pyramid, No. 3, Jalan PJS 11/15, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

Tel: +603 7494 3000 Email: pyramidcares@sunway.com.my
Fax: +603 7492 6333 Website: http://www.sunwaypyramid.com/

#### YOUR UNIQUE LIFESTYLE ADVENTURE

Since opening its doors in 1997, Sunway Pyramid Shopping Mall, Malaysia's first themed shopping and lifestyle destination, has undergone a magnificent transformation to herald a new shopping empire that boasts four million sq.ft. of retail extravaganza.

Inspired by the legends of Ancient Egypt, the iconic Sphinx stands guard at the entrance, flanked by two landmark Grand Domes - the Blue Atrium, vibrant and flowing like the Great River Nile, and the Orange Atrium, radiant and warm as the Sun God 'Ra'. Hieroglyphs and monumental art embellish the facade and interior of the complex, adding to its curated ambience.

Integrated with attractions and amenities, Sunway Pyramid Shopping Mall is a crown jewel that serves all, providing a unique shopping adventure for visitors from around the world with 360° immersive retail experience complete with more than 700 specialty outlets offering a diverse selection of fashion, accessories, shoes, jewellery, timepieces, music, gifts, souvenirs, leathers, books, pharmacies, electrical appliances, home furnishing, wellness and IT products.



348,428

Gross Floor Area (sq.ft.)

769,546

Gross Floor Area - Car park (sq.ft.)

213,554

Net Lettable Area - Main Building (sq.ft.)

456,103

Net Lettable Area - Convention Centre (sq.ft.)

32,292

Number of Parking Bays

> 1,000

Number of Tenancies

198

Appraised Value as at 30 June 2020

Value per sq.ft. (RM)

Capitalisation Rate - Current/Reversionary (%)

6.50/7.00

Valued by Savills (Malaysia) Sdn Bhd

# **SUNWAY CARNIVAL SHOPPING MALL**

#### **CENTRE MANAGEMENT OFFICE:**

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

Tel: +604 397 9888 Website: http://www.sunwaycarnival.com/

+604 397 9883 Facebook: http://www.facebook.com/SunwayCarnivalMall/

#### THE MAINLAND'S TREASURED MALL

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

The mall opened in June 2007 and is one of Mainland Penang's largest and most popular retail havens, welcoming eight million visitors annually. With approximately 200 specialty stores including regional and international retailers, shoppers can truly indulge in a wholesome range of offerings from fashion boutiques, restaurants, a cineplex and a fitness centre.

In response to growing long-term demand, Sunway Carnival Shopping Mall is currently undergoing expansion, which will double its Gross Floor Area (GFA) and add an additional 350,000 sq.ft. of new Net Lettable Area (NLA) upon completion in 2021. This will be followed by the refurbishment of the first phase of the mall by 2022, which is expected to further reinforce Sunway Carnival Shopping Mall's position as the leading lifestyle destination in Mainland Penang.

For more information on the expansion of Sunway Carnival Shopping Mall, please refer to Investment For more information on the expansion of the Review – Property Development Activities section.



Land Area (sq.ft.)

354,994

Gross Floor Area (sq.ft.) 193,408

Net Lettable Area - Main Building (sg.ft.)

183,327

Number of Parking Bays

> 400

Number of Tenancies

Appraised Value as at 30 June 2020

53<sup>1</sup>

Value per sq.ft. (RM)

Capitalisation Rate - Current/Reversionary (%)

6.25/6.75

Valued by Savills (Malaysia) Sdn Bhd

# **SUNCITY IPOH HYPERMARKET**

#### **ADDRESS:**

No. 2, Jalan SCI 2/2, Sunway City Ipoh, 31150 lpoh,

Perak Darul Ridzuan, Malaysia.

Tel: +603 5613 4888

enquiry@tfvaluemart.com.my Website: http://www.tfvaluemart.com.my/

#### THE SHOPPER'S HYPERMARKET

SunCity Ipoh Hypermarket opened in 2005 as a single-storey hypermarket master-planned and developed by the Sponsor in collaboration with the Perak State Government. Located strategically in Sunway City Ipoh, a pioneering township in the area with 24 years of rich history, the hypermarket is currently tenanted to TF Value-Mart, an established retail chain operating 35 outlets nationwide.

Conveniently linked to the North-South Expressway between Kuala Lumpur and Penang, SunCity Ipoh Hypermarket is expected to be further boosted by a substantial increase in planned residential and commercial properties in Sunway City Ipoh over the next five years, following in the footsteps of the successful flagship Sunway City with diverse and synergistic offerings such as the Lost World of Tambun theme park, the 174-room Lost World hotel and the luxurious Banjaran Hotsprings Retreat.



Land Area (sq.ft.) 193,621<sup>1</sup>

Gross Floor Area (sq.ft.) 1,248,216<sup>2</sup>

Gross Floor Area - Car park (sq.ft.)

574.588<sup>1</sup>

Net Lettable Area - Main Building (sq.ft.)

553,827

Number of Parking Bays

> 1,500<sup>1</sup>

Number of Tenancies 231

Appraised Value as at 30 June 2020 (RM million)

Value per sq.ft. (RM)

Capitalisation/Discount Rate (%)

6.50/8.50

- For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower
- Based on Approved Building Plan Conversion Rate 1 sq.m.: 10.76047 sq.ft. including car parking areas, service area and part of hotel areas Valued by Knight Frank Malaysia Sdn Bhd

# **SUNWAY PUTRA MALL**

#### **CENTRE MANAGEMENT OFFICE:**

6-2, Sunway Putra Mall, No. 100, Jalan Putra, 50350 Kuala Lumpur, Malaysia.

+603 2786 9300 Website: http://www.sunwayputramall.com +603 2786 9499 Facebook: http://www.facebook.com/SunwayPutraMall/

#### YOUR SUNSATIONAL SHOPPING EXPERIENCE

Sunway Putra Mall, a self-sustained integrated development at the heart of the Diamond Triangle, is one of the most vibrant business hubs and residential districts in downtown Kuala Lumpur. An iconic landmark with more than three decades of history, the complex was extensively refurbished and reopened in 2015 with a completely new modern architectural design and a revamped interior layout.

Connected to nearby LRT and KTM stations via covered pedestrian walkways, the mall enjoys superb access and connectivity, hosting more than 200 local and international brands across nine levels of retail podiums. From stylish fashion to designer apparels, gastronomic feasts to local fare, and cinematic entertainment to relaxing wellness, Sunway Putra Mall provides a diverse range of offerings for surrounding residents and tourists to enjoy.



Land Area (sg.ft.) 376,274

Gross Floor Area (sq.ft.) 1,130,177

Number of Rooms

439 rooms and 3 villas

Number of Parking Bays > 520

Appraised Value as at 30 June 2020

Average Price per Room (RM) 1,131,222

Capitalisation/Discount Rate (%)

6.50/8.50

Valued by Knight Frank Malaysia Sdn Bhd

# **SUNWAY RESORT HOTEL**

#### MANAGEMENT OFFICE:

Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

Tel: +603 7492 8000 srhs.enquiry@sunwayhotels.com Fax: +603 7492 8001 Website: http://www.sunwayhotels.com/

#### **SPECTACULAR CHOICES, MEMORABLE EXPERIENCES!**

Sunway Resort Hotel is the flagship five-star hotel located at the core of Sunway City. The hotel is part of a central cluster of three hotels with a combined total of over 1,400 rooms, a large convention centre, a landmark shopping mall and a popular theme park in the 800acre integrated township, just minutes away from Kuala Lumpur city.

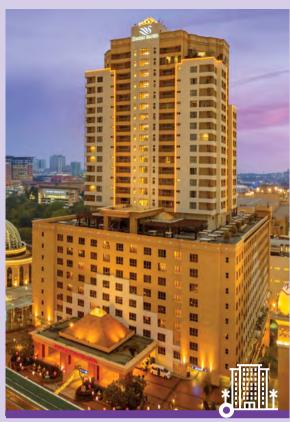
One of Klang Valley's most iconic hotels, Sunway Resort Hotel offers more than 400 guestrooms, suites and pool villas with commanding views of the theme park and the resort city skyline. The collection of rooms includes Premier Rooms, Junior Suites, Premier Executive Suites, Club Rooms and Suites, an impressive Presidential Suite and Pool Villas tucked away amidst lush tropical gardens. Well-equipped with modern conveniences and amenities, the hotel is the preferred choice for business and leisure travellers.

For meetings, incentives, conventions and exhibitions (MICE), the hotel is integrated with more than 100,000 sq.ft. of world-class event space, over 60 meeting and function rooms, a Grand Ballroom and the massive Sunway Pyramid Convention Centre, elevating Sunway Resort Hotel as one of the most versatile convention and exhibition venues in Malaysia.

The hotel's food and beverage offerings include an all-day dining restaurant which serves local and regional favourites with a selection of Middle Eastern and Western cuisine, along with a lounge and bar for evening cocktails and cigars. These are further complemented with a range of dining options within the hotel and over 190 F&B outlets around Sunway City.



For more information on the hotel master lease, please refer to Property Details section.



Gross Floor Area (sq.ft.)

356,888

Number of Rooms

564

Number of Parking Bays

> 530

Appraised Value as at 30 June 2020

342<sup>2</sup>

Average Price per Room (RM)

606,383

Capitalisation/Discount Rate (%)

6.50/8.50

The hotel is on a strata title

Valued by Knight Frank Malaysia Sdn Bhd

# **SUNWAY PYRAMID HOTEL**

#### MANAGEMENT OFFICE:

Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

Tel: +603 7492 8000 Email: srhs.enquiry@sunwayhotels.com Fax: +603 7492 8001 Website: http://www.sunwayhotels.com/

#### **CHECK IN AND BE SPOILT FOR CHOICE!**

Sunway Pyramid Hotel forms part of the cluster of hotels in Sunway City, and is wellconnected to surrounding attractions and landmarks such as Sunway Lagoon theme park and Sunway Pyramid Shopping Mall. The four-star hotel offers 564 Deluxe rooms, including 21 new Family Rooms and Suites purpose-built to accommodate the increasing number of family and leisure quests.

Guestrooms and suites in Sunway Pyramid Hotel are equipped with technology-enhanced features and amenities such as complimentary Wi-Fi, smart lighting, bedside USB charger outlets, high pressure walk-in shower and 42" LED Smart TV with satellite news, sports and movie channels. Guests also enjoy access to the leisure facilities at Sunway Resort Hotel which comprise a free-form landscaped swimming pool with cascading waterfall, fitness centre and the Balinese-inspired Mandara Spa.

For more information on the hotel master lease, please refer to Property Details section.



Land Area (sq.ft.) 77,403

Gross Floor Area (sq.ft.)

798,762

Number of Rooms 401

Number of Parking Bays

> 730

Appraised Value as at 30 June 2020

307<sup>1</sup>

Average Price per Room (RM)

765,586

Capitalisation/Discount Rate (%)

6.75/8.50

Valued by Savills (Malaysia) Sdn Bhd

# **SUNWAY CLIO PROPERTY**

#### MANAGEMENT OFFICE:

Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

Tel: +603 7492 8000 Email: srhs.enquiry@sunwayhotels.com Fax: +603 7492 8001 Website: http://www.sunwayhotels.com/

#### **RELAX WITH PERFECTION**

Sunway Clio Hotel forms part of the cluster of hotels in Sunway City. Located on the west side of the iconic Sunway Pyramid Shopping Mall, the 26-storey four-star hotel features 401 guestrooms equipped with technology-enhanced amenities such as complimentary Wi-Fi and wired broadband internet access, USB charger outlets, 42" LED Smart TV with satellite news, sports and movie channels, flexible workspaces, high pressure walk-in rain shower and in-room electronic safe box.

Sunway Clio Hotel provides the right balance between work and play. The hotel has 5 fullyequipped function rooms with seating capacities of 20 to 160 persons and a host of other facilities including the 174-seater Café West, the hotel's all-day dining restaurant, in-room dining services, a fitness centre and an outdoor swimming pool.

Adjoining the hotel is Sunway Clio's retail podium, where hotel guests can enjoy an extended range of food and beverage options in front of Sunway Lagoon theme park.



For more information on the hotel master lease, please refer to Property Details section.



46,220

Gross Floor Area (sq.ft.)

175,000

Number of Rooms

202 Number of Parking Bays

> 80

Appraised Value as at 30 June 2020

Average Price per Room (RM)

297,030

Capitalisation/Discount Rate (%)

7.50/8.50

Valued by Savills (Malaysia) Sdn Bhd

# **SUNWAY HOTEL SEBERANG JAYA**

#### **MANAGEMENT OFFICE:**

11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Prai, Penang, Malaysia.

Tel: +604 370 7788/+604 377 7788 Email: shsj.enquiry@sunwayhotels.com +604 370 0555 Website: http://www.sunwayhotels.com/

#### STAY WITH US AND FEEL THE DIFFERENCE

Strategically located in the Seberang Jaya town centre at the intersection between the North-South Expressway and the East-West Highway, Sunway Hotel Seberang Jaya is conveniently accessible via a 40-minute drive from the iconic Penang Bridge and Penang International Airport. Placed amidst a vibrant hub of entertainment, leisure and shopping options, it is perfect for holidaymakers and corporate travellers seeking easy access to Mainland Penang's bustling commercial and industrial zones.

For more information on the hotel master lease, please refer to Property Details section.



- Land Area (sg.ft.) 193,621<sup>1</sup>
- Gross Floor Area (sq.ft.)
- 833,844
- Number of Rooms
- 650
- Number of Parking Bays  $> 1.500^{1}$
- Appraised Value as at 30 June 2020
- 3342
- Average Price per Room (RM)
- 513,846
- Capitalisation/Discount Rate (%)
- 6.50/8.50
- For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel
- and Sunway Putra Tower
  Valued by Knight Frank Malaysia Sdn Bhd

# **SUNWAY PUTRA HOTEL**

#### MANAGEMENT OFFICE:

No. 100, Jalan Putra, 50350 Kuala Lumpur, Malaysia.

Tel: +603 4040 9888 Email: spkl.enquiry@sunwayhotels.com Fax: +603 4043 0700 Website: http://www.sunwayhotels.com/

#### A PREFERRED CITY HOTEL

Sunway Putra Hotel is a 35-storey hotel integrated with Sunway Putra Mall and Sunway Putra Tower in a mixed-use development opposite Putra World Trade Centre (PWTC) within the city's main commercial district. The hotel is connected via covered pedestrian walkways to nearby LRT and KTM stations, easily accessible and convenient for corporate and leisure travellers.

The five-star hotel features nine room types - Superior, Deluxe, Family Room, Family Studio, Club Room, Club Suites, Junior Suites, 2-Bedroom Suites and Premier Suite - all fitted with amenities such as complimentary Wi-Fi, LED Smart TV, electronic safe, mini fridge and coffee and tea-making facilities.

For meetings, incentives, conventions and exhibitions (MICE), Sunway Putra Hotel offers 15 spacious function rooms, including Meet-On-35, a meeting venue at the top floor with a panoramic view of the city. The hotel's Grand Ballroom accommodates up to 1,200 persons in a theatre-style setting and 600 persons in banquet-style seating, ideal for prestigious celebrations and events.

The hotel's food and beverage offerings include the Coffee House, an all-day dining restaurant which serves local and international a la carte and buffet, as well as the Atrium Lounge which serves signature Afternoon Tea with a wide selection of coffee, cakes and pastries.



For more information on the hotel master lease, please refer to Property Details section.



33,592

Gross Floor Area (sq.ft.)

193,115

Number of Rooms

250

Number of Parking Bays

Appraised Value as at 30 June 2020

Average Price per Room (RM) 320,000

Capitalisation/Discount Rate (%) 7.50/8.50

Valued by Savills (Malaysia) Sdn Bhd

# **SUNWAY HOTEL GEORGETOWN**

#### MANAGEMENT OFFICE:

33 New Lane (Off Macalister Road) Georgetown, 10400 Penang, Malaysia.

Tel: +604 229 9988 shgp.enquiry@sunwayhotels.com Fax: +604 228 8899 Website: http://www.sunwayhotels.com/

#### YOUR PREFERRED CHOICE IN PENANG

Sunway Hotel Georgetown is a 250-room four-star hotel at the heart of Georgetown, Penang, a renowned UNESCO World Heritage site where old world charm meets modernity. Located just 30 minutes from Penang International Airport and 20 minutes from the iconic Penang Bridge and Ferry Terminal, the hotel caters to corporate and leisure travellers, offering convenient access to a confluence of tourist attractions and commercial districts which are within walking distance from the hotel.

Sunway Hotel Georgetown's choice of comfortable and spacious accommodation includes Deluxe, Premier, Deluxe Super King, Family Rooms and Suites with commanding views of the city and island skyline, especially for guests in Premier Rooms and Suites at the uppermost floors of the hotel. After a long day of sightseeing, guests can also unwind at the outdoor swimming pool and Jacuzzi, or work out at the 24-hour fitness centre after an enjoyable night of local street food.

For more information on the hotel master lease, please refer to Property Details section.



Land Area (sq.ft.) 193,395

Gross Floor Area (sq.ft.)

399,446

Gross Floor Area - Car park (sq.ft.)

266,696

Net Lettable Area (sg.ft.)

291,807

Number of Parking Bays

> 640

Number of Tenancies

51

Appraised Value as at 30 June 2020 (RM million)

Value per sq.ft. (RM)

Capitalisation/Discount Rate (%)

6.50/8.25

Valued by Knight Frank Malaysia Sdn Bhd

# **MENARA SUNWAY**

#### MANAGEMENT OFFICE:

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

Tel: +603 5639 8888 Fax: +603 5639 9595

#### **SUNWAY GROUP'S HEADQUARTERS**

Menara Sunway is a 19-storey office building in Sunway City which serves as the headquarters of the Sunway Group, occupying up to 70.5% of NLA. Consisting of a main tower and an annexe, Menara Sunway offers a unique integrated environment where tenants and employees can make good use of the convention centre, hospitality, leisure and retail options within the township.

Surrounded by highly populated suburbs such as Subang Jaya, Puchong and Petaling Jaya, and easily accessible via 5 major expressways - Federal Highway, New Pantai Expressway (NPE), Shah Alam Expressway (KESAS), Damansara-Puchong Expressway (LDP) and New Klang Valley Expressway (NKVE), Menara Sunway is a preferred office location due to the shorter travel time compared to commuting to the city centre.



25,898

Gross Floor Area (sq.ft.)

348,998

Gross Floor Area - Car park (sq.ft.)

107,606

Net Lettable Area (sq.ft.)

268,306

Number of Parking Bays

> 290

Number of Tenancies

Appraised Value as at 30 June 2020 (RM million)

Value per sq.ft. (RM)

Capitalisation/Discount Rate (%)

6.25/8.25

Valued by Knight Frank Malaysia Sdn Bhd

# **SUNWAY TOWER**

#### MANAGEMENT OFFICE:

Ground Floor, Sunway Tower, No. 86 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

Tel: +603 2032 4100 Fax: +603 2070 4093

#### **CHANGING DYNAMICS**

Sunway Tower is a 33-storey prime office building strategically located at the intersection between Jalan Sultan Ismail and Jalan Ampang in Kuala Lumpur, which is also famously known as the Golden Triangle. In close proximity to the landmark Petronas Twin Towers and Kuala Lumpur Convention Centre, Sunway Tower offers excellent connectivity with convenient access to the adjacent Dang Wangi LRT station, Bukit Nanas monorail station and the Ampang-Kuala Lumpur Elevated Highway (AKLEH) which links to major expressways and ring roads within and around Klang Valley, making it a prime business address in Kuala Lumpur.



Land Area (sg.ft.) 193,621<sup>1</sup>

Gross Floor Area (sq.ft.)

453,842

Gross Floor Area - Car park (sq.ft.)

574.588<sup>1</sup>

Net Lettable Area (sg.ft.)

317,051

Number of Parking Bays

> 1,500<sup>1</sup>

Number of Tenancies

15

Appraised Value as at 30 June 2020

133<sup>2</sup>

Value per sq.ft. (RM)

Capitalisation/Discount Rate (%)

6.25/8.00

- For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower
  Valued by Knight Frank Malaysia Sdn Bhd

# **SUNWAY PUTRA TOWER**

#### MANAGEMENT OFFICE:

No. 100, Jalan Putra, 50350 Kuala Lumpur, Malaysia.

Tel: +603 4042 9888 Fax: +603 4043 8806

#### SYNERGISTICALLY INTEGRATED

Sunway Putra Tower is an office tower which forms part of an integrated mixed-used development with Sunway Putra Mall and Sunway Putra Hotel. Strategically located next to Putra World Trade Centre (PWTC), Sunway Putra Tower is easily accessible via major highways and well served by public transportation such as the LRT, KTM and RapidKL.

Government agencies, financial institutions and professional firms occupy a substantial percentage of NLA.



Gross Floor Area (sq.ft.)

174,171<sup>2</sup>

Gross Floor Area - Car park (sq.ft.)

125,399<sup>2</sup>

Net Lettable Area (sq.ft.) 171.544<sup>2</sup>

Number of Parking Bays

> 390

Number of Tenancies

Appraised Value as at 30 June 2020 (RM million)

Value per sq.ft. (RM)

350

Capitalisation/Discount Rate (%)

6.50/8.25

- This office is on a strata title
- Based on surveyed strata floor area
  Valued by Knight Frank Malaysia Sdn Bhd

# **WISMA SUNWAY**

#### 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

## **STRATEGIC LOCATION - GOVERNMENT PRECINCT** OF SELANGOR'S STATE CAPITAL

Wisma Sunway is a stratified 19-storey office building located in the vibrant Section 9, Shah Alam, the state Government precinct of Selangor. Conveniently located beside Concorde Hotel and Plaza Shah Alam, it is easily accessible via the Federal Highway and New Klang Valley Expressway (NKVE).

Wisma Sunway is currently fully occupied with Government agencies comprising the majority of tenants.



Land Area (sq.ft.) 195,838

Gross Floor Area (sq.ft.)

563,416

Gross Floor Area - Car park (sg.ft.)

217,162

Number of Parking Bays

Appraised Value as at 30 June 2020

Value per bed (RM)

935,484

Capitalisation Rate - Current/Reversionary (%)

6.25 - 6.75/6.25

Valued by Knight Frank Malaysia Sdn Bhd

# **SUNWAY MEDICAL CENTRE** (TOWER A & B)

#### **ADDRESS:**

No. 5, Jalan Lagoon Selatan, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

Tel: +603 7491 9191 Email: smc@sunway.com.my

Fax: +603 7491 8181 Website: http://www.sunwaymedical.com/

#### **IMPROVING THE LIVES WE TOUCH**

Sunway Medical Centre is a leading private tertiary medical care centre accredited by the Australian Council on Healthcare Standards (ACHS) and Malaysian Society for Quality in Health (MSQH). With a total of 372 licensed beds, more than 100 consultation suites, 12 operating theatres, 25 centres of clinical excellence as well as 60 specialties and sub-specialties, the medical centre is poised to set new standards of service for its growing clientele.

Supported by more than 2,600 dedicated healthcare professionals comprising medical consultants, professional allied health staff and trained nurses, Sunway Medical Centre offers a comprehensive range of medical services, which include facilities and advanced medical technologies for outpatient and inpatient specialty care, health and wellness programmes, home care and 24-hour emergency services.

Sunway Medical Centre is also affiliated with the University of Cambridge, Royal Papworth Hospital, Addenbrooke's Hospital, Royal College of Physicians (London), Harvard Medical School and the Jeffrey Cheah School of Medicine & Health Sciences, Monash University Malaysia to further meet the demands of medical education, training and research.



For more information on the hospital master lease, please refer to Property Details section.



Land Area (sq.ft.) 733,237

Gross Floor Area (sq.ft.)

1,459,134

Gross Floor Area - Car park (sq.ft.)

421,111

Number of Parking Bays 1.053

Appraised Value as at 30 June 2020

560<sup>1</sup>

Value per sq.ft. (RM)

Capitalisation Rate - Current/Reversionary (%)

6.50 - 9.25/6.50

Valued by Knight Frank Malaysia Sdn Bhd

# **SUNWAY UNIVERSITY & COLLEGE CAMPUS**

#### **ADDRESS:**

No. 5, Jalan University, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

+603 7491 8622 Email: info@sunway.edu.my

Website: http://university.sunway.edu.my/

#### **EDUCATING THE FUTURE**

The Sunway university & college campus is located within the integrated township of Sunway City and comprises academic blocks, hostel apartments, sports facilities and a car park. Wellconnected to nearby cities and highly populated suburbs via an extensive network of roads, expressways and public transportation, the campus hosts Sunway University and Sunway College, reputable higher learning institutions established since 2004 and 1987 respectively.

Sunway University currently has over 7,000 enrolled students across a wide range of courses from diploma to postgraduate studies, and has more than 10 affiliations with universities and professional bodies around the world.

Sunway College offers pre-university programmes such as Cambridge GCE A-Level, Australian Matriculation, Canadian International Matriculation, Monash University Foundation Year and many other foundation programmes to prepare students for university.

For more information on the education master lease, please refer to Property Details section.



Land Area (sg.ft.) 673,684 Gross Floor Area (sq.ft.) 386,856 Appraised Value as at 30 June 2020 96<sup>1</sup> Value per sq.ft. (RM) 248 Capitalisation Rate - Current/Reversionary (%) 5.75 - 7.00/7.25

Valued by First Pacific Valuers Property

# **SUNWAY REIT INDUSTRIAL -SHAH ALAM 1**

#### **ADDRESS:**

Lot 6, Persiaran Perusahaan, Section 23, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia.

Tel: +603 5541 6600 Website: http://www.dchcmfg.com/ Fax: +603 5541 0651

#### PRIME INDUSTRIAL ASSET IN SELANGOR'S CAPITAL DISTRICT

Sunway REIT Industrial - Shah Alam 1 (SRISA 1) is strategically located within the prime industrial hub in Section 23, Shah Alam which houses many established international logistics and manufacturing companies.

Easily accessible via 3 major highways - Federal Highway, North-South Expressway Central Link (ELITE) and Shah Alam Expressway (KESAS), SRISA 1 is approximately 45 minutes away from Kuala Lumpur International Airport (KLIA) and Port Klang, the largest container port in Malaysia and the 12th busiest in the world.

SRISA 1 is leased to DCH Contract Manufacturing Sdn Bhd, part of a reputable group of companies listed on the Hong Kong Stock Exchange. The lessee offers end-to-end solutions for fast-moving consumer goods (FMCG) companies, ranging from product development and manufacturing to warehousing and distribution services.



For more information on the industrial master lease, please refer to Property Details section.

# CONTENTS

2 About This Report

#### **WE ARE SUNWAY REIT**

- Our Key Financial Highlights
- Corporate Profile
- Corporate Information 8
- 9 Salient Features
- 10 Trust Structure
- 11 Organisation Structure
- 12 Property Details

#### LEADERSHIP THAT DRIVES STRATEGIC PROGRESS

- 18 Message From The Chairman
- 22 Letter From The CEO
- 26 Creating Value Through Innovation
- 28 In Conversation With The CFO
- 30 Financial Review
- 38 Fair Value Of Investment Properties
- 39 Capital Management
- 42 Financial Highlights
- 50 Value Added Statement
- 51 Trading Performance

#### **OPERATIONS AND INVESTMENT REVIEW**

- 56 KPI Highlights
- 58 Operations Review
- 78 Investment Review

#### **CREATING STRATEGIC VALUE**

- 82 Market Report
- 102 Materiality
- 106 Business Model
- 108 Understanding Our Risks

#### **SUSTAINABILITY STATEMENT**

- 116 Sustainability Governance
- 118 Goals And Targets
- 120 Economic
- 129 Environmental
- 144 Social

#### TRUST AND LEADERSHIP STRUCTURE

- 172 Directors' Profile
- 176 Management Team & Key Personnel
- 178 Corporate Governance Overview Statement
- 200 Statement On Risk Management And Internal Control
- 206 Additional Compliance Information

#### **FINANCIALS**

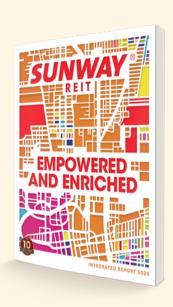
208 Financial Statements

#### **ADDITIONAL INFORMATION**

- 283 Analysis Of Unitholdings
- 286 Notice Of 8th Annual General Meeting
- 291 GRI Content Index
- 301 Alignment to the United Nations SDGs
- 302 Glossary
- Proxy Form

ABOUT THIS REPORT

GRI 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54



### **EMPOWERED AND ENRICHED**

As we mark our 10<sup>th</sup> anniversary of creating value for all our stakeholders, we reflect on all that we have achieved along our journey through careful planning, resilience and a commitment to Integrity, Humility and Excellence. In doing so, we have empowered and enriched the lives of our people, our stakeholders and the communities we treasure – a mission that will continue in earnest while upholding the principles of sustainability in all that we do.



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This report is available online at http://www.sunwayreit.com/investor-relations

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

#### **ABOUT THIS REPORT**

This report is in conjuction with Sunway REIT's 10<sup>th</sup> anniversary since IPO. As an important communication tool of our establishment, this report outlines Sunway REIT's progress against its strategic objectives, highlighting our efforts to create value for all our stakeholders. It demonstrates how Sunway REIT's business model has embedded value creation, leveraging on inputs from our six capitals to produce long-term sustainable outcomes that go beyond financial performance.

We have adopted the integrated reporting approach as we endeavour to provide a more in-depth, balanced and comprehensive overview of our business operations and strategies to our stakeholders. As part of the integrated reporting process, the report also communicates our approach to sustainability, risk management and the identification of potential opportunities in order to optimise the value creation process.

#### **SCOPING AND BOUNDARIES**

This report presents information on our financial and non-financial performance from 1 July 2019 to 30 June 2020 unless stated otherwise, for Sunway REIT's properties and operations, which include operations where we have full control, as well as our subsidiaries.

#### **SUSTAINABILITY**

This report also discloses Sunway REIT's sustainability practices that have been embedded in our value creation journey. It details how Sunway REIT navigates and integrates economic, environmental and social risks and opportunities while aligning our initiatives with Sunway Group's commitment to the 17 United Nations Sustainable Development Goals (UN SDG).

Economic and environmental indicators presented in the sustainability statement are gathered from all the properties owned by Sunway REIT except for four properties, namely SunCity Ipoh Hypermarket, Sunway Medical Centre (Tower A & B), Sunway university & college campus and Sunway REIT Industrial - Shah Alam 1. As these properties are being leased to and managed by external tenants or tenants within Sunway Group, they are not within the control of Sunway REIT

As Sunway REIT does not consist of employees, information reported about employees are referred to as the employees of the Manager. Our most recent report was published in 8 August 2019.

#### LIST OF PROPERTIES REPORTED IN SUSTAINABILITY STATEMENT

GRI 102-4

SEGMENT	PROPERTY
Retail	<ul><li>Sunway Pyramid Shopping Mall</li><li>Sunway Carnival Shopping Mall</li><li>Sunway Clio Property (Retail)</li><li>Sunway Putra Mall</li></ul>
Hotel	<ul> <li>Sunway Resort Hotel</li> <li>Sunway Pyramid Hotel</li> <li>Sunway Clio Property (Hotel)</li> <li>Sunway Putra Hotel</li> <li>Sunway Hotel Seberang Jaya</li> <li>Sunway Hotel Georgetown</li> </ul>
Office	<ul><li>Menara Sunway</li><li>Sunway Tower</li><li>Sunway Putra Tower</li><li>Wisma Sunway</li></ul>

# REPORTING FRAMEWORKS

Sunway REIT's Integrated Report 2020 is guided by the principles of the International Integrated Reporting Council (IIRC) framework. The report also adheres to:

- The Securities Commission Guidelines on Listed Real Estate Investment Trusts
- Bursa Malaysia Main Market Listing Requirements
- Bursa Malaysia's Sustainability Reporting Guide (2<sup>nd</sup> edition)
- 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 2001
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Global Reporting Initiatives (GRI) Standards: Core Option

#### **FTSE4GOOD BURSA MALAYSIA INDEX**

Sunway REIT is a constituent of the FTSE4GOOD Bursa Malaysia Index since 2016 and remains as a constituent of the said index in the latest semi-annual evaluation in June 2020. Sunway REIT continued to demonstrate improvement in the FTSE ESG score since 2016, ranking at the 55<sup>th</sup> percentile of the overall ESG rating in 2020.

# NAVIGATION, LINKS AND LEGENDS

Connect to more information within this report



Connect to more information online at http://www.sunwayreit.com



The Manager



Business Unit Management Team



Residual Risk Rating

#### **FEEDBACK**

For further information and feedback, please contact:

Ms Crystal Teh Lay Ling Investor Relations

#### Sunway REIT Management Sdn Bhd,

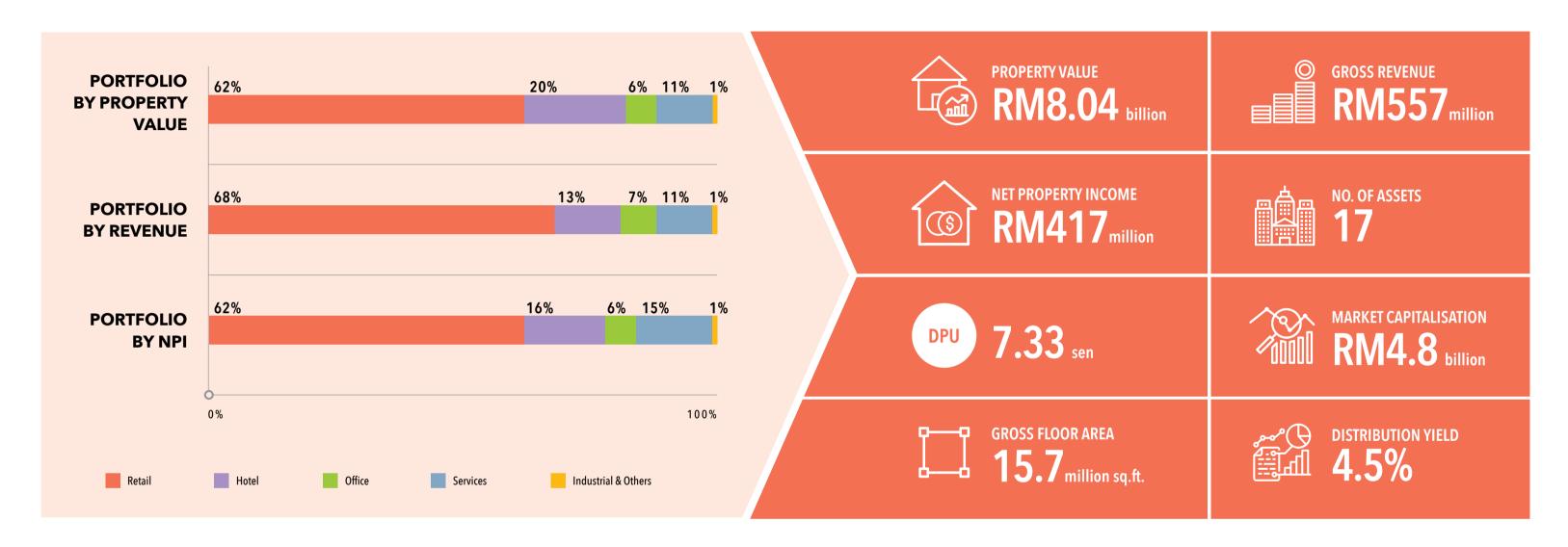
Level 15, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

Tel: +603 5639 8864 Fax: +603 5639 8001

**OUR KEY FINANCIAL HIGHLIGHTS** 

# **OUR KEY FINANCIAL HIGHLIGHTS**

GRI 102-7



#### **SUNWAY REIT SUSTAINABILITY HIGHLIGHTS**

#### **ECONOMIC**

- Recorded a 10.8% CAGR and rewarded unitholders up to 180% in total return on investment in the last 10 years
- Hosted the inaugural MRMA-APREA Malaysia REIT Forum 2019



# **Responding to COVID-19:**

- Established a **rental support** programme to affected tenants and lessees
- Invested **RM2 million** in safety measures such as hand sanitisers and thermal scanners
- Donated **14,525 pillows, blankets and toiletries** to Hospital Sungai Buloh
- Sponsored **RM1.89 million** worth of room nights for Persons Under Surveillance
- Sunway Clio Hotel and Sunway Pyramid Hotel has contributed **26,000 room nights as quarantined centres** and accommodated more than **2,000** overseas returnees to Malaysia

#### **GOVERNANCE**

- The Board is led by an Independent
  Non-Executive Chairman
- Independent Directors made up 57% of the composition of the Board
- Board composition with **43% female**
- Launched the Anti-Bribery and Corruption Policy

#### **ENVIRONMENTAL**

- GHG emissions: Avoided **12,671 CO<sub>2</sub>e** equivalent to **190,000 trees**
- 21,645 MWh from energy saving initiatives
- Consumed 1,540m³ of recycled water sourced from rainwater harvesting and lake water
- **Diverted 417** tonnes of waste from the landfill
- Collected more than 1,700kg of used soaps; donated 3,100 bars of soap to the needy through #SunwaySoapful

#### SOCIAL

- #SunwayForGood truck:
   Collected gifts and contributions around Klang Valley to fulfil more than 1,500 wishes of children from 26 welfare homes
- Contributed about **10,000**packets of bubur lambuk to front liners, police, fire fighters and B40 communities in conjunction with Hari Raya celebration

**CORPORATE PROFILE** 

# **CORPORATE PROFILE**

GRI 102-1, 102-2, 102-6



SUNWAY REAL ESTATE INVESTMENT TRUST (SUNWAY REIT) HAS A DISTINCTIVE PORTFOLIO AND IS ONE OF THE LARGEST DIVERSIFIED REAL ESTATE INVESTMENT TRUSTS (REITs) IN MALAYSIA WITH ASSETS THAT ARE 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. As at 30 June 2020, the market capitalisation of Sunway REIT stood at RM4.8 billion. Sunway REIT is a component of FTSE Bursa Malaysia Top 100 Index, FTSE-Bursa Malaysia Mid 70 Index, FTSE4Good Bursa Malaysia Index, Bursa Malaysia REIT Index, FTSE ASEAN Malaysia Index, FTSE ASEAN All-Share Index, FTSE EPRA/NAREIT Global REIT Index, FTSE EPRA/NAREIT Global Index, FTSE EPRA/NAREIT Emerging REIT Index, MSCI Malaysia Small Cap Index and GPR APREA Composite REIT Index - Malaysia.

From an initial portfolio of 8 assets, Sunway REIT has grown to 17 assets comprising 4 retail malls, 6 hotels, 4 offices, a medical centre, an education asset and an industrial property. The property value has grown by more than 100% from the initial RM3.5 billion to RM8.0 billion as at 30 June 2020.

The Sponsor, Sunway Berhad (Sunway), is an established and reputable conglomerate with a market capitalisation of RM6.8 billion as at 30 June 2020. Sunway has been reclassified from the Trading/Services sector to the Industrial Products & Services sector, pursuant to Bursa Malaysia revamp of the sectorial classification for companies listed on the Main Market.

Sunway REIT assets are strategically located at key cities across the nation:



# **CORPORATE INFORMATION**

GRI 102-3

#### **MANAGER**

Sunway REIT Management Sdn Bhd (Company Registration No. 200801005046)

#### PRINCIPAL PLACE OF BUSINESS OF THE MANAGER

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

#### REGISTERED OFFICE OF THE MANAGER

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

#### TRUSTEE

RHB Trustees Berhad (Company Registration No. 200201005356)

Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur Tel No: (603) 9280 5933

Email: rhbt.reits@rhbgroup.com

#### PROPERTY MANAGER

**Zerin Properties Urus Harta** (Registration No. PM (3) 0040) Level 1, Block B, Damansara Office Complex, Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur

#### **AUDITOR**

Messrs BDO PLT (LLP0018825-LCA & AF 0206)

Level 8, BDO @ Menara CenTARa, 360 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur

Tel No: (603) 2616 2888 Fax No: (603) 2616 3190/3191

#### PRINCIPAL BANKERS

Public Bank Berhad

HSBC Amanah Malaysia Berhad

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

 ${\bf Chairman, Independent\ Non-Executive\ Director \quad Independent\ Non-Executive\ Directors}$ 

Tan Sri Ahmad Bin Mohd Don

Chief Executive Officer,

Non-Independent Executive Director

Dato' Jeffrey Ng Tiong Lip

Senior Independent Non-Executive Director

Elvin A/L Berty Luke Fernandez

#### **AUDIT COMMITTEE**

Elvin A/L Berty Luke Fernandez (Chairman)

Tan Sri Ahmad Bin Mohd Don

Tengku Nurul Azian Binti Tengku Shahriman

Tengku Nurul Azian Binti Tengku Shahriman

Non-Independent Non-Executive Directors

Yeo Kar Peng

Yeo Kar Peng

Ng Sing Hwa

Sarena Cheah Yean Tih, S.M.S.

#### NOMINATION AND REMUNERATION COMMITTEE

Tengku Nurul Azian Binti Tengku Shahriman (Chairperson)

Tan Sri Ahmad Bin Mohd Don

#### RISK MANAGEMENT COMMITTEE

Ng Sing Hwa (Chairman)

Tan Sri Ahmad Bin Mohd Don Elvin A/L Berty Luke Fernandez Tengku Nurul Azian Binti Tengku Shahriman

Yeo Kar Peng

Yeo Kar Peng

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

Tan Kim Aun (MAICSA 7002988) (SSM PC No. 202008001249) Ong Wei Leng (MAICSA 7053539) (SSM PC No. 202008001016)

Elvin A/L Berty Luke Fernandez

Sarena Cheah Yean Tih, SMS

#### WEDCITE

http://www.sunwayreit.com

#### REGISTRAF

#### Sunway Management Sdn Bhd

(Company Registration No. 197901006377) 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

#### INVESTOR RELATIONS

**Crystal Teh Lay Ling** 

Tel No: +603 5639 8864 Email: irsunreit@sunway.com.my

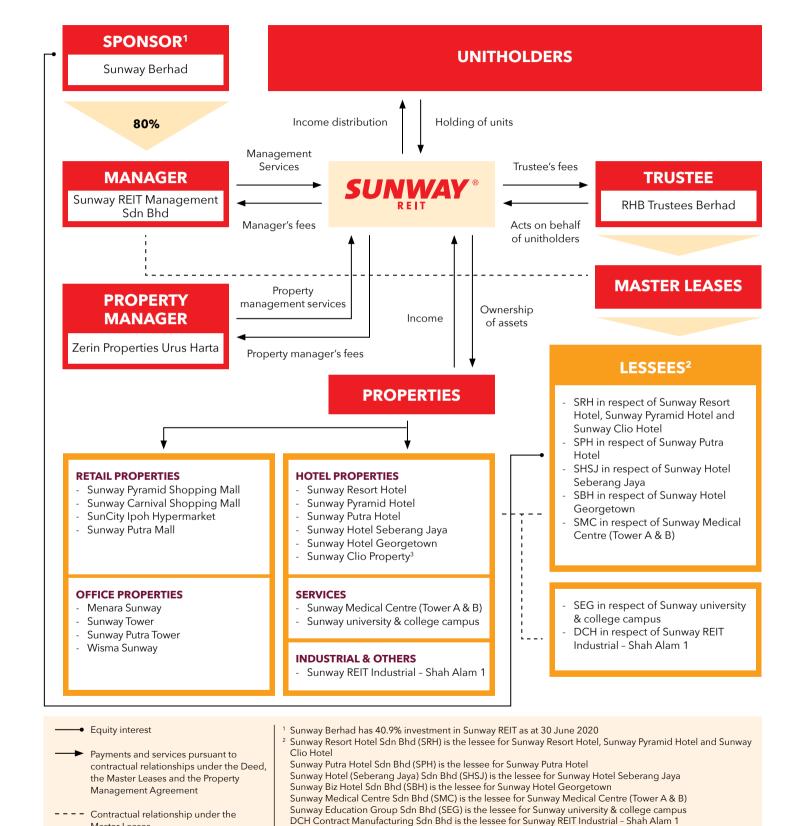
# **SALIENT FEATURES**

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: - the occurance of the Termination Events as listed in the Deed; - the 999 years after the date of the registration of the Deed; or - the date on which the Fund is terminated by the Manager in such circumstance as set out in the Deed.
Investment Objective	To provide the unitholders with an exposure to a diversified portfolio of authorised investments that will provide stable cash distributions with the potential for sustainable growth of the net asset value per unit
Investment Policy	At least 75% of the Fund's total asset value must be invested in real estate and/or single purpose companies at al times, and not more than 25% of the total asset value is invested in non-real estate, cash, deposit and/or money market instruments
Key Acquisition Criteria	<ul> <li>Retail and mixed-use asset</li> <li>High growth cities and township in Malaysia</li> <li>Compatibility and synergistic to asset portfolio</li> </ul>
Distribution Policy	<ul> <li>100% distributable income since FP2011 to FY2019 and at least 90% for each subsequent financial year</li> <li>Semi-annual distribution</li> </ul>
Revaluation Policy	Annually by independent registered valuer
Gearing Policy	Not exceed 50% of the Fund's total asset value
Performance Benchmark	<ul> <li>FTSE Bursa Malaysia Top 100 Index</li> <li>FTSE Bursa Malaysia Mid 70 Index</li> <li>FTSE Bursa Malaysia Emas Index</li> <li>FTSE ASEAN Malaysia Index</li> <li>FTSE ASEAN All-Share ex Developed Index</li> <li>FTSE ASEAN All-Share Index</li> <li>Bursa Malaysia REIT Index</li> <li>FTSE4Good Bursa Malaysia Index</li> <li>FTSE EPRA NAREIT Global REIT Index</li> <li>FTSE EPRA NAREIT Global Index</li> <li>FTSE EPRA NAREIT Asia ex Japan Index</li> <li>FTSE EPRA NAREIT Asia Pacific Index</li> <li>FTSE EPRA NAREIT Emerging REIT Index</li> <li>GPR APREA Composite REIT Index – Malaysia</li> <li>MSCI Malaysia Small Cap Index</li> </ul>
Manager's Fees	<ul> <li>Base Fee: 0.3% per annum of total asset value</li> <li>Performance Fee: 3% per annum of net property income, but before deduction of fees payable to the Property Manager pursuant to the Property Management Agreement</li> <li>Acquisition Fee: 1% of acquisition price</li> <li>Divestment Fee: 0.5% of sale price</li> </ul>
Trustee's Fee	Up to 0.015% per annum of the Fund's net asset value subject to a maximum limit of RM700,000 per annum
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

# TRUST STRUCTURE

Master Leases

GRI 102-5



The hotel lessees are wholly owned subsidiaries of Sunway Berhad whilst SMC is a 99.2% owned subsidiary

Sunway Clio Property comprises a hotel and a retail component

# **ORGANISATION STRUCTURE**

GRI 102-18, 102-19

# **NOMINATION AND REMUNERATION** COMMITTEE **RISK MANAGEMENT** COMMITTEE

**RISK OFFICER** 

# **AUDIT COMMITTEE**

**INTERNAL AUDIT TEAM** 

## **BOARD OF DIRECTORS**

Tan Sri Ahmad Bin Mohd Don

Dato' Jeffrey Ng Tiong Lip

Elvin A/L Berty Luke Fernandez

Ng Sing Hwa

Sarena Cheah Yean Tih, SMS

Tengku Nurul Azian Binti Tengku Shahriman

Yeo Kar Peng

# **COMPLIANCE OFFICER**

Samantha Khoo May Lin

**COMPANY SECRETARIES** 

#### CHIEF EXECUTIVE OFFICER

Dato' Jeffrey Ng Tiong Lip

#### CHIEF FINANCIAL OFFICER

Irene Sin May Lin

# **INVESTMENT/ BUSINESS DEVELOPMENT**

Raymond Ng Meng Chun

# **FINANCE TEAM**

# **INVESTOR RELATIONS**

Crystal Teh Lay Ling

# **CONTRACT AND PROJECT MANAGEMENT**

Koh Sin Yee

**PROPERTY DETAILS** 

# **PROPERTY DETAILS**

Hotel Office Services Industrial & Others

#### **SUNWAY PYRAMID SHOPPING MALL**

#### Location

Selangor

#### **Date of Acquisition**

8 July 2010

### Acquisition price (RM million)

Title, expiry date & years remaining PN 17414 Lot 62059

21 February 2102 82 years remaining

PN 9495 Lot 32 1 April 2097 77 years remaining

H.S(D) 259957 PT 1312 1 April 2097 77 years remaining

PN 9500 Lot 51175 1 April 2097 77 years remaining

H.S(D) 233143 Lot PT 891 14 August 2105 85 years remaining

All in Bandar Sunway, Daerah Petaling, Negeri Selangor

#### **Tenure**

99 years

#### **Encumbrance**

Charged to Public Investment Bank Berhad

#### **Year of Completion** Phase 1 in 1997

Phase 2 in 2007

#### Age of Building

Phase 1: 23 years Phase 2: 13 years

# Appraised value (RM million)

#### **Date of latest valuation**

June 2020

#### **SUNWAY CARNIVAL** SHOPPING MALL

#### Location

Penang

#### **Date of Acquisition**

8 July 2010/ 27 December 2016<sup>1</sup>

# **Acquisition price (RM million)**

#### Title, expiry date & years remaining

PN 1816 Lot 5497 21 October 2092 72 years remaining

PN 1817 Lot 5498 21 October 2092 72 years remaining

PN 1818 Lot 5499 21 October 2092 72 years remaining

PN 1814 Lot 54931 21 October 2092 72 years remaining

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

#### Tenure

99 years

#### **Encumbrance**

Charged to Affin Hwang Investment Bank Berhad (excluding land for expansion)

#### **Year of Completion**

2007/N/A1

#### Age of Building

13 years

#### Appraised value (RM million) 393/1042

# Date of latest valuation

#### June 2020

#### Land for expansion of Sunway Carnival Shopping Mall Based on land and property development cost as at 30 June 2020

#### **SUNCITY IPOH HYPERMARKET**

#### Location

Perak

#### **Date of Acquisition**

8 July 2010

# Acquisition price (RM million)

#### Title, expiry date & years remaining

PN 258216 Lot 331232 22 February 2100 80 years remaining

Mukim Hulu Kinta, Daerah Kinta. Negeri Perak

## Tenure

99 years

#### **Encumbrance**

Charged to Public Investment Bank Berhad

# **Year of Completion**

#### Age of Building 15 years

# Appraised value (RM million)

#### Date of latest valuation June 2020

#### **SUNWAY PUTRA MALL**

#### Location

Kuala Lumpur

#### **Date of Acquisition** 19 April 2011

# Acquisition price (RM million)

#### Title, expiry date & years remaining

Geran 10012, Lot 38, Seksyen 51 Kuala Lumpur, Wilayah Perseketuan

#### Tenure

Freehold

#### **Encumbrance**

- i) Charged to Public Investment Bank Berhad
- ii) Lienholder's caveat by Public Investment Bank Berhad
- iii) 30 years lease to Tenaga Nasional Berhad expiring 4 April 2047

# **Year of Completion**

1988 (Refurbished in 2015)

#### Age of Building 32 years

Appraised value (RM million)

**Date of latest valuation** June 2020

#### **SUNWAY RESORT** HOTEL

#### Location

Selangor

#### **Date of Acquisition**

8 July 2010

# Acquisition price (RM million)

#### Title, expiry date & years remaining

PN 9492 Lot 35 1 April 2097 77 years remaining

PN 9498 Lot 51173 1 April 2097 77 years remaining

All in Bandar Sunway. Daerah Petaling, Negeri Selangor

#### Tenure 99 years

**Encumbrance** 

#### i) Charged to Public Investment Bank Berhad

ii) 10 years lease to Sunway Resort Hotel Sdn Bhd expiring 7 July 2020 (renewed to 7 July 2030 lease pending registration)

#### **Year of Completion**

Sunway Resort Hotel in 1997 Three Villas in 2004

#### Age of Building

Sunway Resort Hotel: 23 years Three Villas: 16 years

# Appraised value (RM million)

**Date of latest valuation** June 2020

#### **SUNWAY PYRAMID HOTEL**

#### Location Selangor

**Date of Acquisition** 

#### 8 July 2010

Acquisition price (RM million)

#### Title, expiry date & years remaining PN 17415/M1/1/1

Lot 62060 21 February 2102 82 years remaining

Bandar Sunway, Daerah Petaling. Negeri Selangor

#### **Tenure** 99 years

#### Encumbrance i) Charged to Public

Investment Bank Berhad ii) 10 years lease to Sunway Resort Hotel Sdn Bhd expiring 7 July 2020 (renewed to 7 July 2030 lease pending registration)

#### **Year of Completion** 2004 (Refurbished in 2016)

Age of Building 16 years

# Appraised value (RM million)

Date of latest valuation June 2020

#### **SUNWAY CLIO PROPERTY**

#### Location Selangor

#### **Date of Acquisition** 9 February 2018

# Acquisition price (RM million)

# Title, expiry date & years

remaining HSD 259881 Lot No. PT1333 16 November 2108 88 years remaining

Bandar Sunway, Daerah Petaling. Negeri Selangor

#### Tenure 99 years

#### **Encumbrance** i) Charged to Public Investment Bank Berhad

ii) 10 years lease to Sunway Resort Hotel Sdn Bhd expiring 9 February 2028

#### **Year of Completion** 2016

Age of Building 4 years

# Date of latest valuation

Appraised value (RM million)

June 2020

#### **SUNWAY HOTEL SEBERANG JAYA**

#### Location

Penang

#### **Date of Acquisition**

8 July 2010

## Acquisition price (RM million)

#### Title, expiry date & years remaining

PN 2602 Lot 5785 21 October 2092 72 years remaining

#### Daerah Seberang Perai Tengah, Negeri Pulau Pinang

Mukim 1,

**Tenure** 

99 years

#### **Encumbrance** i) Charged to Affin Hwang

Investment Bank Berhad ii) 10 years lease to Sunway Hotel (Seberang Jaya) Sdn Bhd expiring 7 July 2020 (renewed to 7 July 2030 - lease pending registration)

iii) 30 years lease to Tenaga Nasional Berhad expiring 15 March 2028

#### **Year of Completion** 1998 (Refurbished in 2013)

Age of Building 22 years

# Appraised value (RM million)

13

Date of latest valuation June 2020

15

**PROPERTY DETAILS** 

#### PROPERTY DETAILS

Hotel Office Services Industrial & Others **SUNWAY PUTRA SUNWAY HOTEL MENARA SUNWAY SUNWAY TOWER SUNWAY PUTRA WISMA SUNWAY SUNWAY SUNWAY REIT SUNWAY HOTEL GEORGETOWN TOWER MEDICAL CENTRE UNIVERSITY & INDUSTRIAL** -(TOWER A & B) **COLLEGE CAMPUS SHAH ALAM 1** Location Location Location Location Location Location Location Location Location Selangor Kuala Lumpur Kuala Lumpur Penang Kuala Lumpur Selangor Selangor Selangor Selangor **Date of Acquisition Date of Acquisition** 8 July 2010 8 July 2010 19 April 2011 28 January 2015 19 April 2011 23 March 2015 31 December 2012 15 April 2019 1 August 2017 Acquisition price (RM million) Acquisition price (RM million) Acquisition price (RM million) **Acquisition price (RM million) Acquisition price Acquisition price Acquisition price Acquisition price Acquisition price** (RM million) (RM million) (RM million) (RM million) (RM million) 310 550 91.5 Title, expiry date & years remaining remaining remaining remaining Title, expiry date & PN 17105 Lot 61760 Geran 45110, Lot 55, Geran 10012, Lot 38, GRN 63519 Lot No. 2220 years remaining years remaining years remaining years remaining years remaining 1 April 2097 Seksyen 45 Seksyen 51 Geran 10012, Lot 38, Strata Title HS(D) 118326 Lot No. PN 12549 Lot 38160 HS(D) 132499, PT65 GRN 35332 Lot No. 1754 77 years remaining - PN 21876/M1/B1/1 Seksyen 51 PT 1905 1 April 2097 30 May 2098 PN 21876/M1/1/3 Kuala Lumpur, Kuala Lumpur, 1 April 2097 77 years remaining 78 years remaining Seksyen 12, Bandar PN 21876/M1/N1/4 Bandar Sunway, Wilayah Perseketuan Wilayah Perseketuan Kuala Lumpur, 77 years remaining Georgetown Daerah Timor Laut PN 21876/M1/N1/5 PN 12550 Lot 45 Daerah Petaling, Wilayah Perseketuan Seksyen 23, Shah Alam, Pulau Pinang PN 21876/M1/2/6 HS(D) 118325 Lot No. Negeri Selangor 1 April 2097 **Tenure** Tenure Daerah Petaling, PN 21876/M1/8/7 PT 1904 Freehold 77 years remaining Freehold Tenure Negeri Selangor PN 21876/M1/9/8 1 April 2097 Tenure Tenure Freehold PN 21876/M1/10/9 77 years remaining Freehold All in Bandar Sunway, 99 years **Encumbrance Encumbrance** PN 21876/M1/11/10 Tenure Daerah Petaling, i) Charged to Public HS(D) 118332 Lot No. i) Charged to Public **Encumbrance** PN 21876/M1/12/11 99 years **Encumbrance Encumbrance** Investment Bank Berhad Negeri Selangor PT 28 Investment Bank Berhad Charged to Public PN 21876/M1/13/12 i) 10 years lease to Sunway Charged to Public Investment PN 21876/M1/14/13 1 April 2097 ii) Lienholder's caveat by ii) Lienholder's caveat by Investment Bank **Encumbrance** Biz Hotel Sdn Bhd expiring PN 21876/M1/15/14 Bank Berhad Public Investment Bank Tenure 77 years remaining Public Investment Bank Berhad i) Charged to Public 27 January 2025 PN 21876/M1/16/15 Berhad ii) Lienholder's 99 years Rerhad Investment Bank ii) 30 years lease to Tenaga PN 21876/M1/17/16 All in Bandar Sunway, **Year of Completion** iii) 30 years lease to Tenaga iii) 30 years lease to Tenaga caveat by Public Berhad Nasional Berhad expiring Daerah Petaling, 74 years remaining 1994 Nasional Berhad expiring **Encumbrance** Nasional Berhad expiring Investment Bank ii) Leased to 14 February 2024 Negeri Selangor 14 January 2023 i) Charged to Public 4 April 2047 Berhad DCH Contract (excluding GRN 35332 All situated on Parent Age of Building Investment Bank iii) 30 years lease to Manufacturing Lot No. 1754) Lot No. 517 Bandar **Tenure Year of Completion** Berhad 26 years **Year of Completion** Tenaga Nasional Sdn Bhd expiring Shah Alam, Daerah 99 years 1996 (Refurbished in 2009) ii) 10 years lease to 1993 (Refurbished in 2015) Berhad expiring 31 December 2034 Year of Completion Petaling, Selangor Darul Appraised value (RM million) Sunway Medical 4 April 2047 1994 (Refurbished in 2013) Ehsan **Encumbrance** Age of Building Centre Sdn Bhd Age of Building **Year of Completion** Charged to Public 24 years expiring **Year of Completion** 27 years Phase 1: 1993 Age of Building Investment Bank Berhad Tenure 30 December 2022 Date of latest valuation 1993 Phase 2: 2010 26 years 99 years June 2020 Appraised value (RM million) Appraised value (RM million) (Refurbished in 2015) **Year of Completion Year of Completion** Age of Building Appraised value (RM million) **Encumbrance** Phase 1 Phase 1: 2001 **Age of Building** Phase 1: 27 years (South Building, Hostel Charged to Public Phase 2: 2009 Date of latest valuation Date of latest valuation 27 years Phase 2: 10 years Investment Bank Berhad and North Building): June 2020 June 2020 Date of latest valuation 1993 and 1996 Age of Building **Appraised value** Appraised value June 2020 Phase 2 (New University **Year of Completion** Phase 1: 19 years (RM million) (RM million) 1997 Block): 2015 Phase 2: 11 years 133 (Refurbished in 2013) Age of Building Appraised value **Date of latest Date of latest** Age of Building Phase 1: (RM million) valuation valuation 24 years and 27 years 23 years 348 June 2020 June 2020 Phase 2: 5 years **Appraised value** Date of latest (RM million) Appraised value valuation (RM million) June 2020 560 Date of latest Date of latest

14 SUNWAY REIT INTEGRATED REPORT 2020

**valuation** June 2020

**valuation** June 2020

# PROPERTY DETAILS PROPERTY DETAILS

#### **HOTEL MASTER LEASES**

# SUNWAY RESORT HOTEL SUNWAY PYRAMID HOTEL

#### **Master Lessee**

Sunway Resort Hotel Sdn Bhd

#### Duration

10 years from 8 July 2020 with an option to renew for another 10 years  $\,$ 

#### Rent

90% of Gross Operating Profit ("GOP")

#### **SUNWAY CLIO HOTEL**

#### **Master Lessee**

Sunway Resort Hotel Sdn Bhd

#### Duration

10 years from 10 February 2018 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 Clio Hotel consists of RM10.9 million for Year 1 and Year 2 and RM8.2 million for each of the financial years for the remaining 10-year term.

#### **SUNWAY HOTEL SEBERANG JAYA**

#### Master Lessee

Sunway Hotel (Seberang Jaya) Sdn Bhd

#### Duration

10 years from 8 July 2020 with an option to renew for another 10 years

#### Rent

90% of GOP

#### **SUNWAY HOTEL GEORGETOWN**

#### **Master Lessee**

Sunway Biz Hotel Sdn Bhd

#### **Duration**

10 years from 28 January 2015 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 Georgetown consists of RM4.4 million for Year 1 and Year 2 and RM3.3 million for each of the financial years for the remaining 10-year term.

#### **SUNWAY PUTRA HOTEL**

#### **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 3<sup>rd</sup> and 4<sup>th</sup> Fiscal Year respectively and were made in light of the major refurbishment adjourning Sunway Putra Mall which was expected to adversely affect the business of Sunway Putra Hotel.

- The total rent payable to 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 (3<sup>rd</sup> Fiscal Year) and further extended for another financial year commencing 1 July 2014 to 30 June 2015 (4<sup>th</sup> Fiscal Year). As such, guaranteed rent stated in the Master Lease shall not apply to both the 3<sup>rd</sup> and 4<sup>th</sup> Fiscal Years.
- If the variable rent calculated is less than the Guaranteed Rent for the 3<sup>rd</sup> and 4<sup>th</sup> 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 5<sup>th</sup> Fiscal Year until the 11<sup>th</sup> Fiscal Year.
- The differential sum for the 3<sup>rd</sup> and 4<sup>th</sup> 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 5<sup>th</sup> Fiscal Year until the 11<sup>th</sup> Fiscal Year as follows:

Fiscal Year	Guaranteed Rent (RM)	Adjustment (RM)
5 <sup>th</sup>	9,067,084	-
6 <sup>th</sup>	9,067,084	871,623
$7^{th}$ - $10^{th}$	9,067,084	1,743,246
11 <sup>th</sup>	2,266,771	871,623

#### **HOSPITAL MASTER LEASE**

#### **SUNWAY MEDICAL CENTRE (TOWER A & B)**

#### **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 upli

At each rent review date, the rent shall increase by 3.5% per annum until the remaining of the first term.

#### **Rental basis**

Triple-net lease

#### **EDUCATION MASTER LEASE**

#### **SUNWAY UNIVERSITY & COLLEGE CAMPUS**

#### Master Lessee

Sunway Education Group Sdn. Bhd. ("SEG") and/or its relevant subsidiaries

#### Duration

30 years from 1 December 2018 with an option to renew for a second term of 30 years (at the expiry if the first term) and a third term of 18 years and 4 months up to 31 March 2095 (at the expiry of the second term).

#### Renta

RM34.2 million per annum for the 1st year

#### **Rental uplift**

2.3% per annum for each subsequent year for the initial 30-year term

#### Rental basis

Triple-net lease

#### **INDUSTRIAL MASTER LEASE**

#### **SUNWAY REIT INDUSTRIAL - SHAH ALAM 1**

#### **Master Lessee**

DCH Contract Manufacturing Sdn Bhd

#### **Duration**

Initial term - expires 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 upli

The rent is subject to review every 3 years and the next review date shall be 1 January 2022. 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

#### **MESSAGE FROM THE CHAIRMAN**

# **MESSAGE FROM THE CHAIRMAN**

GRI 102-14

4

# DEAR VALUED STAKEHOLDERS,

IT IS WITH GREAT PRIDE THAT I PRESENT TO YOU SUNWAY REIT'S INTEGRATED REPORT IN CONJUNCTION WITH ITS 10<sup>TH</sup> ANNIVERSARY. WE HAVE ACHIEVED A PLETHORA OF MILESTONES OVER THE PAST 10 YEARS; MORE THAN DOUBLING OUR ASSETS, ANNOUNCING OUR 10<sup>TH</sup> PROPERTY ACQUISITION AND GROWTH IN PORTFOLIO VALUE OF OVER 130%. I AM HONOURED TO BE ABLE TO PARTICIPATE IN THIS JOURNEY OF VALUE CREATION. I LOOK FORWARD TO THE OUTCOMES OF THE TRANSCEND 2025 STRATEGIC ROADMAPTHAT IS NOW FIRMLY IN PLACE.





#### **NAVIGATING A CHALLENGING EXTERNAL ENVIRONMENT**

Financial Year 2020 (FY2020) has presented two completely different stories as reasonably strong global and domestic economic growth in 2019 rapidly turned into a health-crisis-led economic malaise in 2020 due to the COVID-19 pandemic. On the global front, year-on-year economic growth of 2.9% in 2019 has been extinguished as major economies experienced contractions in the first half of 2020, due to the widespread disruption to businesses caused by movement restrictions instituted to slow the spread of the virus.

In Malaysia, the impact has been significant on businesses across different industries including Malaysian Real Estate Investment Trusts (M-REITs). This has been especially apparent in the hotel and retail segments due to the movement restrictions which have only recently been eased in stages.

The Malaysian economy, which moderated to 4.3% y-o-y in 2019, narrowly avoided a recession in 1Q 2020 with a mild 0.7% y-o-y growth, though 2Q 2020 saw a contraction of 17.1% due to

the imposition of MCO, CMCO and RMCO measues to control, manage and reduce the spread of COVID-19. In tandem with the movement restrictions, the Government has also implemented multiple stimulus packages worth RM295 billion to revive the economy, while Bank Negara Malaysia (BNM) slashed Overnight Policy Rate (OPR) by 125 bps to a record low of 1.75% in July 2020 to support a more sustained recovery. This move has been in line with the US Federal Reserve's (Fed) emergency cuts in March 2020 and further indications that it would keep rates at near-zero levels for the foreseeable future.

In terms of M-REITs, trading performance was relatively stable during the first half of the financial year with averaging yields of between 6.1 to 6.4%. However, the COVID-19 pandemic began to take hold around the world in early 2020 and triggered a massive selldown in equities globally. M-REITs were not spared with prices falling following the announcement that an MCO would be implemented. Trading performance has since rebounded and the average distribution yield has stabilised at 6.4% in June 2020.

IN TIMES OF
UNCERTAINTIES,
SUNWAY REIT
HAS ESTABLISHED
PROGRAMMES
TO SUPPORT OUR
STAKEHOLDERS IN
ORDER FOR ALL TO
EMERGE STRONGER
TOGETHER.

DISTRIBUTION YIELD

4.5%

(FY2019: 5.1%)

DISTRIBUTION PER UNIT (DPU)

7.33 ser

#### **PERFORMANCE OVERVIEW**

With the ongoing pandemic, uncertainty in the market has persisted, and many businesses have been materially affected. For Sunway REIT, the impact on the retail and hotel segments were keenly felt as consumers were not able to visit malls and borders were closed to international tourists. As such, the Manager has introduced relief measures such as rental support, marketing and promotional initiatives to ensure our tenants are able to recover strongly and for Sunway REIT to continue building resilience via its diversification strategy.

On behalf of the Board, I would like to share that Sunway REIT's Distribution per Unit (DPU) in FY2020 was 7.33 sen compared to 9.59 sen in FY2019. Distribution yield was compressed to 4.5% in FY2020 compared to 5.1% in FY2019 due to the pullback in the business of the retail and hotel segments resulting from disruptions caused by COVID-19 pandemic and movement restrictions initiated by the Government to break the infection chain. The impact of the COVID-19 pandemic also impacted total return in FY2020 on the back of lower DPU and retracement in unit price, reflecting investors' cautious sentiment. Sunway REIT has maintained a 100% distribution policy since IPO. In times of uncertainties, Sunway REIT has adopted a prudent strategy and revised the distribution strategy to at least 90% payout in FY2020 to provide room for cash conservation to meet its financial and operational commitments.

Property value was sustained at RM8.04 billion as at 30 June 2020 compared to RM8.05 billion as at 30 June 2019. The net asset value (NAV) per unit attributable to unitholders decreased slightly to RM1.4804 from RM1.4905.

#### TRANSCENDING TOWARDS OUR GOALS

Even as the current headwinds persist, Sunway REIT is committed to achieving our goals and aspirations. We are also taking the initiative to explore new opportunities which have been brought about by the disruption from COVID-19, as both consumers and companies readjust their behaviours and business models to adapt to the "new normal" that features convenience, health and safety as top priorities.

With the **TRANSCEND 2025** strategy, we are determined to:

Become the leading diversified REIT in Malaysi

Grow property value to RM13 - 15 billion

Boost Services and Industrial & Others segments from 15% to 25% of Total Asset Value

At the same time, we will continue to safeguard the sustainability of our existing assets to ensure the long-term fundamentals of our portfolio remains robust. The current low interest rate regime will be supportive of potential fund-raising exercises to aid our asset enhancement initiatives (AEIs) and acquisition endeavours.

#### MESSAGE FROM THE CHAIRMAN

#### MESSAGE FROM THE CHAIRMAN

#### STRENGTHENING GOVERNANCE

Sunway REIT upholds a high level of corporate governance and continues to benchmark against international best practices. This year, Sunway REIT has undertaken a thorough review process which involved an update to the existing Policy Manual to reflect improved practices and efficient system of procedures required by the Malaysian Code on Corporate Governance (MCCG) 2017, the Securities Commission's Guidelines for Listed REIT and Bursa Malaysia's Main Market Listing Requirements (MMLR).

In our effort to strengthen the governance of risk management, Sunway REIT has enhanced the Terms of References (TOR) of the Risk Management Committee (RMC) by incorporating anti-corruption policy and procedure requirements, with a greater emphasis on anti-corruption in the annual risk assessment of Sunway REIT. In addition, Sunway REIT continues to make a voluntary disclosure in the Corporate Governance Report in FY2020, a practice which started in FY2019.

Looking ahead towards FY2021, Sunway REIT has commenced work to implement additional best governance practices with continuous improvement on disclosure and dissemination of information to stakeholders. In order to achieve an efficient anti-corruption system, we will embark on the provision of training and education to employees, vendors and suppliers to equip them with the relevant

knowledge associated with anti-bribery, anti-corruption and antimoney laundering.

In the era of the "new normal" coupled with the increasing trend of virtual meetings, Sunway REIT will introduce voting in absentia and remote participation by unitholders in the upcoming unitholders meeting.

#### **EMBRACING SUSTAINABILITY**

Our journey in sustainability has now progressed into its fifth year and has certainly been meaningful and rewarding as we continue to strive to meet and exceed industry standards. Over the years, we have constantly evaluated our key material priorities as identified by our stakeholders and aligned these priorities to our sustainability focus areas. The Sustainability Working Group reviews ongoing sustainability projects against our achievements and further reassesses the feasibility of these initiatives. This periodic review and reassessment process enables Sunway REIT to focus on material and long-term sustainability projects that are most relevant to our industry and stakeholders. Notwithstanding this, we have benchmarked Sunway REIT's material factors against our peers in meeting the expectations of industry standards. This year, we have also formalised a set of key performance indicators (KPIs) to ensure the continuity of the sustainability priorities of Sunway REIT and Sunway Group.

Smart and Sustainable Properties

Combating climate change and managing environmental footprint

Sustainability KPIs

Promoting diverse, inclusive and independent governance practices

For more information, please refer to the Sustainability Statement for the full list of KPIs.

#### **AWARDS**

Sunway REIT's continuous push for excellence in all our efforts has been recognised by local and international award organisations. We are humbled by these awards and we attribute these honours to our stakeholders for their unwavering trust and support for Sunway REIT.

For the financial year under review, we made further progress in the areas of business acumen, innovation, best practices in corporate governance, transparency in disclosures and Environment, Social and Governance (ESG) endeavours.

In 2019, Sunway REIT clinched the internationally recognised The Asset ESG corporate award for the second consecutive year in three categories - The Asset ESG Award (Gold), The Asset Best Investor Relations Team Award and The Best Environmental Responsibility Award, which was in commendation of our newly launched Compost, Plant, Reuse (CPR) Project. The CPR project is a long-term commitment by Sunway REIT in our waste management process which reduces our carbon footprint through the conversion of food waste into compost.



The Asset Corporate Award 2019

# Gold Award for Environmental, Social and Governance

Sunway REIT maintains a highly transparent reporting culture as we believe that communication is the key to trust. We are humbled to receive a Merit recognition by the National Annual Corporate Report Awards (NACRA) in 2019 for our efforts in integrated reporting. This award was testament to Sunway REIT's drive to continuously raise the standards of corporate reporting. In the current context where we are operating in a challenging and uncertain environment, we are committed to transparent reporting and communication as the basis for the sustained confidence among our investors and stakeholders.

#### **OUTLOOK AND PROSPECTS**

The global economy is certainly headed for a contraction in 2020, as the impact from the various movement restrictions to stem the COVID-19 outbreak continues to take a toll. While a majority of nations have potentially seen the worst, they are also on guard for possible second and third waves of infections. The International

Monetary Fund (IMF), has revised the global growth projection to a contraction of 4.9% in 2020, after incorporating the complex implications arising from persistent social distancing and lockdowns. While the relaxation in economic and social activities are happening in some countries and cross-border mobility is eventually expected to resume, the strength and speed of the recovery still remains unknown as households and businesses undertake a precautionary spending approach.

Global growth is however projected to rebound to 5.4% in 2021, alongside the strengthening of consumption and investment activities. Downside risks to the recovery remain elevated with nations remaining vulnerable to a resurgence of the pandemic, which may necessitate the reactivation of containment measures.

BNM projected the Malaysian economy to register growth of between -5.5% to -3.5% in 2020, before rebounding to between 5.5% to 8.0% in 2021. The outlook for Malaysia's inflation in 2020 is also likely to be negative between -1.5% to 0.5% on the back of moderating growth, soft employment prospects and substantially lower crude oil prices. Led by a decline in major non-food components, the Consumer Price Index (CPI) slipped by 1.9% in June 2020, which brings YTD 6M CPI to -0.8%.

Given the above factors, Sunway REIT will be paying close attention to any new developments, while also undertaking appropriate measures to ensure we can continue to achieve long-term value creation for our stakeholders.

#### **ACKNOWLEDGEMENTS**

On behalf of the Board, I would like to extend my sincere appreciation to the management, employees and members of the Board for holding steadfast during these challenging times. As we mark our 10<sup>th</sup> anniversary, it is also time to give ourselves a moment's respite to reflect on all that we have achieved for our unitholders. I am humbled by what we have achieved and look forward to even greater milestones through continued hard work, determination and commitment.

I would also like to extend our gratitude to all our stakeholders, who have enabled much of what we have achieved. Appreciation goes out to our unitholders, trustee, property manager, business unit management teams, business partners, fellow analysts, the investment community and members of the press for their continuous support and trust in Sunway REIT.

Yours sincerely, **Tan Sri Ahmad Bin Mohd Don**Chairman

#### LETTER FROM THE CEO

# **LETTER FROM THE CEO**

GRI 102-14

"

# DEAR VALUED STAKEHOLDERS,

THIS FINANCIAL YEAR MARKS SUNWAY REIT'S 10<sup>™</sup> ANNIVERSARY SINCE LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD IN JULY 2010. OVER THE PAST DECADE, SUNWAY REIT HAS MORE THAN DOUBLED ITS ASSET PORTFOLIO, BOTH IN TERMS OF NUMBER OF ASSETS AND PROPERTY **VALUE VIA A ROBUST GROWTH STRATEGY** THROUGH ACQUISITIONS AND ACTIVE AEIs. UNITHOLDERS WHO HAVE STEADFASTLY SUPPORTED US SINCE THE BEGINNING OF OUR JOURNEY HAVE ENJOYED UP TO 180% IN TOTAL RETURN ON THEIR INVESTMENT AS OF 30 JUNE 2020, WHICH IS EFFECTIVELY A 10.8% COMPOUNDED AVERAGE GROWTH RATE.

77



However, as I pen this message to you, the world is still grappling with the effects of an unprecedented health crisis that has severely affected economies around the world. The COVID-19 pandemic has disrupted life as we know it and while there appears to be signs that some parts of the world are turning the corner, the downside risks are still present, in the form of fresh outbreaks that will reduce the strength of any economic recovery.

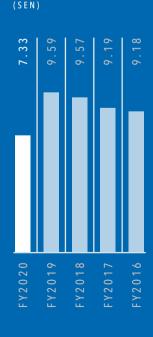
Sunway REIT has certainly been impacted by this black swan event, and while we have taken steps to mitigate the effects on our financial performance - the unpredictable nature of the current state of affairs will continue to have a lingering effect on the industry and our business for the foreseeable future. In this message, I will discuss further about our financial results, how we engaged our stakeholders throughout these challenging times and the strategies we are employing in order to emerge stronger from this crisis.



4.0% y-o-y

NET PROPERTY INCOME (NPI) CONTRACTED BY

5.2
%y-o-y
to RM416.8 million



DISTRIBUTION PER UNIT

#### FINANCIAL RESULTS

After a 9<sup>th</sup> consecutive year of uninterrupted growth in distribution per unit (DPU) in FY2019, Sunway REIT was well-positioned to record further growth. However, the COVID-19 pandemic led to lockdowns in affected countries to slow the outbreak, and in Malaysia, the various stages of Movement Control Orders (MCO) implemented by the Government meant that businesses had to close, adversely affecting Sunway REIT's financial performance towards the end of FY2020, and reversing Sunway REIT's record growth in revenue in FY2020.

For the financial year ended 30 June 2020, revenue eased by 4.0% y-o-y to RM556.9 million with a corresponding contraction in net property income (NPI) of 5.2% y-o-y to RM416.8 million. The softer set of financial results was mainly due to the outsized effect that the MCO had on the retail and hotel segments, while other segments in Sunway REIT's asset portfolio were relatively unaffected by the movement restrictions.

#### INDICES REPRESENTATION TO EXPAND INVESTORS BASE

Sunway REIT is comprehensively represented in established indices which bodes well for expanding investors base. We are pleased that Sunway REIT has continued to attract and grow its investors base over the years. For the financial year ended 30 June 2020, the number of unitholders have increased by 48% with more than 19,000 unitholders as at 30 June 2020. We believe that this may be attributable to our robust investor engagement programme coupled with transparent communication.

Sunway REIT is a component of the following indices:

- FTSE Bursa Malaysia Mid 70 Index
- FTSE Bursa Malaysia Top 100 Index
- FTSE Bursa Malaysia Emas Index
- Bursa Malaysia REIT Index
- FTSE ASEAN All-Share Index
- FTSE ASEAN All-Share ex Developed Index
- FTSE ASEAN Malaysia Index
- FTSE4Good Bursa Malaysia Index
- GPR APREA Composite REI Index - Malaysia
- FTSE EPRA NAREIT Global REIT Index
- FTSE EPRA NAREIT Global Index
- FTSE EPRA NAREIT Asia ex Japan
- FTSE EPRA NAREIT Asia Pacific IndexFTSE EPRA NAREIT Emerging REIT Index
- MSCI Malaysia Small Cap Index

#### LETTER FROM THE CEO





## **EMERGING STRONGER FROM CRISIS**

As we move further along through 2020, it is clear that uncertainty will persist while consumer demand and sentiment will continue to be dampened as long as the pandemic is not completely stamped out. While the Manager has acknowledged a "new norm" where safety and social distancing are key priorities, we continue to look at ways to bolster the recovery process by ensuring the sustainability of our stakeholders as it is imperative that their businesses remain viable during this difficult time. In this context, we moved quickly and decisively to support our business partners, while also looking at how we can leverage our strengths to thrive in a post-COVID-19 world.

#### Strengthening the Recovery

After the first MCO was announced in March 2020, we established a rental support programme to assist affected tenants and lessees during this challenging period. The Manager believes in a mutually supportive partnership with our tenants for the longevity and sustainability of the business relationship. This strategy also aids in defending occupancy in the near term and paves the way for recovery in the medium term, which will help us maintain a higher retention rate for our assets.

In addition, we invested in marketing support initiatives and implemented COVID-19 standard operating procedures (SOPs) to help drive traffic back into our malls. The COVID-19 pandemic was also the catalyst for greater adoption of digital technology especially e-commerce. Our malls responded quickly by encouraging tenants to participate in our online marketplace and to use our dedicated Collection Drive-Thru Station, which enables customers to pick up their orders they made online, underscoring our commitment to convenience and safety of our customers and tenants.

#### The Way Forward

Sunway REIT will continue to capitalise on opportunities that present the best value-add, including AEIs, acquisition of yield-accretive assets and opportunistic buys of high-potential properties.

To ensure that we are ever-ready for recovery and growth, we have actively reduced, cancelled or deferred non-essential operational and capital spending to contain costs and conserve cash, while strengthening the balance sheet via continued prudent and proactive capital management.

#### **OUR STRATEGIC APPROACH**

**TRANSCEND 2025** is the extension of our Strategic Direction 2020, and in spite of the headwinds and challenges in the current year, we remain determined to achieve the goals and aspirations of portfolio growth, resilience and diversification over the next 5 years.

We will use this period of slower economic activity to selectively expand and enhance certain properties in our portfolio, thus placing us on a stronger footing post-COVID-19. For example, we plan to undertake phased refurbishment of Sunway Resort Hotel in the coming financial year considering that there is sufficient room capacity in Sunway Pyramid Hotel and Sunway Clio Hotel to cater for the subdued domestic demand.

We have also proposed to acquire The Pinnacle Sunway, a 24-storey Grade A office building with MSC status and GBI certification, strategically located within the integrated township of Sunway City. The proposed yield-accretive acquisition is expected to enhance our business synergies within the Sunway City eco-system while boosting property value to RM8.5 billion - reinforcing our position as the second largest listed REIT in Malaysia by property value.

In terms of diversification, we will boost our efforts in the Services and Industrial & Others segments, specifically in the areas of e-commerce, logistics, warehousing, healthcare, education and data centres. These assets may help cushion the potential impact from future economic downturns, given the relatively cyclical nature of retail, hotel and office segments.

We have also taken the initiative to study emerging businesses, including the potential for providing value-added services such as integrated warehousing and last-mile delivery for retail tenants and repositioning our conventional full-service hotels to a rooms-only business model. For our offices, we are also studying upcoming trends in flexible workspaces and co-living to support the new wave of professional-based companies and startups.

Backed by our Sponsor and Sunway Group's extensive business capabilities, we believe that Sunway REIT enjoys unique competitive advantages, such as the capability to finance and conduct large scale AEIs and property development activities (including Built-to-Suit assets), and the potential to selectively acquire strategic Sponsor assets in centrally located, vibrant and synergistic townships with sizeable population catchments across the country, from Penang to Perak and Selangor to Johor.

#### **CONTRIBUTION TO INDUSTRY DEVELOPMENT**

Over the years, Sunway REIT strives to achieve new milestones for the sustainable development of the Malaysian REIT (M-REITs) industry.

Through active participation and representation in the Malaysian REIT Managers Association (MRMA), we have spearheaded various new initiatives in 2019-2020. In October 2019, MRMA, in collaboration with the Asia Pacific Real Estate Association (APREA), successfully organised the inaugural Malaysia REIT Forum 2019. The forum, being the largest REIT conference in Malaysia thus far, successfully congregated a total of 300 renowned global thought leaders, regional REIT industry specialists, international institutional investors, regulators and distinguished speakers.



In view of the unprecedented and challenging economic situation following COVID-19, MRMA coordinated the appeals from all members for much-needed support and relief measures. As the representative industry body for M-REITs, the MRMA presented the proposals to the Economic Action Council (EAC) and was encouraged that some of the proposals would be accorded due consideration. We are optimistic that the collective commitment by all members would drive towards the betterment of the M-REITs industry and capital market in Malaysia.

#### **OUTLOOK & PROSPECTS**

We remain cautious on the outlook for Sunway REIT in FY2021 due to the uncertainties surrounding the strength and speed of the global economic recovery. That said, in the retail segment, the Manager has seen encouraging numbers in terms of footfall in tandem with the resumption of business operations following the easing of the MCO, although we continue to remain prudent. We are cognisant that there is potential for a second wave of infection, which may further reduce business confidence, especially among retailers, and could thus affect rental collection, tenancy renewals, replacements and rent reversions.

For hotel segment, we expect to see slow recovery with continued restriction in international trade and travel. Meanwhile, we expect the office segment to remain stable going into FY2021, and for this segment's performance to be boosted following the completion of the proposed acquisition of The Pinnacle Sunway targeted by 2Q FY2021.

The Manager will continue to focus on rebuilding the retail and hotel segments which were adversely impacted by the pandemic. In line with prudent capital management strategy and the prevailing cautious sentiment, the Manager will maintain the income distribution payout of at least 90% in FY2021.

#### **ACKNOWLEDGEMENT**

In closing, I would like to express my sincere gratitude to our unitholders who have supported us throughout this 10-year journey. My deepest appreciation also goes to our Sponsor for the strong support and the Board of Directors for their guidance and wisdom. I am also heartened by the dedication and perseverance of our employees, business partners, property manager and other stakeholders during this very challenging time. It is my genuine hope that we will prevail through our combined and sustained efforts, as we build a stronger Sunway REIT for the future.

Yours sincerely, **Dato' Jeffrey Ng Tiong Lip**Chief Executive Officer

**CREATING VALUE** 

DELIVERING

EXPERIENCES

# **THROUGH INNOVATION**

Sunway

Pyramid's

**Mobile App** 

easy navigation

to more than

mobile app users

opens up

WNOVATION

COMITMOS

**SUNWAY MALLS CONTINUES TO LEAD THE WAY IN FINDING NEW AND INNOVATIVE APPROACHES TO RETAIN ITS INDUSTRY LEADING POSITION. LEVERAGING ON FORESIGHT TO STAY AHEAD OF** THE COMPETITION.

Over the past 10 years, we have used foresight to our advantage, anticipating the retail megatrends that have disrupted the retail market, such as e-commerce and online food delivery services, enabling us to deliver a world-class experience for our customers and to create value for our stakeholders. As disruptive technology intensified the fight between both traditional and online retailers for the consumers' attention. Sunway Malls became an early adopter, recognising its value early on and pairing it with an omni-channel and digital approach to provide the best customer service and experience.

Thus, Sunway Malls embraced disruptive technology, acting upon customer insights to personalise and automate customer experiences Innovative solutions were initiated. such as

#### Footfall Innovation

1

Allowed us to obtain accurate information about customer movement patterns and dwell time. With the use of Big Data and Analytics, which will help to provide key insights and drive business decisions such as cost optimisation and rationalisation.

#### **Customer Relationship** Management (CRM)

Customer journey inside and outside the mall is captured to study the key influences and factors within the retail environment that shape customer perceptions and buying behaviours to allow marketing automation.

#### **Unified Payment Terminal**

3

The future of payment would be cashless. We had moved swiftly by recruiting leading e-wallet companies such as Boost, FavePay, GrabPay, Maybank QRPay, Touch 'n Go Pay, WeChat Pay etc.

# 4

THROUGH

#### Sunway **Smart Parking**

Malaysia's largest fully unified smart parking with multi cashless payment options. This hassle-free parking uses license plate recognition solution which eases the drivers entering and exiting the car park.

#### Sunway **Online Store**

5

This is to converge online to offline during the festive season as a potential concept of innovating traditional brick and mortar retail into an online store to boost future business sustainability.

#### **Sunway Pyramid** App

Real-time In-Mall Navigation enabling shoppers to easily find the shops or services they need.

# Chatbots

7

More than

products

are on offer

through

Sunway's

Online Store

to customers

Digital engagement between customer with the bot or Live Chat with Customer Care personnel became more consistent and swift. This increases the efficiency of front-liners to offer better white glove services to achieve better overall customer experience.

of retailers across Sunway Malls are using unified payment terminals that accept cashless payment as we progress to contactless future to their queries

of emails were replaced with Chatbot where customers can get almost instant replies

In recognition of these digital transformation efforts, Sunway Malls was named the most Innovative/Integrated Shopping Centre by the Malaysian Tourism Awards 2014/2015 and clinched the Gold Award for Best Brand Experience by the CX Asia Awards in 2019. The Sunway Pyramid Mobile App also bagged the ICSC Asia-Pacific Awards 2019; notably the Oscar award in the shopping mall industry. Looking towards the future, Sunway Malls aims to continuously improve the

overall customer journey in the mall and create an

enriching experience for all.

#### IN CONVERSATION WITH THE CFO

# IN CONVERSATION WITH THE CFO

"

AS EVERY CLOUD HAS A SILVER LINING, THERE WILL BE OPPORTUNITIES AHEAD IN EVERY CRISIS TO PREPARE US BETTER TO MITIGATE THE NEXT EVENT. MAINTAINING TRUST AND CONFIDENCE DURING A CRISIS IS THE MOSTAPPROPRIATE PATH TO **RECOVERY AFTER A CRISIS.** 

77

**DRIVER OF LONG-TERM VALUE CREATION** 

**ACTIVE CAPITAL MANAGEMENT TO ACHIEVE STABLE RETURN** 

**CLEAR ASSESSMENTS OF RISKS AND OPPORTUNITIES** 

> **MANAGING A CRISIS** WITH ROBUST **RISK MANAGEMENT FRAMEWORK**

**RESILIENCY OF** THE BUSINESS MODEL

**INCREASE PORTFOLIO** STRENGTH THROUGH FURTHER **DIVERSIFICATION** 



The unprecedented impact of the COVID-19 outbreak on the global economy has led to Bank Negara Malaysia (BNM) cutting the Overnight Policy Rate (OPR) to a record low of 1.75% in July 2020. With the accommodative interest rate environment, Sunway REIT will be able to capitalise on the low interest rate through our practical capital management strategies which include a balanced debt profile of fixed and floating rates, as well as a dynamic and well-diversified financing profile. Sunway REIT has maintained its track record in achieving one of the lowest average cost of debt at 3.66% compared to other M-REITs.



For more information, please refer to Capital Management section.

The COVID-19 pandemic and the imposition of the Movement Control Order (MCO) has significantly affected the operations and business of Retail and Hotel, Sunway REIT's core segments which account for 81% of the total portfolio revenue in FY2020.

To mitigate liquidity constraints arising from this COVID-19 impact, the Manager utilised its robust risk management framework and acted swiftly to include liquidity scenario testing to address any gaps in cashflow and valuation assessments, aside from implementing prudent cash conservation measures to ensure sufficient flexibility in managing our cashflow to comfortably meet ongoing obligations and commitments. We have incorporated proactive and preemptive measures including the variation of income distribution frequency from a quarterly to semiannual basis with corresponding adjustment of income distribution payout to at least 90% of distributable income and proposed a Distribution Reinvestment Scheme (DRS) to provide additional flexibility to unitholders to receive future income distribution in cash, units or a combination of cash and units. The proposed DRS will provide unitholders with an opportunity to enhance and maximise the value of their unitholdings in Sunway REIT by investing in DRS units at a discount. The reinvestment of Income Distribution by the unitholders for DRS units will also enlarge the unit capital base of Sunway REIT and potentially improve trading liquidity of Sunway REIT units.

To improve the NPI margin which has been severely impacted by the crisis, various cost containment measures have been implemented, including the reduction, cancellation and/or deferment of non-essential operational and capital spending, renegotiation of procurement contracts and the adoption of a leaner cost structure. We are continuously monitoring the situation by working closely with our lessees, operators and property manager.



For more information, please refer to Operations Review section.

Further, to achieve the strategic objectives of TRANSCEND 2025, it is necessary to maintain an optimal gearing level to offer adequate debt headroom to fund future acquisitions, AEIs and property development activities. As such, we have recently proposed a Private Placement exercise to finance the proposed acquisition of The Pinnacle Sunway and the ongoing expansion of Sunway Carnival Shopping Mall both of which are expected to contribute positively to earnings and distribution in the coming years. Besides strengthening the financial position and capital base, the proposed Private Placement will be able to attract more local and international investors, thereby potentially enlarging the unitholders base.

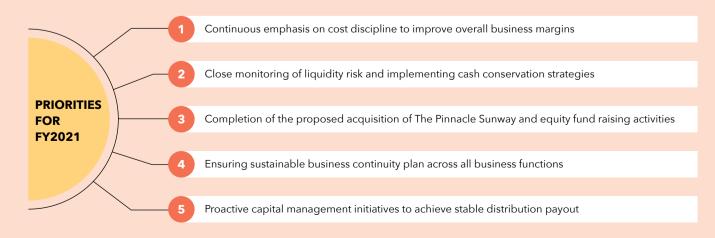
TO MITIGATE LIQUIDITY **CONSTRAINTS ARISING** FROM THIS COVID-19 **IMPACT, THE MANAGER UTILISED ITS ROBUST RISK MANAGEMENT** FRAMEWORK AND **ACTED SWIFTLY TO INCLUDE LIQUIDITY SCENARIO TESTING TO ADDRESS ANY GAPS IN CASHFLOW** AND VALUATION ASSESSMENTS.



For more information, please refer to Business Model section.

#### **EMBRACING THE NEW NORMAL**

While the future may be uncertain, we anticipate that consumer spending and business sentiment will slowly recover and will nevertheless continue to build on the strength of our diversified portfolio and expand through synergistic business collaborations.



# **FINANCIAL REVIEW**

	FY2020 RM'000	FY2019 RM'000	Change %
Gross revenue <sup>1</sup>	539,945	580,299	(7.0)
Net property income <sup>1</sup>	399,879	439,695	(9.1)
Profit for the year (realised)	248,393	286,477	(13.3)
Income available for distribution (realised)	228,902	282,886	(19.1)
EPU (realised) (sen)	7.76	9.59	(19.1)
DPU (sen)	7.33	9.59	(23.6)

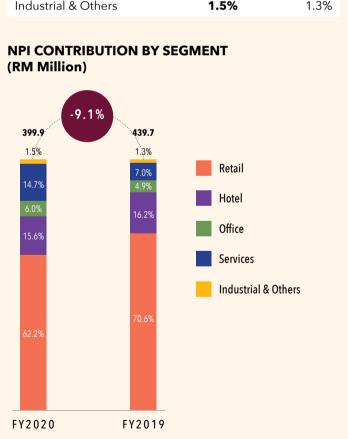
	GR	GROSS REVENUE <sup>1</sup>			NET PROPERTY INCOME <sup>1</sup>		
	FY2020 RM'000	FY2019 RM'000	Change %	FY2020 RM'000	FY2019 RM'000	Change %	
Sunway Pyramid Shopping Mall	278,982	327,936	(14.9)	204,825	256,911	(20.3)	
Sunway Carnival Shopping Mall	39,725	47,080	(15.6)	22,265	27,755	(19.8)	
Suncity Ipoh Hypermarket	3,745	4,400	(14.9)	3,423	3,884	(11.9)	
Sunway Putra Mall	42,201	47,305	(10.8)	18,025	21,903	(17.7)	
Total for Retail Segment	364,653	426,721	(14.5)	248,538	310,453	(19.9)	
Sunway Resort Hotel	19,163	20,066	(4.5)	17,455	18,581	(6.1)	
Sunway Pyramid Hotel	13,219	15,649	(15.5)	12,571	14,966	(16.0)	
Sunway Clio Property	21,092	24,024	(12.2)	18,808	20,522	(8.4)	
Sunway Hotel Seberang Jaya	2,721	3,085	(11.8)	2,553	2,909	(12.2)	
Sunway Putra Hotel	9,684	10,811	(10.4)	8,422	9,540	(11.7)	
Sunway Hotel Georgetown	2,651	4,974	(46.7)	2,448	4,798	(49.0)	
Total for Hotel Segment	68,530	78,609	(12.8)	62,257	71,316	(12.7)	
Menara Sunway	18,143	17,417	4.2	12,357	11,329	9.1	
Sunway Tower	4,396	3,024	45.4	251	(339)	>100.0	
Sunway Putra Tower	12,409	11,584	7.1	7,851	7,270	8.0	
Wisma Sunway	6,731	6,402	5.1	3,542	3,124	13.4	
Total for Office Segment	41,679	38,427	8.5	24,001	21,384	12.2	
Sunway Medical Centre (Tower A & B)	24,263	23,443	3.5	24,263	23,443	3.5	
Sunway university & college campus <sup>1</sup>	34,662	7,221	>100.0	34,662	7,221	>100.0	
Total for Services Segment	58,925	30,664	92.2	58,925	30,664	92.2	
Sunway REIT Industrial - Shah Alam 1	6,158	5,878	4.8	6,158	5,878	4.8	
Total for Industrial & Others Segment	6,158	5,878	4.8	6,158	5,878	4.8	
Total Portfolio	539,945	580,299	(7.0)	399,879	439,695	(9.1)	

The impact of the unprecedented COVID-19 pandemic has reversed Sunway REIT's record growth in revenue in FY2020 to RM539.9 million from RM580.3 million achieved in FY2019, a drop of 7.0%. In line with this, net property income (NPI) reduced by 9.1% to RM399.9 million from RM439.7 million in FY2019. Due to these external challenges, the two core segments of Sunway REIT, namely the Retail and Hotel segments, have been severely impacted but was mitigated by the performances of the Office, Services and Industrial & Others segments which recorded an improvement in overall performance mainly due to modest growth in the Office segment and full year income contribution from Sunway university & college campus.

Revenue contribution by segment			
FY2020	FY2019		
67.6%	73.5%		
12.7%	13.6%		
7.7%	6.6%		
10.9%	5.3%		
1.1%	1.0%		
	by segme FY2020 67.6% 12.7% 7.7% 10.9%		

	NPI contribution by segment		
	FY2020	FY2019	
Retail	62.2%	70.6%	
Hotel	15.6%	16.2%	
Office	6.0%	4.9%	
Services	14.7%	7.0%	
Industrial & Others	1.5%	1.3%	





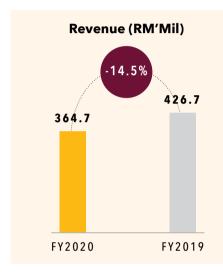
**BUSINESS REVIEW** 

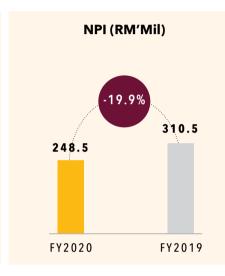
<sup>&</sup>lt;sup>1</sup> Exclude unrealised lease income (in relation to unbilled lease income receivable) for Sunway university & college campus.

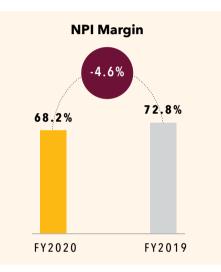
#### **FINANCIAL REVIEW**

#### **RETAIL SEGMENT**

The Retail segment remained the key contributor to revenue and NPI of Sunway REIT, contributing 67.6% (FY2019: 73.5%) and 62.2% (FY2019: 70.6%) of Sunway REIT's total revenue and NPI respectively. Revenue from the Retail segment recorded a year-on-year (y-o-y) decline of 14.5% from RM426.7 million to RM364.7 million while NPI slid 19.9% y-o-y from RM310.5 million to RM248.5 million. The decline was mainly attributable to rental support granted to tenants across all retail properties who were affected by restrictions and loss of business during the MCO, CMCO and RMCO.







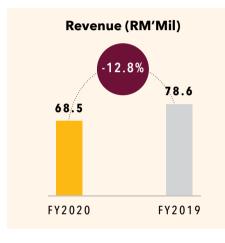
Sunway Pyramid Shopping Mall being the crown jewel of Sunway REIT, maintained its position as the major contributor with revenue and NPI contribution of 51.7% (RM279.0 million) and 51.2% (RM204.8 million), respectively. Sunway Pyramid Shopping Mall's revenue contracted by 14.9% to RM279.0 million (FY2019: RM327.9 million) while average occupancy rate of Sunway Pyramid Shopping Mall was fairly stable at 97.6% (FY2019: 98.2%), with the slight decrease attributed to the fit-out period during the year for new tenants.

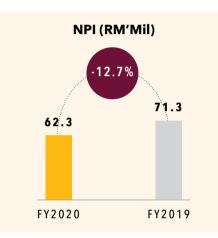
Sunway Carnival Shopping Mall's revenue slid 15.6% to RM39.7 million (FY2019: RM47.1 million) and NPI fell 19.8% to RM22.3 million (FY2019: RM27.8 million) with average occupancy rate in FY2020 closing at 95.7% (FY2019: 97.4%).

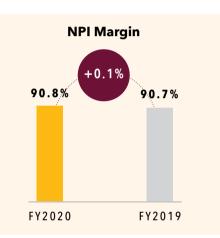
Sunway Putra Mall eased in revenue from RM47.3 million in FY2019 to RM42.2 million in FY2020 and experienced a corresponding decrease in NPI from RM21.9 million in FY2019 to RM18.0 million in FY2020. Nevertheless, the average occupancy rate experienced an increasing trend from 90.4% to 92.9% due to the ongoing tenant reconfiguration effort which began in FY2019. The Manager is of the view that if not for the COVID-19 pandemic outbreak, Sunway Putra Mall could have surpassed its previous year's result.

#### **HOTEL SEGMENT**

The Hotel segment's contribution to Sunway REIT's total revenue and NPI decreased marginally to 12.7% (FY2019: 13.6%) and 15.6% (FY2019: 16.2%) respectively. Revenue from the segment decreased by 12.8% to RM68.5 million (FY2019: RM78.6 million) while NPI also decreased by 12.7% to RM62.3 million (FY2019: RM71.3 million) due to poor demand resulting from the COVID-19 pandemic and temporary halt to operation of hotels with the imposition of MCO and CMCO, although being cushioned by the guaranteed rent under the master leases for hotel properties. As the hotel industry is one of the worst hit economic sectors, besides a drop in overall hotels performance, a partial lease rebate was granted to the respective lessees to ease their financial burden. This has resulted in a slight reduction in the guaranteed rent received, with the top-up for guaranteed rent (after rebate) amounting to RM5.1 million.







Sunway Resort Hotel registered a singledigit decline in revenue and NPI of 4.5% to RM19.2 million in FY2020 and 6.1% to RM17.5 million in FY2020 respectively. despite the average occupancy rate easing by 15.9% from 65.4% in FY2019 to 49.5% in FY2020, due to mitigating effect from the resumption in business of the grand ballroom and meeting rooms which were closed for refurbishment for 4 months in FY2019. The Manager is now seizing the opportunity to embark on phased refurbishment of Sunway Resort Hotel in FY2021 in view that Sunway REIT has sufficient capacity in Sunway City, supported by rooms inventory at Sunway Pyramid Hotel and Sunway Clio Hotel, to cater to the recovering demand of domestic travelers while cross-border restriction persists.

**Sunway Pyramid Hotel** recorded a decrease in revenue by 15.5% to RM13.2 million in FY2020 and NPI by 16.0% to RM12.6 million in FY2020. The average occupancy rate reflected lower drop of 9.4% from 68.1% in FY2019 to 58.7% in FY2020, benefiting from the use of the hotel as quarantine centre for overseas returnees during MCO and CMCO. The top-up for guaranteed rent of Sunway Resort Hotel and Sunway Pyramid Hotel amounted to RM2.7 million in FY2020.

Sunway Clio Property closed with RM21.1 million in revenue and RM18.8 million in NPI which were 12.2% and 8.4% drop respectively, after accounting for top-up for guaranteed NPI of RM8.9 million in the current financial year. The average occupancy rate saw a dip from 74.4% in FY2019 to 58.4% in FY2020. The impact was lessen with the use as quarantine centre during MCO and CMCO. The top-up for guaranteed rent of Sunway Clio Hotel, if any, is due in February 2021.

**Sunway Hotel Seberang Jaya** recorded a decrease in revenue from RM3.1 million in FY2019 to RM2.7 million in FY2020 and NPI from RM2.9 million in FY2019 to RM2.6 million in FY2020. Average occupancy rate decreased from 74.7% in FY2019 to 50.7% in FY2020. The topup for guaranteed rent of Sunway Hotel Seberang Jaya amounted to RM0.8 million in FY2020.

**Sunway Putra Hotel** recorded a decrease in revenue from RM10.8 million in FY2019 to RM9.7 million in FY2020 and NPI from RM9.5 million in FY2019 to RM8.4 million in FY2020. Average occupancy rate decreased from 62.4% in FY2019 to 48.0% in FY2020. The topup for guaranteed rent of Sunway Putra Hotel amounted to RM1.6 million in FY2020.

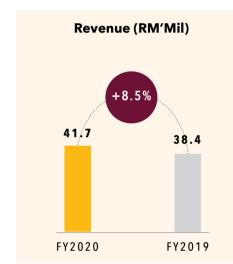
Sunway Hotel Georgetown's revenue eased from RM5.0 million in FY2019 to RM2.7 million in FY2020 while NPI decreased from RM4.8 million in FY2019 to RM2.4 million in FY2020. Average occupancy rate also fell from 84.5% in FY2019 to 52.6% in FY2020. The topup for guaranteed rent of Sunway Hotel Georgetown, if any, is due in January 2021

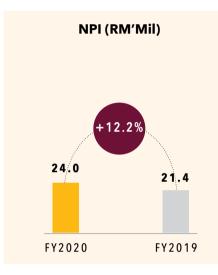
# MD&A: LEADERSHIP THAT DRIVES STRATEGIC PROGRESS

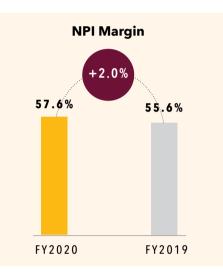
#### FINANCIAL REVIEW

#### **OFFICE SEGMENT**

Even in light of the COVID-19 pandemic, the Office segment remained resilient as contribution to the total portfolio revenue and NPI increased to 7.7% (FY2019: 6.6%) and 6.0% (FY2019: 4.9%) respectively. Total revenue improved by 8.5% from RM38.4 million in FY2019 to RM41.7 million in FY2020 while NPI increased by 12.2% from RM21.4 million in FY2019 to RM24.0 million in FY2020 following the commencement of new tenants and/or expansion of existing tenants across all office properties. Unlike the retail segment where a portion of the revenue is dependent on variable turnover rent, rental revenue from office segment is largely fixed in nature.







**Menara Sunway** continued to enjoy improved average occupancy rate of 97.3% in FY2020 (FY2019: 94.8%). Revenue increased by 4.2% to RM18.1 million (FY2019: RM17.4million) while NPI correspondingly increased by 9.1% from RM11.3 million in FY2019 to RM12.4 million in FY2020.

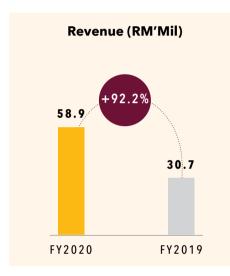
**Sunway Tower's** performance is commendable with an increase in revenue from RM3.0 million in FY2019 to RM4.4 million in FY2020 on the back of higher occupancy rate achieved from 20.1% in FY2019 to 32.9% in FY2020. The NPI grew to positive RM0.3 million in FY2020 from a loss of RM0.3 million in FY2019.

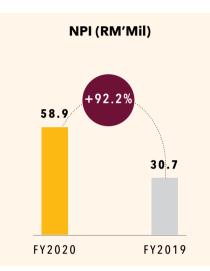
**Sunway Putra Tower** continued to deliver consistent results as the property achieved a 7.1% increase in revenue to RM12.4 million (FY2019: RM11.6 million) contributed by an increase in average occupancy rate from 82.0% in FY2019 to 85.5% in FY2020. NPI also improved by 8% during the financial year from RM7.3 million in FY2019 to RM7.9 million in FY2020.

**Wisma Sunway** achieved full occupancy rate since end of FY2019 and boosting revenue from RM6.4 million in FY2019 to RM6.7 million in FY2020, with renewals at higher average rental rate, and NPI from RM3.1 million in FY2019 to RM3.5 million in FY2020.

#### **SERVICES SEGMENT**

The Services segment is based on triple-net master lease with fixed rental. In FY2020, the segment's contribution to Sunway REIT's total revenue increased from 5.3% in FY2019 to 10.9% in FY2020 while NPI increased from 7.0% in FY2019 to 14.7% in FY2020. Revenue and NPI from the segment increased significantly by 92.2% from RM30.7 million in FY2019 to RM58.9 million in FY2020 due to the full year income contribution of RM34.7 million in lease rental from Sunway university & college campus which was acquired on 15 April 2019, as well as fixed annual increase of 3.5% on Sunway Medical Centre's lease rental.

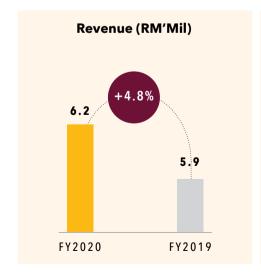


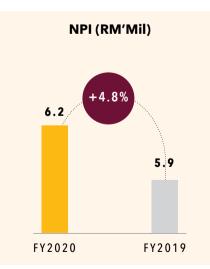




#### **INDUSTRIAL & OTHERS SEGMENT**

The Industrial & Others segment comprises Sunway REIT Industrial - Shah Alam 1 which is also based on triple-net master lease with fixed rental. In FY2020, the segment contributed RM6.2 million (FY2019: RM5.9 million) in revenue and NPI due to positive rental reversion in accordance with the lease agreement.







#### FINANCIAL REVIEW

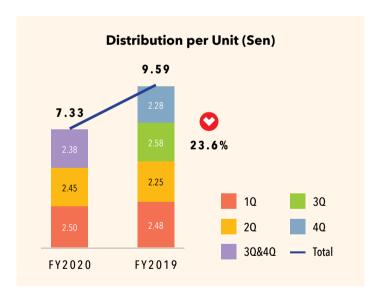
#### **PROFIT FOR THE YEAR**

Profit for the year of RM208.2 million comprised realised profit of RM248.4 million (FY2019: RM286.5 million) and unrealised loss of RM40.2 million (FY2019: unrealised profit of RM99.9 million).

Realised profit was lower by 13.3% or RM38.1 million attributed to the drop in net property income of RM39.8 million which was affected by COVID-19 and the MCO, CMCO and RMCO, marginally cushioned by lower finance costs of RM1.3 million from lower average interest rates during the financial year of 3.66% (FY2019: 4.02%).

The unrealised loss of RM40.2 million was largely due to fair value loss from the annual revaluation of investment properties of RM41.3 million (after accounting for net reversal of capital expenditure incurred). The fair value loss was reflective of the lower performance of certain retail and hospitality properties for the financial year.

#### **DISTRIBUTION PER UNIT (DPU)**



Total income available for distribution to unitholders in FY2020 was RM228.9 million of which at least 90% is distributed to the unitholders (FY2019: RM282.9 million with 100% distribution). The Manager has varied the distribution frequency from quarterly to half-yearly and distribution payout ratio to at least 90% of the distributable income with effect from 1 January 2020, as a pre-emptive cash conservation measure in response to the longer collection period from tenants following the imposition of MCO, RMCO and CMCO. Correspondingly, DPU for FY2020 reduced to 7.33 sen with approximately 0.43 sen

of distributable income has been conserved. Distribution yield was at 4.5% compared to 5.1% in FY2019 with the drop in DPU and lower unit price of 23.6% and 13.4% respectively.

#### STATEMENT OF FINANCIAL POSITION



Total asset value (TAV) increased by 3.7% or RM0.3 billion to RM8.46 billion as of 30 June 2020 compared to RM8.16 billion in the previous financial year. This was mainly contributed by the higher cash and short-term investment of RM214.3 million to provide adequate liquidity for Sunway REIT to carry on its business operations. Receivables were also higher by RM77.8 million arising from longer collection period from tenants and deposit paid for the proposed acquisition of The Pinnacle Sunway of RM45 million.

Total borrowings were higher by 11.5% or RM0.3 billion, from RM3.1 billion to RM3.4 billion as of 30 June 2020, due to the drawdown of borrowings for planned capital expenditure and for the acquisition deposit. Deferred tax liability in relation to the unrealised fair value gain of the freehold land component within the investment properties has reduced from RM14.8 million to RM13.9 million as of 30 June 2020, due to drop in fair value pursuant to the annual revaluation of the investment properties.

Net asset value (NAV), comprising unitholders' funds and perpetual note holders' funds, was maintained at RM4.8 billion as of 30 June 2020. Total unitholders' fund remained largely unchanged at RM4.4 billion with a marginal reduction of 0.6% mainly attributable to the fair value loss of the investment properties for the financial year. The perpetual note holders' funds represents proceeds from an issuance of a perpetual note of RM0.3 billion (net of transaction costs incurred) in the previous financial year.

#### STATEMENT OF CASH FLOWS

#### **Operating Activities**

Net cash generated from operating activities was RM344.9 million in FY2020, a decrease of 13.7% from RM399.4 million in FY2019 following lower revenue from retail and hospitality assets and longer collection period from tenants.

#### **Investing Activities**

Net cash used in investing activities was RM273.6 million, comprising investment in short-term money market instrument of RM180.0 million, subsequent expenditure of investment properties of RM72.4 million and acquisition deposit of RM45.0 million.

#### **Financing Activities**

Net cash used in financing activities was RM16.7 million, contributed by income distribution paid to unitholders of RM212.9 million, interest paid of RM115.2 million and distribution to perpetual note holders of RM20.0 million, partially offset by net proceeds from borrowings amounting to RM331.4 million.

Cash and bank balances stood at RM101.8 million as of 30 June 2020, higher by RM34.5 million mainly contributed by excess funds from borrowings for planned capital expenditure.

#### **Performance Benchmark**

Pei	formance benchmark	FY2020	FY2019	Commentary
i.	Management expense ratio (%)	0.86	0.86	MER remains constant in FY2020 and is comparable to the top five M-REITs (in terms of market capitalisation), which ranges from 0.60% - 0.96%.
ii.	Total return (%)	(8.9)	10.7	Total return for the financial year turned negative resulting from the drop in closing unit price of 13.4% in FY2020 which fully offset the distribution yield of 4.5% for FY2020. Last year was a 5.6% growth in closing unit price, coupled with the distribution yield of 5.1%.
iii.	Average total return (5 years) (%)	6.5	10.8	The 5-year average total return was lower due to the negative total return in FY2020.
iv.	Average total return (3 years) (%)	2.2	9.3	The 3-year average total return was significantly lower due to the negative total return in FY2020.
V.	Distribution yield (%)	4.5	5.1	Distribution yield decreased by 0.6% due to the 23.6% decrease in DPU, while a 13.4% decrease in closing unit price in FY2020.
vi.	NAV per Unit (after income distribution) (RM)	1.4804	1.4905	NAV per unit decreased slightly by 0.6% for the financial year due to the revaluation loss of the investment properties.
vii.	Unit Price (as at the end of the financial year) (RM)	1.62	1.87	The unit price for Sunway REIT decreased by 13.4% due to the COVID-19 pandemic impact on the stock market since March 2020 coupled with the adverse impact brought about by the pandemic to retail and hotel segments of Sunway REIT.

- The ratio of expenses incurred in operating Sunway REIT of RM40.5 million (FY2019: RM40.7 million) to the NAV of Sunway REIT of RM4,700.0 million (after income distribution) (FY2019: RM4,729.4 million).
- Total return represents the change in closing unit price during the year plus distribution yield for the year.
- 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.
- Based on DPU of 7.33 sen (FY2019: DPU of 9.59 sen) divided by its closing unit price as at 30 June 2020 of RM1.62 (30 June 2019: RM1.87).
- 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.
- Unit price is determined based on the unit price as at 30 June 2020 for FY2020 and 30 June 2019 for FY2019.



For more information on item ii, iii and iv, please refer to Financial Highlights section.

# FAIR VALUE OF INVESTMENT PROPERTIES

The value of Sunway REIT's investment properties closed with RM8.04 billion as at 30 June 2020, comprising investment properties carried at fair value of RM7.93 billion and investment properties under construction valued at cost of RM0.11 billion. Fair value of investment properties has decreased by RM48.5 million largely resulting from the lower property performance impacted by COVID-19 pandemic. The drop in valuation was partly mitigated by net reversal of capital expenditure incurred of RM7.2 million, leaving net fair value loss of RM41.3 million.

The portfolio property yield for FY2020 slid to 5.0% from FY2019 of 5.9% in line with the lower NPI for FY2020.

	Location	Fair Value 30 June 2020 RM'million	Fair Value 30 June 2019 RM'million	Change in Value RM'million	Property Yield FY2020 %	Property Yield FY2019 %
Retail						
Sunway Pyramid Shopping Mall	Selangor	3,830.0	3,774.0	56.0	5.3	6.8
Sunway Carnival Shopping Mall	Penang	393.0	400.0	(7.0)	5.7	6.9
Suncity Ipoh Hypermarket	Perak	53.0	61.0	(8.0)	6.5	6.4
Sunway Putra Mall	Kuala Lumpur	545.0	583.0	(38.0)	3.3	3.8
		4,821.0	4,818.0	3.0	5.2	6.5
Hotel						
Sunway Resort Hotel	Selangor	500.0	525.0	(25.0)	3.5	3.5
Sunway Pyramid Hotel	Selangor	342.0	350.0	(8.0)	3.7	4.3
Sunway Clio Property	Selangor	307.0	340.0	(33.0)	6.1	6.0
Sunway Hotel Seberang Jaya	Penang	60.0	60.0	-	4.3	4.8
Sunway Putra Hotel	Kuala Lumpur	334.0	335.0	(1.0)	2.5	2.8
Sunway Hotel Georgetown	Penang	80.0	82.5	(2.5)	3.1	5.8
		1,623.0	1,692.5	(69.5)	3.8	4.2
Office						
Menara Sunway	Selangor	172.0	172.0	-	7.2	6.6
Sunway Tower	Kuala Lumpur	120.0	120.0	-	0.2	(0.3)
Sunway Putra Tower	Kuala Lumpur	133.0	130.0	3.0	5.9	5.6
Wisma Sunway	Selangor	60.0	60.0	-	5.9	5.2
		485.0	482.0	3.0	4.9	4.4
Services						
Sunway Medical Centre (Tower A & B)	Selangor	348.0	344.0	4.0	7.0	6.8
Sunway university & college campus	Selangor	560.0	550.0 <sup>1</sup>	10.0	6.2	6.22
		908.0	894.0	14.0	6.5	6.5
Industrial & Others						
Sunway REIT Industrial - Shah Alam	Selangor	96.0	95.0	1.0	6.4	6.2
		96.0	95.0	1.0	6.4	6.2
Fair Value of Investment Properties		7,933.0	7,981.5	(48.5)	5.0	5.9
Less : Capital expenditure				7.23		
Fair Value loss				(41.3)		

<sup>&</sup>lt;sup>1</sup> Appraised value based on valuation carried out on 5 December 2018 for acquisition purpose.

# **CAPITAL MANAGEMENT**

#### **CAPITAL MANAGEMENT**

The Manager aims to deliver the optimum mix of debt and equity financing in accordance with the provisions in the Deed and in compliance with the Listed REIT Guidelines, while keeping a manageable level of risk associated with the various forms of financing.

The Manager continues with its proactive capital management strategies which involves optimising the allowed gearing level, maintaining a balanced portfolio of fixed to floating rate borrowings and periodic financing rate reviews with a dynamic and well-diversified financing profile. These strategies are premised on the robust balance sheet of Sunway REIT, tapping on the diversified channels of financing and supported by a respectable pool of financiers.

With our capital management strategies in place, the Manager is pleased to continue to deliver one of the lowest cost of debt amongst M-REITs for the financial year 2020 (FY2020).



The financing risks of Sunway REIT are addressed in the Understanding Our Risks section.

#### 5-YEAR TRACK RECORD

	FY2020	FY2019	FY2018	FY2017	FY2016
Total borrowings (RM billion)	3.4	3.1	2.9	2.3	2.2
Average cost of debt (%)	3.66	4.02	3.98	3.95	3.93
Fixed : Floating ratio	43:57	45 : 55	40 : 60	89 : 11	94 : 6
Average maturity period (years)	0.4	0.4	0.6	0.4	1.0
Interest service cover ratio (times)	3.1	3.4	3.7	4.1	4.9
Gearing ratio (%)	40.7	37.9	38.6	34.3	33.3

#### THREE-PRONGED STRATEGY



<sup>&</sup>lt;sup>2</sup> Annualised property yield was computed based on NPI from completion of acquisition date to 30 June 2019.

<sup>&</sup>lt;sup>3</sup> Overaccrual of capital expenditure in prior years.

## CAPITAL MANAGEMENT

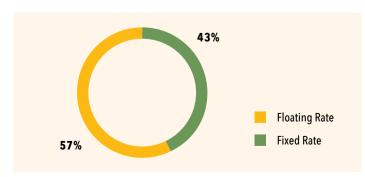
#### **Optimal Gearing Level**

Sunway REIT has a gearing policy of not exceeding 50% of its total asset value in accordance with the Listed REIT Guidelines. For the short term, the Manager optimises the allowed gearing level to fund yield-accretive investments. Longer term, the Manager envisages to maintain the gearing in the lower-end range of 40% and shall undertake equity financing when appropriate.

The gearing level of Sunway REIT hovered around 38% for the earlier quarters of FY2020. The emergence of the COVID-19 pandemic in the last quarter of FY2020 has caused market volatilities and liquidity concerns. The Manager took pre-emptive measures to increase liquidity accessibility by working closely with financial institutions to provide Sunway REIT with higher liquidity for current and future business needs as well as to withstand any potential liquidity crunch in the credit market that may arise at later periods.

Correspondingly, Sunway REIT ended FY2020 with increased borrowings of RM3.4 billion from RM3.1 billion and a gearing level of 40.7%. Based on the Listed REIT Guidelines' gearing limit requirement of not more than 50%, Sunway REIT will have additional debt headroom of approximately RM780 million before reaching this limit. Additionally on 12 August 2020, the Securities Commission Malaysia announced that it will temporarily increase the gearing limit for M-REITs from 50% to 60%, effective immediately, until 31 December 2022. Therefore based on the revised gearing limit of 60%, Sunway REIT has a total of approximately RM1.6 billion debt headroom before reaching the higher limit. Despite relatively large headroom, the Manager has initiated a proposed private placement exercise to raise gross proceeds of up to RM710 million to fund the proposed acquisition of The Pinnacle Sunway and expansion of Sunway Carnival Shopping Mall, and this exercise is expected to be completed in the second quarter of financial year 2021. The equity funds will further strengthen the balance sheet of Sunway REIT with additional financial flexibility to fund growth opportunities in line with our **TRANSCEND 2025** strategies.

#### **Balanced Debt Portfolio**



The Manager strives to maintain fixed rate borrowings of at least 40% to mitigate risk of interest rate movements. A manageable level of floating rate borrowings is kept to allow Sunway REIT to

benefit from the interest rate adjustments. With the accommodative and supportive level of national monetary policy overseen by Bank Negara Malaysia, the Manager's strategy has been proven and continues to yield returns to unitholders over the years.

During the financial year, Sunway REIT has benefited from the Overnight Policy Rate cut in January 2020, March 2020 and May 2020 totaling 100 basis points through immediate interest rate adjustments for its floating rate borrowings. Sunway REIT closed FY2020 with average cost of debt of 3.66%.

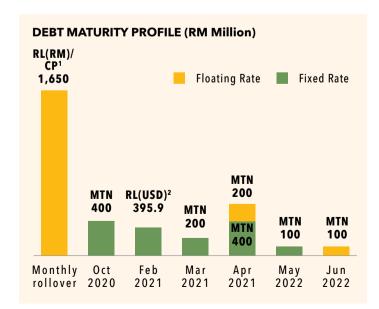
The Manager will continue to look for opportunities to lock in favourable fixed rates, including opportunities to hedge through interest rate swap contracts.

#### **Dynamic and Well-Diversified Financing Profile**

The debt maturity period reflects the Manager's agile funding strategy to capitalise on market interest rate over short and midterm horizons. Refinancing risk is moderated by Sunway REIT's proven ability to access various forms of capital supported by financial institutions.

During the financial year, Sunway REIT has again demonstrated its solid track record of fund accessibility and established banking relationships by successfully refinancing its debt which matured according to its respective maturity dates.

As at 30 June 2020, the weighted average debt maturity of Sunway REIT was approximately 0.4 years with 44% of its borrowings rolled on monthly basis supported by an underwriting commitment from a financial institution.



- Underwritten by a financial institution up to RM1.5 billion as of 30 June 2020.
- <sup>2</sup> Fully hedged with a cross currency swap.

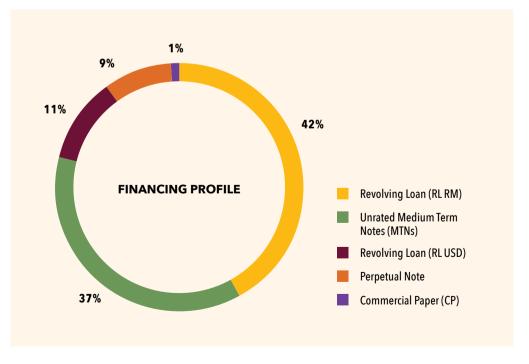
The Manager has implemented effective capital management strategies premised on diversification and a balanced mix of financing. Our plan seeks to optimise and maintain a strong financial capital position to meet various stakeholders' expectations, which include debt and equity investors, rating agencies and regulators.

Over the years, Sunway REIT has established the following financing programmes through its wholly-owned special purpose vehicles:

	Commercial Paper (CP) Programme	Unrated Medium Term Notes (MTNs) Programme	Perpetual Note Programme
Year established/revised	2019 / N/A	2013 / 2017	2019 / N/A
Programme size (RM billion)	3.0	10.0	10.0
Amount utilised (RM billion)	0.1	1.4	0.3
Programme tenure (years)/expiry	7/2026	35/2048	N/A
Rating	P1(s)	Unrated	Unrated
Underwriting/Commitment	Underwritten for up to RM1.5 billion by a financial institution for the tenure of the CP programme	Refinancing commitment for up to RM1.5 billion from a financial institution for 5 years until April 2023	N/A

N/A - Not applicable

DURING THE FINANCIAL
YEAR, RAM RATING SERVICES
BERHAD (RAM) PERFORMED
AN ANNUAL REVIEW ON
THE CREDIT RATING OF
SUNREIT CAPITAL BERHAD'S
CP PROGRAMME AND IN
RECOGNITION OF SUNWAY
REIT'S FINANCIAL STRENGTH,
THE CREDIT RATING ASSIGNED
BY RAM WAS REAFFIRMED
AT P1(S). THE P1(S) RATING
REFLECTS STRONG CAPACITY
FOR PAYMENT OF SHORT-TERM
FINANCIAL OBLIGATIONS.



#### **FINANCIAL HIGHLIGHTS**

# **FINANCIAL HIGHLIGHTS**

#### **FINANCIAL HIGHLIGHTS (RM)**

Statement of Comprehensive Income - Key Data & Financial Ratios	FY2020 RM'000	FY2019 RM'000	FY2018 RM'000	FY2017 RM'000	FY2016 RM'000
Gross revenue	556,875¹	580,299	560,406	522,868	507,013
Net property income	416,809¹	439,695	419,930	388,817	373,851
Income available for distribution (realised)	228,902	282,886	282,394	271,099	270,588
Earnings per unit (realised) (sen)	7.76	9.59	9.57	9.19	8.92
Distribution per unit (DPU) (sen)	7.33 <sup>2</sup>	9.59	9.57	9.19	9.18
Distribution yield (%)	4.5	5.1	5.4	5.2	5.5
Management expense ratio (%)	0.86	0.86	0.89	0.85	0.88

Statement of Financial Position - Key Data & Financial Ratios	As at 30 June 2020 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000
Investment properties	8,020,233	8,047,410	7,280,225	6,689,200	6,433,000
Investment properties - accrued lease income	16,930	-	-	-	-
Other non-current assets	12,902	12,517	13,591	9,063	8,698
Current assets	410,180	98,111	230,042	145,170	95,561
Total asset value	8,460,245	8,158,038	7,523,858	6,843,433	6,537,259
Non-current liabilities	(292,465)	(91,859)	(384,165)	(72,149)	(1,487,491)
Current liabilities	(3,398,006)	(3,269,623)	(2,786,457)	(2,559,564)	(998,538)
Total liabilities	(3,690,471)	(3,361,482)	(3,170,622)	(2,631,713)	(2,486,029)
Net Asset Value (NAV)	4,769,774	4,796,556	4,353,236	4,211,720	4,051,230
Total unitholders' funds	4,430,057	4,456,839	4,353,236	4,211,720	4,051,230
NAV attributable to unitholders (before income distribution)	4,430,057	4,456,839	4,353,236	4,211,720	4,051,230
NAV attributable to unitholders (after income distribution)	4,359,964	4,389,691	4,289,917	4,144,867	3,988,819
NAV per unit attributable to unitholders (before income distribution) (RM)	1.5042	1.5133	1.4781	1.4301	1.3761
NAV per unit attributable to unitholders (after income distribution) (RM)	1.4804	1.4905	1.4566	1.4074	1.3549
Lowest NAV per unit attributable to unitholders during the period (RM)	1.4804	1.4544	1.4074	1.3547	1.3349
Highest NAV per unit attributable to unitholders during the period (RM)	1.4905	1.4905	1.4566	1.4074	1.3549
Unit Price as at 30 June (RM)	1.62	1.87	1.77	1.78	1.66
Premium to NAV (%)	9.4	25.5	21.5	26.5	22.5

#### **FINANCIAL HIGHLIGHTS (USD)**

Statement of Comprehensive Income - Key Data & Financial Ratios	FY2020 USD'000	FY2019 USD'000	FY2018 USD'000	FY2017 USD'000	FY2016 USD'000
Gross revenue	132,274¹	142,013	134,527	125,606	129,895
Net property income	99,005¹	107,604	100,805	93,404	95,779
Income available for distribution (realised)	54,371	69,229	67,789	65,125	69,324
Earnings per unit (realised) (cents)	1.84	2.35	2.30	2.21	2.29
Distribution per unit (DPU) (cents)	1.74 <sup>2</sup>	2.35	2.30	2.21	2.35
Distribution yield (%)	4.5	5.1	5.4	5.2	5.5
Management expense ratio (%)	0.86	0.86	0.89	0.85	0.88

Statement of Financial Position - Key Data & Financial Ratios	As at 30 June 2020 USD'000	As at 30 June 2019 USD'000	As at 30 June 2018 USD'000	As at 30 June 2017 USD'000	As at 30 June 2016 USD'000
Investment properties	1,871,700	1,946,169	1,803,152	1,557,802	1,595,684
Investment properties - accrued lease income	3,951	-	-	-	-
Other non-current assets	3,011	3,027	3,366	2,111	2,158
Current assets	95,725	23,727	56,976	33,808	23,704
Total asset value	1,974,387	1,972,923	1,863,494	1,593,721	1,621,546
Non-current liabilities	(68,253)	(22,215)	(95,149)	(16,802)	(368,967)
Current liabilities	(793,000)	(790,719)	(690,144)	(596,079)	(247,684)
Total liabilities	(861,253)	(812,934)	(785,293)	(612,881)	(616,651)
Net Asset Value (NAV)	1,113,134	1,159,989	1,078,201	980,840	1,004,895
Total unitholders' funds	1,033,852	1,077,833	1,078,201	980,840	1,004,895
NAV attributable to unitholders (before income distribution)	1,033,852	1,077,833	1,078,201	980,840	1,004,895
NAV attributable to unitholders (after income distribution)	1,017,495	1,061,594	1,062,518	965,269	989,413
NAV per unit attributable to unitholders (before income distribution) (USD)	0.3510	0.3660	0.3661	0.3330	0.3413
NAV per unit attributable to unitholders (after income distribution) (USD)	0.3455	0.3605	0.3608	0.3278	0.3361
Lowest NAV per unit attributable to unitholders during the period (USD)	0.3455	0.3517	0.3486	0.3155	0.3311
Highest NAV per unit attributable to unitholders during the period (USD)	0.3478	0.3605	0.3608	0.3278	0.3361
Unit Price as at 30 June (USD)	0.38	0.45	0.44	0.41	0.41
Premium to NAV (%)	9.4	25.5	21.5	26.5	22.5

<sup>&</sup>lt;sup>1</sup> These amounts include with unbilled lease income receivable as required by MFRS 16 *Leases*.
<sup>2</sup> Comprising income distributed for the period from 1 July 2019 to 31 December 2019 of 4.95 sen and proposed final income distribution of 2.38 sen.

<sup>&</sup>lt;sup>1</sup> These amounts include with unbilled lease income receivable as required by MFRS 16 *Leases*.
<sup>2</sup> Comprising income distributed for the period from 1 July 2019 to 31 December 2019 of 1.17 cents and proposed final income distribution of 0.57 cents.

# MD&A: LEADERSHIP THAT DRIVES STRATEGIC PROGRESS

# FINANCIAL HIGHLIGHTS





# MD&A: LEADERSHIP THAT DRIVES STRATEGIC PROGRESS

**FINANCIAL HIGHLIGHTS** 

# FINANCIAL HIGHLIGHTS





# MD&A: LEADERSHIP THAT DRIVES STRATEGIC PROGRESS

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS



# **VALUE ADDED STATEMENT**

	FY2020 RM '000	FY2019 RM '000	FY2018 RM'000	FY2017 RM'000	FY2016 RM'000
Value Added					
Total turnover	556,875	580,299	560,406	522,868	507,013
Purchases of goods and services	(140,066)	(140,604)	(140,476)	(134,051)	(133,162)
Interest and other income/(expense)	(56,615)	101,305	148,085	158,198	71,822
Total Value Added	360,194	541,000	568,015	547,015	445,673
Reconciliation					
Total comprehensive income for the year	206,091	386,348	426,894	424,804	327,381
Add:					
Finance costs	116,392	117,664	105,646	89,295	86,242
Manager's fees	36,989	36,260	34,463	31,650	30,802
Trustee's fees	722	728	1,012	1,266	1,248
Total Value Added	360,194	541,000	568,015	547,015	445,673
Value Distributed					
Manager and Trustee					
Manager's fees	36,989	36,260	34,463	31,650	30,802
Trustee's fees	722	728	1,012	1,266	1,248
Providers of capital					
Finance costs	116,392	117,664	105,646	89,295	86,242
Perpetual note distribution <sup>1</sup>	19,944	4,141	-	-	-
Income distribution <sup>2</sup>	215,874	282,433	281,844	270,652	270,075
Reinvestment and growth					
Undistributed income/(loss) <sup>3</sup>	(29,727)	99,774	145,050	154,152	57,306
Total Value Distributed	360,194	541,000	568,015	547,015	445,673

# TRADING PERFORMANCE (5 YEARS)

#### TRADING PERFORMANCE OF SUNWAY REIT

Trading Summary	FY2020	FY2019	FY2018	FY2017	FY2016
Closing Unit Price (RM)	1.62	1.87	1.77	1.78	1.66
52-Week Highest Traded Price (RM)	1.92	1.97	1.90	1.84	1.69
52-Week Lowest Traded Price (RM)	1.50	1.61	1.48	1.63	1.43
Price Movement (%)	(13.4)	5.6	(0.6)	7.2	7.8
Annual Total Return (%)	(8.9)	10.7	4.8	12.4	13.3
Number of Units in Circulation (unit '000)	2,945,078	2,945,078	2,945,078	2,945,078	2,943,918
Market Capitalisation (RM '000)	4,771,026	5,507,296	5,212,788	5,242,239	4,886,905
Free Float (%)	59.1	59.1	59.1	62.7	62.7
Free Float (unit '000)	1,741,130	1,741,130	1,741,130	1,845,386	1,845,248

Source: Sunway REIT, Bloomberg

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

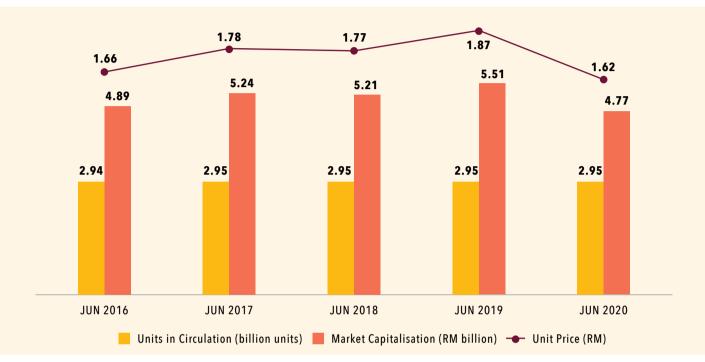


Source: Sunway REIT, Bloomberg

Perpetual note distribution in respect of amount reserved and distribution paid to perpetual note holders.
 Income distribution in respect of each financial year. The proposed final income distribution will be recognised and paid in the immediate subsequent financial year.
 Mainly comprises unrealised income/(loss).

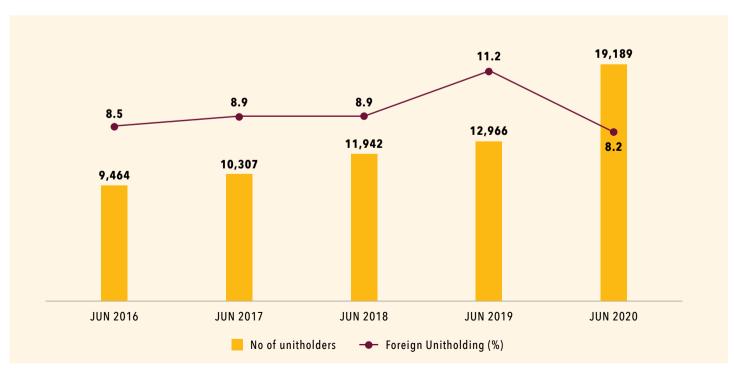
#### TRADING PERFORMANCE (5 YEARS)

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



Source: Sunway REIT, Bloomberg

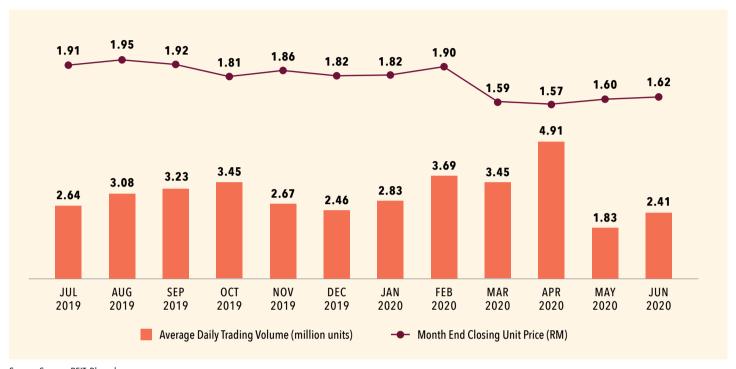
#### **UNITHOLDERS STATISTICS**



Source: Sunway REIT

# TRADING PERFORMANCE (1 YEAR)

#### **SUNWAY REIT'S MONTHLY TRADING PERFORMANCE**



Source: Sunway REIT, Bloomberg

#### **COMPARATIVE YIELDS (AS AT 30 JUNE 2020)**



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

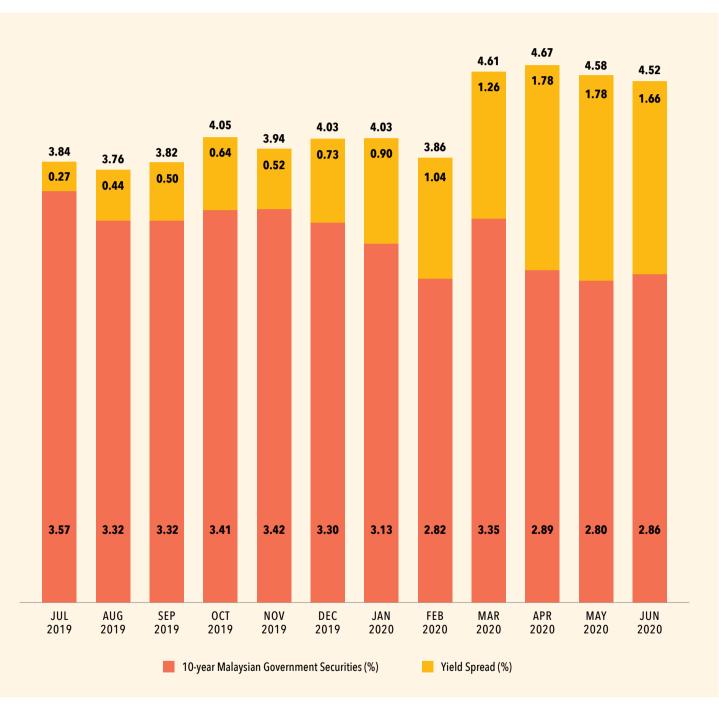
# TRADING PERFORMANCE (1 YEAR) TRADING PERFORMANCE (1 YEAR)

# ANNUAL UNIT PRICE PERFORMANCE OF SUNWAY REIT VERSUS FTSE BURSA MALAYSIA KLCI INDEX AND BURSA MALAYSIA REIT INDEX



Source: Sunway REIT, Bloomberg

#### **SUNWAY REIT MONTHLY YIELDS COMPARISON (MONTH END DATA)**



Source: Sunway REIT, Bloomberg

5.0

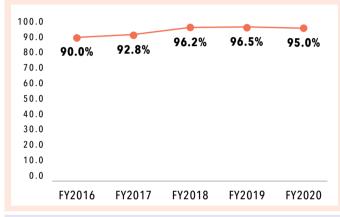
FY2020

**KPI HIGHLIGHTS KPI HIGHLIGHTS** 

When the going gets tough, the tough gets going. These KPI highlights are the testament to Sunway REIT's resilience in weathering through the COVID-19 pandemic. Holding firm to our core principles and long-term targets, we are fully committed to delivering sustainable results across the operation and fund levels of Sunway REIT.

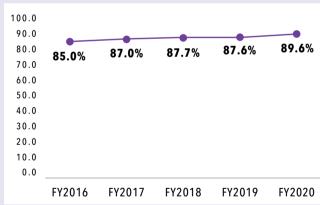
#### **OPERATION LEVEL KPIs**

Our operation level KPIs show that assets of Sunway REIT remain promising, despite the drastic impact brought about by the pandemic. Therefore, we are in good position to leverage on the fundamental qualities of the assets and the established Sunway brand image to springboard Sunway REIT towards future success.



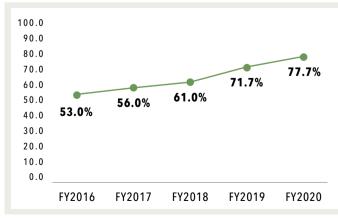
#### Retail - Average Occupancy Rate (%)

- Sunway REIT has embarked on an extensive set of business strategies to retain business partners, rebuild shopper confidence and recover footfall to the retail premises safely.
- Despite the slight dip in average occupancy rate in FY2020 due to COVID-19 pandemic, we are confident that, with the strategies that we have taken, the trend will recover and continue to grow positively in the long-term.



#### Hotel - Global Review Index (%)

- The Global Review Index (GRI) is a reputable indicator for the performance of individual hotels, which can be translated into the Average Daily Rate (ADR) and occupancy rate of a hotel.
- The respectable GRI across Sunway REIT hotel portfolio reflects the excellent quality of our hotel management and services.



#### Office - Average Occupancy Rate (%)

- Of the three major segments of Sunway REIT asset portfolio, the office segment is the least vulnerable sector to the risks brought about by the COVID-19 pandemic.
- The occupancy rate track record remains promising, continuing the positive trend this financial year.
- We remain proactive in our business strategy to stay ahead of the competitive and ever-changing environment.

# For more information, please refer to Operations Review section.

#### **FUND LEVEL KPIs**

DPU (sen)

At the fund level, the Manager remains fully committed in delivering consistent returns to the unitholders of Sunway REIT. Through prudent capital management and yield-accretive acquisitions, the Manager strives to solidify the position of Sunway REIT as the leading diversified REIT in Malaysia.



- The drop in DPU in FY2020 was mainly due to COVID-19 impact.

Enhance DPU through new sources of income from the proposed

For more information, please refer to Investment Review section.

How to strive better in the next FY?

acquisition for The Pinnacle Sunway.

# FY2016

10

#### Property Yield (%)

With the disruption of retail and hotel operations during the MCO, a decline in property yield for FY2020 is inevitable.

FY2017 FY2018

5.8

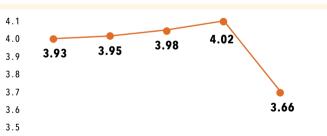
FY2019

#### How to strive better in the next FY?

5.8

- Comprehensive business continuity plans are devised across all properties.
- Strict cost containment measures to reduce non-essential expenditures.

For more information, please refer to Operations Review section.



FY2018

FY2019





#### Average Cost of Debt (%)

FY2016

Lower average cost of debt by exercising our capital management strategies in optimising our debt profile in light of the reduction in OPR.

#### How to strive better in the next FY?

FY2017

Continue to conduct periodic financing and re-financing rate reviews with the dynamic and well-diversified financing profile of Sunway REIT.



3.4

For more information, please refer to Capital Management section.

#### **Property Value (RM million)**

Property value declined in view of lower performance in the retail and hotel segments.

#### How to strive better in the next FY?

- To improve property value through improved property
- Remain proactive in sourcing and seeking out opportunities for yield-accretive acquisitions as well as asset enhancement initiatives (AEIs) to generate long-term value for unitholders.

#### **OPERATIONS REVIEW**



#### AWARDS AND ACHIEVEMENTS/KEY MILESTONES

- FSC Asia Pacific Leadership Award 2019 (Sunway Malls being the first "Group of Malls" in Asia Pacific to receive this recognition).
- CX Asia Excellence Award 2019 by IQPC International Quality & Productivity Center (Best Brand Experience GOLD).
- Asia Recruitment Awards 2019 by Human Resources Magazine Singapore & Malaysia (Best On-Boarding Experience SILVER).
- Marketing Events Award by Marketing Magazine Singapore & Malaysia.
- Best Shopper/Retail Event (Playstation Play Everything Lounge SILVER).
- Best Venue: Conventions/Exhibitions/Festivals (CNY Hakka Celebration SILVER, and Artbox Malaysia BRONZE).

#### **Sunway Pyramid Shopping Mall**

- Influential Brands Top Brand Shopping Mall Award 2019
- International Council of Shopping Centres APAC Award 2019 (Emerging/Digital Technology - GOLD, for the Sunway Pyramid Mobile App)

#### **Sunway Putra Mall**

- 2019 Social Media Excellence: Community & Social Welfare category
- PPK Best Experiential Marketing Awards 2019 (Category B - In The Woods For Wonder during Christmas 2018) - GOLD
- Marketing Excellence Awards
   2019 Malaysia 'Autsome is Awesome'

#### PROPOSED STRATEGIES & ACTION PLANS TO RESPOND TO MEGA TRENDS

#### Short-term

- Update mall offerings in line with changes in lifestyle trends and preferences such as exploring shorter tenancy periods.
- Look into Asian brands from neighbouring countries especially winning brands from China, Japan, Korea and Thailand such as Urban Rivivo and Manekineko.
- Increase F&B options to cater to different groups of customers, e.g. by converting the "Marrakesh precinct" into a pork-free food street in 2021.

#### Long-term

- Realign Sunway Pyramid Convention Centre (SPCC)'s purpose and strategies to complement Sunway Pyramid Shopping Mall by actively hosting attractive events and changing a part of SPCC into cinema.
- Develop fresh approaches to attract younger generations by converting the Cabana into a Marketplace in 2022.
- Provide more space for co-working and hosting Meetings, Incentives, Conferences and Exhibitions (MICE). For example, the Sunway Pyramid Phase 4 expansion will enhance lifestyle offerings:
- Estimated Gross Floor Area (GFA):1,060,000 sq.ft.
- Exhibition centre with meeting room facilities' Net Lettable Area (NLA): 100,000 to 120,000 sq.ft.

- New SPCC NLA: 20,000 to 30,000 sq.ft.
- Retail space NLA: 100,000 sq.ft.
- Office Tower with 20,000 sq.ft. of floor plate and 500,000 to 600,000 sq.ft. of NLA
- 2,000 car park bays

#### **BUSINESS STRATEGIES**

- Identify the possibility of realigning shopfronts to increase space, exposure and rent, in addition to securing 'winner' brands that would pay higher rent through additional turnover rent (MGST).
- Further improve footfall by targeting Gen Z and visitors from other states through experiential and innovative marketing campaigns, collaborations and partnerships.
- Upgrade Asian Avenue at Sunway Pyramid Shopping Mall to provide a refreshed outlook of the premise.
- Readjust parking rates to Pay-As-You-Park concept, with integration of cashless parking systems (e.g. Touch 'n Go and Sunway Pals).
- Explore more Asian/regional activities such as Artbox.
- Identify missing trades by replacing underperforming tenants with 'winner' brands.
- Forge sustainable landlord-tenant partnerships by organising regular meetings, yearly engagement sessions, collaborations, management support and relationship building.
- Promote pop-up store or push-cart concept in Sunway Putra Mall:
- Shorter term tenancies.
- Relatively affordable rent and easier entry to fill-up vacancies.

- Create a variety of stores and secure brands that complement existing trade mix.
- Allow retailers to pilot their businesses before committing to a permanent premise.
- Increase Sunway Putra Mall F&B outlets by 22% to reflect the increased demand for unique F&B brands, which can be realised by converting non-F&B units into F&B units.
- Take advantage of food and cultural festivals at Sunway Carnival Shopping Mall to create strong market presence and increase shopper footfall.
- An extensive communication strategy is planned to ensure mall presence prior to the opening of the expanded Sunway Carnival Shopping Mall.

#### **TECHNOLOGICAL INNOVATIONS**

- Drive digital transformation through shopper data analytics, unified payment platform, cashless parking, smart toilets and Find-Your-Car kiosk.
- Utilisation of the RetailTECH App for tenants to increase productivity and improve the engagement process with business partners.
- Installation of the License Plate Recognition (LPR) and Cashless Parking systems to ease queues in the parking area (introduced in Q4 2019 to Q1 2020).
- Introduction of self-service kiosks for Sunway Pyramid Ice Rink users.
- Revamp of Sunway Pyramid Shopping Mall website, mobile app and mall directory tablet app.



► Artist impression of the Sunway Carnival Shopping Mall expansion

#### **MD&A: OPERATIONS AND INVESTMENT REVIEW**

#### **OPERATIONS REVIEW OPERATIONS REVIEW**

#### **SUSTAINABILITY INITIATIVES**

#### **Environment**

- Provide and promote recycling facilities mall-wide.
- Replacement of fluorescent lighting with more energy-efficient LED lights at Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Sunway Putra Mall.
- Decrease electricity consumption from Sunway Putra Mall's airconditioning system by ramping down secondary chilled water pump and air-handling units (AHU) by 30%-50% between 6pm and 10pm.
- Building-Integrated Photovoltaic solar panels that can produce 1MW at peak capacity were installed at the rooftop of Sunway Pyramid Shopping Mall
- Building Energy Management System (BEMS) utilised at Sunway Pyramid Shopping Mall to control, monitor, measure and optimise building technical services and energy consumption of devices used by the building.



#### SDG6: Clean Water and Sanitation

Rain Water Harvesting System (RWHS) was implemented in Sunway Pyramid Shopping Mall to collect rain water for cleaning and irrigation.



#### **SDG12: Responsible Consumption and Production**

- Raise awareness on single-use plastics by giving out reusable metal straws as redemption gift at Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Sunway Putra Mall.
- Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall support e-waste recycling initiative.
- Food waste composting machines installed at Sunway Pyramid Shopping Mall to convert food waste into organic compost.

#### Sunway Carnival Shopping Mall: Green Building Certification

- Sunway Carnival Shopping Mall targets to achieve GreenRE Gold and Green Mark Gold Plus certifications in FY2021.
- This target is in line with Sunway REIT's goal towards the United Nation's SDG6: Clean Water and Sanitation, SDG7: Affordable and Clean Energy, SDG12: Responsible Consumption and Production and SDG13: Climate Action.



For more information, please refer to Sustainability Statement section.



# THE COVID-19 PANDEMIC -**CHALLENGES AND RESPONSES**

#### MAIN BUSINESS CHALLENGES FACED DURING THE COVID-19 PERIOD

- Continuous growth of online shopping and food delivery, and fast changing lifestyle trends.
- To defend occupancy rate and improve cash flow.
- Gaining shoppers' confidence post-MCO by addressing public concerns about hygiene and safety.
- Oversupply of retail space in Klang Valley pressure for rent collection and capital expenditure ROI recovery.

#### **BUSINESS RECOVERY STRATEGY**

#### - Confidence Building

- Promote "Safety and Hygiene" as the new brand image.
- Impose 82 safety measures across 4 core themes, i.e. EICC Enhanced screening & safety check, Intensified hygiene at premises, Holistic education & training and Heightened social distancing.
- Introduce the slogan "Your Safe Space, Our Safe Space", to ensure shoppers that their safe space is our safe space too.
- Install thermal scanners and contactless thermometers.
- Set up sanitising stations at entrances, lifts and washrooms.
- Disinfect lifts and washrooms every 4 hours during operating hours using chemical fogging.

- Place "Social Distancing" stickers at queues, escalators and lifts.
- Appoint "Social Distancing Officers" to manage queues and crowds.
- Install UV sterilizers at concierges for mall users.
- Reinforcing Confidence Campaign (January 2021 to June 2021)
- Sunway Carnival Shopping Mall Key Tenants Unveiling Ceremony
- Publicity shout-outs for newly opened flagship stores

#### - Retaining Business Partners during MCO and at present moment through:

- Rental support for non-essential tenants depending on their business/sales performance and payment track record.
- Flexible operating hours of at least 8 hours per day.
- Flexible rental repayment scheme.
- Waiver of the interest on late rental payments for qualified tenants.
- Event, advertising, digital platform and social media support for tenants.
- Order & Collect service at Sunway Malls as a safer and more convenient way for customers to shop, with provision of F&B dine-in vouchers for Order & Collect customers as an incentive to use the service and to visit the mall in the future.
- Sunway Pyramid Online Store in collaboration with Mat Despatch, where Sunway Malls manages the online store, payments and product delivery with the delivery fee partially subsidised by Sunway Malls, along with online shopping incentives such as flash sales, cash vouchers and free gifts.

#### - Footfall Recovery (to recover 75% of the footfall by December 2020, relative to December 2019)

- Value retailing collaborations such as exclusive sales for Sunway Pals members, free parking, free gifts and the distribution of F&B vouchers.
- Provide specially designed masks for families.
- Encourage tenants to utilise crowd management measures such as assigning queue numbers and time slots for customers.
- Introduce personalised shopping experience using pocket concierges, chatbots and phone applications in Sunway Pyramid Shopping Mall.
- Installation of fast and reliable 5G internet infrastructure for mall users across the Sunway Malls portfolio.
- Implement festive themes across the malls, e.g. Christmas and Chinese New Year.

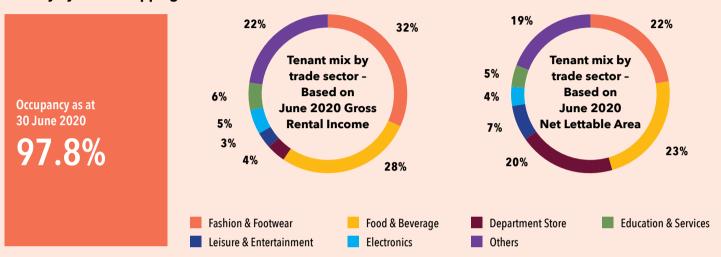
#### **PROSPECTS AND OUTLOOK**

- The Retail landscape in Malaysia continues to evolve with global trends albeit at a different pace. This year saw an accelerated digital transformation amidst the movement restrictions and the "new normal" as landlords and retailers increasingly adopt the global omnichannel retail business model. The Department of Statistics Malaysia (DOSM) has reported that Malaysia's online retail sales surged 28.9% in April 2020.
- Retailers may enjoy a short-lived spike in retail sales from pent-up consumer demand after weeks of movement restrictions. This is further boosted as landlords and retailers embark on attractive promotions to entice spending.
- Pursuant to the resumption of business operation, retail footfall has demonstrated encouraging recovery. That said, the Manager remains cautious on the prospect in the short-term as consumer sentiment remains fragile. As such, continued rental, marketing and promotional support measures may be necessary for tenants to rebuild their business over the medium to long-term.

#### **OPERATIONS REVIEW**

#### **PROPERTY KPIs**

#### **Sunway Pyramid Shopping Mall**



#### **Average Occupancy Rate**



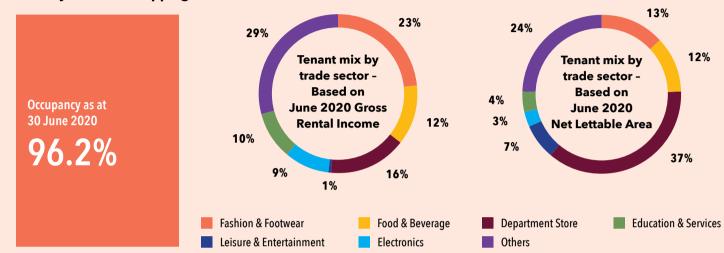
# Lease Expiry Schedule (expiring tenancies as % of total NLA)



# Total Top 10 Tenants (based on gross rental income of June 2020)

Total Top 10 Tenants	12.6%
2.2%	Aeon Co. (M) Bhd (Aeon)
1.6%	Parkson Corporation Sdn Bhd (Parkson, Origin)
1.5%	TGV Cinemas Sdn Bhd (TGV Cinemas)
1.3%	Cotton On (Malaysia) Sdn Bhd (Typo, Cotton On Body, Cotton On)
1.2%	Sunway Resort Hotel Sdn Bhd (Sunway Pyramid Convention Centre)
1.0%	Padini Dot Com Sdn Bhd (Padini Concept Store)
1.0%	Adidas (Malaysia) Sdn Bhd (Adidas)
1.0%	Peregrine Technology Sdn Bhd (Digital Centre)
0.9%	H & M Retail Sdn Bhd (H&M, Monki)
0.9%	Envico Enterprises Sdn Bhd (Michael Kors, Victoria's Secret, Bath & Body Works)
Weighted Average Lease Expiry	1.99 years

#### **Sunway Carnival Shopping Mall**



#### **Average Occupancy Rate**



# Lease Expiry Schedule (expiring tenancies as % of total NLA)



# Total Top 10 Tenants (based on gross rental income of June 2020)

Total Top 10	26.3%
Tenants	
15.9%	Parkson Corporation Sdn Bhd (Parkson)
2.3%	CG Computers Sdn Bhd (Switch)
1.9%	Neonshine Sdn Bhd (Adidas)
1.9%	Padini Corporation Sdn Bhd (PDI)
1.7%	JD Sports Fashion Sdn Bhd (King of Trainers)
1.6%	Life Habitat Sdn Bhd (Studio)
0.4%	PECC Sdn Bhd (Prai Exhibition Convention Centre)
0.2%	Apex Pal (M) Sdn Bhd (Sakae Sushi)
0.2%	Golden Screen Cinemas Sdn Bhd (Golden Screen Cinemas)
0.2%	C.H.I. Fitness Sdn Bhd (C.H.I. Fitness)
Weighted Average Lease Expiry	1.75 years

#### **OPERATIONS REVIEW OPERATIONS REVIEW**

#### **Sunway Putra Mall** 33% 24% 37% Tenant mix by Tenant mix by trade sector trade sector -1% 2% Based on Based on 1% Occupancy as at 2% June 2020 Gross June 2020 30 June 2020 **Rental Income Net Lettable Area** 11% 6% 94.0% 2% 31% 22% Fashion & Footwear Food & Beverage Department Store Education & Services

Electronics

## **Average Occupancy Rate**



Leisure & Entertainment

#### **Lease Expiry Schedule** (expiring tenancies as % of total NLA)



**Total Top 10 Tenants** (based on gross rental income of June 2020)

Others

Total Top 10 Tenants	20.2%
4.4%	TGV Cinemas Sdn Bhd (TGV Cinemas)
2.9%	Padini Dot Com Sdn Bhd (Padini Concept Store)
1.9%	Yee Fong Hung (M) Sdn Bhd (Brands Outlet)
1.9%	NFC Clothier Sdn Bhd (Nichii, Kitschen & Dressing Paula)
1.8%	GCH Retail (Malaysia) Sdn Bhd (Cold Storage)
1.6%	RCB Marketing Sdn Bhd (Royal County Of Berkshire Polo Club)
1.5%	Lygon Gourmet Sdn Bhd (Lygon Bistro & Pascucci Espresso Bar)
1.5%	Sports Direct Mst Sdn Bhd (Sportsdirect.com)
1.5%	Uniqlo (Malaysia) Sdn Bhd (Uniqlo)
1.2%	Guardian Health And Beauty Sdn Bhd (Guardian)
Weighted Average Lease Expiry	1.30 years



#### **AWARDS AND ACHIEVEMENTS/KEY MILESTONES**

#### "Loved by Guests" Award 2020 by Hotels.com

- Sunway Resort Hotel
- Sunway Pyramid Hotel
- Sunway Clio Hotel
- Sunway Putra Hotel
- Sunway Hotel Seberang Jaya
- Sunway Hotel Georgetown

#### Traveloka's Best Travelers' Experience

- Sunway Resort Hotel
- Sunway Pyramid Hotel

#### The "3D2N Ke Sana Ke Sini Ke Sunway" promotional package:

- Package includes room stay at Sunway Pyramid Hotel, Sunway Lagoon Theme Park entrance tickets, welcome gifts and retail vouchers.
- Sold out within the promotional period (18,000 room nights)
- Apart from the direct contribution of RM4.5 million from the package bookings, an indirect contribution of RM15.5 million is expected from other discretionary spending within the Sunway City.

#### **SUSTAINABILITY INITIATIVES**

#### **Environment**

- Ongoing lighting replacement programmes to install more energy efficient LEDs.
- Installation of Rainwater Harvesting System to irrigate plants and for cleaning purposes.
- Ongoing waste collection and waste segregation practices that ensure proper waste disposal and electricity generation via composting where possible.
- Recycling cooking oil through Fat Hopes to properly dispose of used cooking oil and reduce sewage pollution.
- Installation of toilet tank fill diverters that save approximately 3 litres of water per flush/fill (up to 10,000 litres per year per toilet).
- Explore innovative energy-saving solutions such as the implementation of solar panels to provide electricity/ heating and motion detectors in hallways to switch lighting on and off.

#### Social

- Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown receiving Green Office Certificates awarded by the Penang State Government, in recognition of their initiatives towards creating a "Greener Penang".

#### SDG2: Zero Hunger

- Zero food waste initiative and support to stop hunger by donating excess food from the hotel to Kechara Soup Penang.



#### **SDG12: Responsible Consumption** and Production

- Donation of old linens (towel, bed sheet etc.) and uniforms to Cheshire Home Penang to be recycled or reused.
- Collaboration with Ecolab for Soap for Hope to repurpose and reduce soap waste.
- Donation of shampoo and bath gels to the homeless community through Kechara to reduce wastage.

For more information, please refer to Sustainability Statement section

#### OPERATIONS REVIEW



#### MAIN BUSINESS CHALLENGES FACED DURING THE COVID-19 PERIOD

Sunway REIT expects the adverse and prolonged impacts of COVID-19 to continue to affect the overall business climate, reducing the propensity to travel for business and leisure. The specific challenges faced by the hotel industry include:

- A sharp decline in corporate bookings due to postponements or outright cancellations.
- The rapidly evolving situation of the pandemic has created uncertainties among consumers and within the market.
- Travel restrictions for global, regional and domestic travelers have heavily impacted the occupancy rates of the hotels.
- Imposition of MCO and CMCO resulted in hotel closures during this period.
- Social distancing rules have reduced the level of service that can be provided and the attractiveness of luxury offerings to customers.

#### **BUSINESS STRATEGIES RESPONDING TO THE COVID-19 PANDEMIC**

The Sunway Hotel & Resorts division has activated a number of contingency plans (i.e. Contagious Disease Protocol and Business Continuity Plan) from the onset of the COVID-19 outbreak in early February 2020. The plans aim to safeguard the health and safety of all stakeholders with various measures introduced to minimise staff and guests' exposure to contagion. Sunway Hotels has also initiated the following measures across the Sunway REIT Hotel portfolio:

#### - Cost containment

- All hotels have initiated cost containment measures and adjusted relevant cost structure, i.e. to spend only on core essentials.
- Implementation of the rooms-only business model concept in Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown that emphasises cleanliness, comfort, safety, security and effective rate positioning. This business model effectively saves on hotel services such as housekeeping, laundry, reception and concierge.
- Meticulous planning to reduce utility consumption including closure of floors, kitchen and freezer, dimming public area lighting, reduction in outlet operation hours, among others.

#### - Human Capital

 Optimise essential operations workforce (i.e. security, housekeeping, F&B, front office) to ensure existing hotel guests are provided with permissible facilities and services. - During the MCO period, staff were required to either work from home or pre-schedule work.

#### - Inventory control

 With lower occupancies, hotels continue to tighten inventory policy, review service contracts and agreements and actively seek deferment of charges.

#### - Preventive maintenance

- With hotel services gradually resuming, hotel management will continue scheduling preventive maintenance work in the back-of-house (associates) and guest-fronting areas of the hotel (i.e. driveways, rooms, corridors, function rooms, etc.).
- Technicians will also initiate overhauls, resets and tests of equipment (e.g. generators, lighting systems, AHU etc.) to ensure functionality after the COVID-19 hiatus.

#### - Capex spending

- Deferment of non-critical capex in order to conserve cash flow without compromising the comfort and safety of guests.
- Offer our hotels as quarantine centers for overseas returnees

#### - Revamp of operations and services to comply with new hygiene standards:

- Provide training and preparation for all hotels' staff to effectively manage any health incidents according to standard operating procedures (SOPs), which are in accordance with internationally recognised policies and benchmark practices.
- Ensure commitment to social distancing guidelines and SOPs among customers and staff.
- Provision of basic health and safety kits, which include face masks and hand sanitisers to customers and staff.
- Implementation of social distancing seating arrangements for meeting events.
- Provide individual packed meals to replace conventional catering services.

#### PROSPECTS AND OUTLOOK

The tourism sector has been paralysed by the COVID-19 pandemic, with tourism related businesses struggling to survive. This has led to substantial losses in employment and permanent closure of hotels across the sector within the initial weeks of the MCO. Acknowledging the importance of the tourism sector's contribution to the economy, the Government promptly introduced relief measures to revive the industry through the Penjana Economic Recovery Plan. Business in the tourism industry was granted an extension for deferment of tax instalments to December 2020 as well as tourism tax and service tax waiver for 1-year period until 30 June 2021. To promote domestic tourism, the Government has introduced personal income tax relief of RM1,000 up to December 2021.

Moving into the RMCO phase with gradual relaxation for the hotel industry, hotel operators lined up attractive promotions and deals to spur travelling activities. In addition, the Malaysia Association of Hotels (MAH) launched the "Clean & Safe Malaysia" hygiene and safety certification programme for hotels, to ensure compliance with stringent safety and hygiene SOPs, to alleviate fears of travelling. These efforts have translated into pent-up demand for vacations in the short-term.

Going forward, the headwinds surrounding the hotel segment may persist, depending on the longevity of the pandemic in the absence of vaccine coupled with ongoing restrictions on cross-border mobility. This may present opportunities for hotels to undertake refurbishment activities to rejuvenate the asset ahead of longer term recovery. Some owners also opt to reconfigure or redevelop their hotels to other commercial or mixed-use developments to cater to new demand.

The Manager plans to capitalise on the window of opportunity to undertake phased refurbishment of Sunway Resort Hotel in FY2021. We believe that the refurbishment is timely as Sunway Pyramid Hotel and Sunway Clio Hotel has sufficient room inventory, to support the recovering demand of domestic travelers while cross-border restrictions persist. Given the challenging operating landscape, the Manager expects the financial performance of the hotel segment to remain soft in FY2021.



#### **OPERATIONS REVIEW**



#### **CHALLENGES**

According to Bank Negara, 5.5 million sq.ft. of office space will be completed each year until 2021, exceeding the average annual demand of 2.3 million sq.ft.

Vacancies are expected to rise with businesses closing down or rental negotiations falling apart. On the flip side, the pandemic gives way to new types of businesses and ideas.

With the COVID-19 pandemic adding to the existing vulnerabilities, office building owners need agile and speedy solutions to alleviate the impact brought about by the pandemic.

With the change of business environment, companies will look for more flexible office arrangements, i.e. shorter tenancy tenures and pre-fitted

#### **AWARDS AND ACHIEVEMENTS/KEY MILESTONES**

- Proposed acquisition of The Pinnacle Sunway to be completed by 2Q FY2021 is expected to contribute positively to the distribution to unitholders.
- All commercial office properties have shown y-o-y increase in average occupancy in FY2020.

#### **SUSTAINABILITY INITIATIVES**

#### **Environment**

- All Sunway offices' fluorescent lights in common areas, lobby, staircases, car parks and basements are replaced with LED liahts.
- Installation of more energy-efficient lifts in Sunway Tower
- Air-handling units (AHU) and chiller operation hours were rescheduled at Sunway Putra Tower to improve energy efficiency.
- Installation of light and motion sensors in common toilets at Wisma Sunway, Menara Sunway and Sunway Tower.



#### **SDG6: Clean Water and Sanitation**

- Rain Water Harvesting System (RWHS) utilised in Menara Sunway to collect rain water for irrigation.

- Tips and reminders on water conservation practices were constantly sent out to occupants at Sunway office to raise awareness.



#### **SDG12: Responsible Consumption** and Production

- Recyclable items and electronic gadgets can be collected at Sunway offices to raise awareness on paper and e-waste recycling.
- Elimination of single-use plastics within the offices.



#### **SDG17: Partnerships for The Goals**

- Kloth Campaign "Keeping fabric out of landfills" to recycle used fabrics.
  - Black Soldier Fly Farming initiative to compost food waste from Menara Sunway.



For more information, please refer to Sustainability Statement section.

#### **BUSINESS STRATEGIES**

- Cold-calling based on business sectors and targeted buildings in Kuala Lumpur to source for potential tenants.
- Introduce innovative fit-out capex with amortisation package to attract tenants.
- Explore the new trend of co-working.
- Continue to follow up on existing tenants' expansion within the properties.
- To implement virtual office tours.
- To improve webpage content and visibility in search engines.

#### **FACILITY ENHANCEMENTS ACROSS THE OFFICE SEGMENT PORTFOLIO**

- Domestic cold-water pipe replacement (Menara Sunway)
- New car park payment system with License Plate Recognition (LPR) (Menara Sunway)
- Chiller replacement (Menara Sunway)
- New domestic water tank (Sunway Putra Tower)
- Lift replacement (Sunway Putra Tower)
- Lift modernisation (Sunway Tower)



# THE COVID-19 PANDEMIC - RESPONSES

HOW DID WE RESPOND TO THE COVID-19 PANDEMIC AND THE MOVEMENT CONTROL ORDER (MCO)?

- Sunway REIT aims to keep all buildings continuously operating in a safe and orderly manner throughout the MCO period and beyond.
- The Prevention, Preparedness, Response & Recovery model was adopted, with the following objectives and action plans in mind:
- Reduce transmission amongst staff, building occupants and service providers
- Identify where and how workers might be exposed to COVID-19 at work.
- Actively encourage sick staff, building occupants and workers to stay home by implementing:
- Physical segregation of employees.
- Building an operation duty roster to allow only essential staff to be on duty.
- Upload all essential documents to cloud storage (i.e. OneDrive) to enable staff to work from home.
- Set up isolation areas for sick staff, building occupants and workers.
- Maintain healthy business operations

- A Business Continuity Plan (BCP) management team was formed to actively coordinate and manage issues arising from the COVID-19 pandemic.
- Maintain a healthy work environment
- The office building ventilation is checked regularly to ensure it is always in good order.
- Implemented a programme to regularly clean and sanitise all high-risk areas.
- Daily replenishment of hand sanitisers, hand wash and other essential cleaning agents.
- Put in place markers/stickers in confined space (e.g. lifts, meeting rooms) and queuing areas to ensure social distancing practices are exercised.
- Thermal cameras and temperature screening infrastructure are installed at all entrances/exits.

#### **Energy conservation measures**

- Chiller operations are continuously monitored and reduced whenever possible.
- All lightings are switched off for unused floors.
- Car park basements are closed during low occupancy periods.

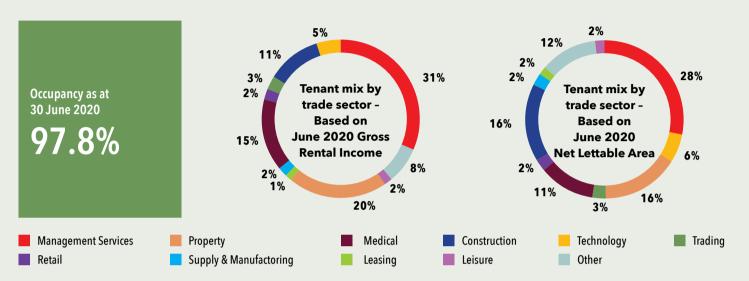
#### PROSPECTS AND OUTLOOK

- The office segment was less affected by the COVID-19 pandemic compared to the retail and hotel segments. In general, corporations are more resilient with systematic business continuity plans that ensure sustainability of business operation via "work from home" and virtual meeting arrangements. Meanwhile, the SME segment received Government support through the RM10 billion additional economic stimulus package.
- The recent experience of working from home may eventually lead to change in demand pattern for office space, such as a preference for flexible working space and reduction in total space requirement in the longer term horizon. While the trend is notable in neighbouring countries with scarce space or exorbitant rent, we believe that a shift in corporate culture and mindset in Malaysia is first required for such trend to materialise.
- The silver lining in the office segment lies in the opportunity for landlords to offer competitive pricing to induce movement of tenants in the market as businesses are in cost-containment mode. This augurs well for office buildings within integrated developments located in decentralised locations with excellent connectivity, infrastructure and transit-oriented developments
- The Manager expects the office segment within Sunway REIT's asset portfolio to remain stable in FY2021. The segment's financial performance is expected to be further boosted by new income contribution from the proposed acquisition of The Pinnacle Sunway which is targeted to complete in 2Q FY2021.

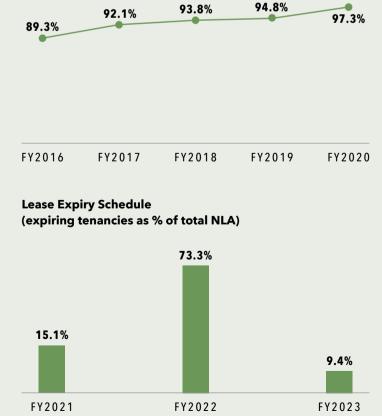
#### **OPERATIONS REVIEW**

#### **PROPERTY KPIs**

#### **Menara Sunway**



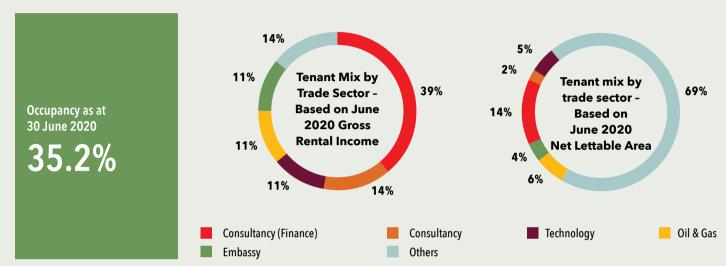
#### **Average Occupancy Rate**



Total Top 10 Tenants
(based on gross rental income of June 2020)

Total Top 10 Tenants	78.1%
20.8%	Sunway Management Sdn Bhd
17.7%	Sunway Integrated Properties Sdn Bhd
8.6%	Sunway Construction Sdn Bhd
7.9%	Roche Service (Pacific Asia) Sdn Bhd
6.8%	Sunway Shared Services Sdn Bhd
6.7%	Merck Sdn Bhd
2.7%	Sunway PFM Sdn Bhd
2.6%	Sunway Computer Services Sdn Bhd
2.6%	Sunway Marketing Sdn Bhd
1.7%	Grace Generation Information Technology Sdn Bhd
Weighted Average Lease Expiry	1.33 years

#### **Sunway Tower**



#### **Average Occupancy Rate**



# Lease Expiry Schedule (expiring tenancies as % of total NLA)

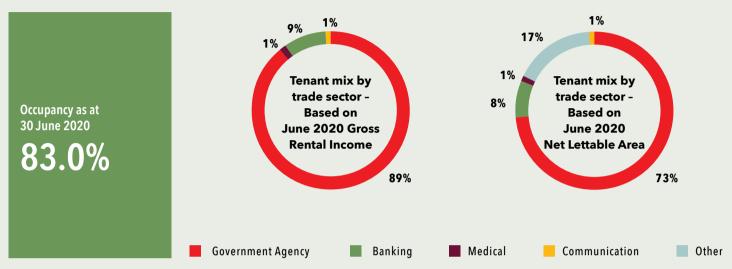


Total Top 10 Tenants (based on gross rental income of June 2020)

Total Top 10 Tenants	98.7%
17.0%	YYC Holdings Sdn Bhd
16.3%	VPO Services Sdn Bhd
14.5%	Mansteel Sdn Bhd
11.2%	Icon Ship Management Sdn Bhd
10.9%	Royal Danish Embassy
8.0%	R1 International Malaysia Sdn Bhd
7.0%	Iconnectix Sdn Bhd
5.3%	ZJ Advisory Sdn Bhd
4.3%	Eftech Driling Solution Sdn Bhd
4.2%	Protellus (M) Sdn Bhd
Weighted Average Lease Expiry	1.81 years

#### **OPERATIONS REVIEW**

#### **Sunway Putra Tower**



#### **Average Occupancy Rate**



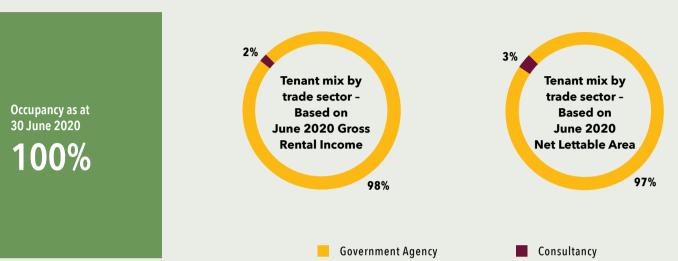
# Lease Expiry Schedule (expiring tenancies as % of total NLA)

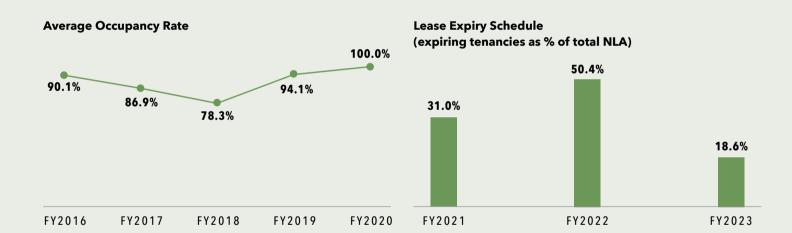


# Total Top 10 Tenants (based on gross rental income of June 2020)

Total Top 10 Tenants	98.5%
34.8%	Jabatan Kerja Raya
19.7%	Kementerian Perdagangan Dalam Negeri Koperasi dan Kepenggunaan Malaysia
19.0%	CIDB Malaysia
8.7%	UOB
6.3%	Jabatan Perdana Menteri (ICU)
4.4%	Cradle Fund Sdn Bhd
3.5%	Construction Research Institute Of Malaysia (CREAM)
1.1%	Pemandu Associates Sdn Bhd
0.5%	Raffcomm
0.5%	Yayasan Ihsan Rakyat
Weighted Average Lease Expiry	1.71 years

#### Wisma Sunway





# Total Top Tenants (based on gross rental income of June 2020)

Total Top Tenants	100%
52.7%	Jabatan Kesihatan Negeri Selangor
22.9%	Jabatan Alam Sekitar
17.1%	Lembaga Hasil Dalam Negeri
5.7%	Maj. Tindakan Pelancongan Negeri Selangor
1.6%	SM Centre (MYS) Sdn Bhd
Weighted Average Lease Expiry	1.40 years

#### **OPERATIONS REVIEW**

#### **KEY OPERATING INFORMATION**

#### **RENTAL RENEWALS**

Rental rate increase 0.7%

Sunway REIT recorded an average rental reversion of 0.7% (FY2019: 2.6%) for the portfolio's 1,635,093 sq.ft. (FY2019: 983,768 sq.ft.) of new or renewed tenancies during the financial year. The reversion rate was contributed by the increase in rent for the renewals at Sunway Pyramid Shopping Mall, Sunway Putra Tower and Wisma Sunway, but partially affected by reduction of renewals in Sunway Carnival Shopping Mall, Sunway Putra Mall, SunCity Ipoh Hypermarket, Sunway Clio Retail, Menara Sunway and Sunway Tower. Excluding the aforementioned rental reduction, the rental reversion for the portfolio was a positive single digit value.

The retail segment renewed or secured new tenants for 1,476,807 sq.ft. (FY2019: 638,089 sq.ft.) with a renewal rate of 91.8% (FY2019: 92.2%) of total space due for renewal. The office segment managed to renew 158,286 sq.ft. (FY2019: 345,679 sq.ft.) or 98.9% (FY2019: 95.9%) of total space due for renewal.

#### LEASE EXPIRY PROFILE AND LEASE STRUCTURE

Weighted Average Lease Expiry 5.94 years

The weighted average lease expiry (WALE) as at financial year end was 5.94 years (FY2019: 3.95 years) with the inclusion of the newly renewed master leases of Sunway Resort Hotel and Sunway Pyramid Hotel (as 1 lease) and Sunway Hotel Seberang Jaya, for another 10 years (effective 8 July 2020), resulting in a longer WALE.

Please refer to Property Details for details of new terms and conditions of the renewed hotel master lease.

The portfolio has 32.0%, 18.7%, and 46.0% of NLA expiring in FY2021, FY2022 and FY2023 and beyond respectively. The majority of the tenancies are 3-year tenancies with renewal option for another 3-year term, subject to renewal at market rates. Certain anchor tenants or major tenants have the option to renew their tenancies for 4 terms of 3 years each. Included in the tenancies expiring in FY2020 are monthly tenancies occupying 0.9% (FY2019: 1.1%) of the total space.

These master leases below represent 58.2% of the total space of the portfolio. The expiry of the master leases are as follows:

Expiry of first term	Expiry of the renewal term
July 2020	July 2030
July 2020	July 2030
September 2021	Not applicable
December 2022	Not applicable
January 2025	Not applicable
February 2028	Not applicable
December 2034	Not applicable
November 2048	Not applicable
	July 2020 July 2020 September 2021 December 2022 January 2025 February 2028 December 2034

#### WALE (No. of Years)

1.92 8.19 1.51 19.61 14.50 Industrial & Others

#### **TOP 10 TENANTS**

12.9% of total gross revenue

Sunway REIT has a diverse tenant mix of approximately 1,207 tenancies (FY2019: 1,247), 5 hotel master leases, one hospital master lease, one industrial master lease and one education master lease. As at 30 June 2020, the exposure to tenant-concentration risk remains low, as the top 10 largest tenants only contribute approximately 12.9% (FY2019: 13.1%) of total gross revenue.

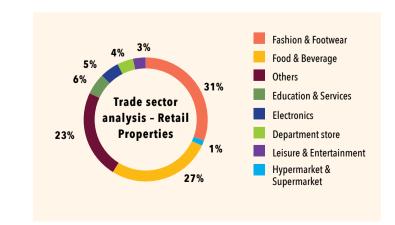
Top 10 tenants by total gross revenue as follows

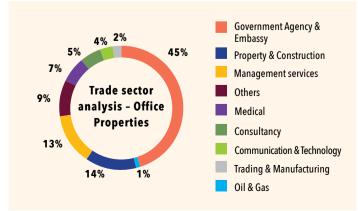
Tenant	Trade	Tenancy Expiry Date <sup>1</sup>	% of Total Gross Revenue <sup>2</sup>
Parkson	Department Store	18 July 2022, 31 August 2022	2.3%
TGV Cinemas	Cinema	22 July 2021, 14 September 2021	1.5%
Aeon	Department Store	29 September 2022	1.5%
Jabatan Kerja Raya (JKR)	Government Agency	28 February 2021	1.4%
Padini	Fashion	14 December 2020, 27 May 2021, 6 September 2022	1.2%
Jabatan Kesihatan Negeri Selangor (JKNS)	Government Agency	30 April 2021	1.1%
Sunway Management Sdn Bhd	Management Services	31 December 2021	1.1%
TF Value-Mart	Hypermarket/Supermarket	21 June 2023	1.0%
Sunway Integrated Properties Sdn Bhd	Property	31 March 2021, 31 May 2021, 31 March 2022	1.0%
Cotton On	Fashion	3 January 2022, 19 March 2023, 20 January 2023	0.8%

1 In cases where leases have more than one expiry date (i.e. the tenants have several tenancies), tenancy expiry dates are shown in multiple dates.

#### TRADE SECTOR ANALYSIS

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





<sup>&</sup>lt;sup>1</sup> Increase for 3 years including step-up rent.

<sup>2</sup> Based on total gross rental for the month of June 2020, excluding hotel master leases, hospital master lease, industrial lease and education lease and car park tenancies.

# **INVESTMENT REVIEW**

#### **INVESTMENT REVIEW**

#### **ACQUISITION GROWTH**

TRACK RECORD SINCE IPO

No. of properties acquired<sup>1</sup> 10

Total acquisition cost<sup>2</sup>

RM2.44 billion

**PROPOSED ACQUISITION -**TO BE COMPLETED BY 2Q FY2021

No. of acquisitions

Total acquisition cost<sup>2</sup>

RM455 million

- Including the proposed acquisition of The Pinnacle Sunway to be completed by 20 FY2021. Including incidental costs on acquisition i.e. acquisition fee, legal fee and valuation fee.



► The Pinnacle Sunway

#### **PROPOSED ACQUISITION**

Property	The Pinnacle Sunway
Property description	An iconic 24-storey Grade A office building (GBI-certified and MSC status) with 3-storey mezzanine floors and 6 levels of basement car park
Location	Bandar Sunway, Selangor Darul Ehsan
Title details	Lot No. 61759 held under Title No. PN 17103, Town of Sunway, District of Petaling, State of Selangor
Tenure	Leasehold interest for a term of 99 years, expiring on 1 April 2097, with remaining term of 77 years
Land area	7,285 sq.m.
Age of building	Approximately 6.5 years from original issuance date of certificate of completion and compliance dated 31 December 2013
GFA	1,145,554 sq.ft. (including 444,752 sq.ft. for 855 car park bays)
NLA	576,864 sq.ft.
Occupancy rate based on NLA	100% occupancy based on committed and/or commenced tenancies
Gross rental income	RM36.4 million (for financial year ended 31 December 2019)
Acquisition price	RM450.0 million
Market value	RM450.0 million
Valued by	Knight Frank Malaysia Sdn. Bhd.
Vendor	Sunway Integrated Properties Sdn. Bhd. Sunway Pinnacle Sdn. Bhd.
Date of SPA	29 June 2020
Completion date	Pending fulfillment of condition precedents, expected completion in 2Q FY2021
Funding	A combination of debt (RM45.0 million) and proceeds from proposed Private Placement (RM405.0 million)





79

► Link bridge from The Pinancle Sunway to Menara Sunway

► The Pinnacle Sunway lobby

#### **INVESTMENT REVIEW**

#### INVESTMENT REVIEW

#### **ORGANIC GROWTH**

#### ASSET ENHANCEMENT INITIATIVES AND PROPERTY DEVELOPMENT ACTIVITIES

**AEIs completed since IPO:** 

RM750 million<sup>1</sup>

(\*The AEIs cost completed since IPO is inclusive of provisional contracted sum)

**Property Development Activities:** 

RM573 - RM613 million

#### PROPERTY DEVELOPMENT ACTIVITIES

#### **Expansion of Sunway Carnival Shopping Mall**

In FY2020, Sunway REIT continued with the expansion of Sunway Carnival Shopping Mall comprising 9 storeys of retail space and 7 levels of car park which began since 3Q FY2018 (Phase 1) to increase the mall's total NLA to approximately 840,000 sq.ft. by CY2021.

The expansion is expected to transform the retail scene in Penang with its unique architectural design and enhanced tenancy mix of regional and international retailers. Upon completion of Phase 1, the existing wing will be refurbished (Phase 2) to be in sync with the overall concept of the mall.

Phase 1	Description
Estimated total development cost	RM353 million
Target completion	CY2021
NLA	Approximately 350,000 sq.ft. of additional new space
Project objectives	<ul> <li>Enhance breadth and depth of tenancy mix in line with evolving lifestyle demands of shoppers</li> <li>Meet larger retail space requirements of regional and international tenants</li> <li>Stay ahead of competition with new offerings</li> </ul>
Sustainability features	<ul> <li>Rainwater harvest system</li> <li>Electric car charger</li> <li>Volatile organic compound (VOC) free paint</li> <li>LED lighting</li> <li>High-efficiency chiller</li> <li>Low-E glass to reduce heat penetration for façade facing East and West directions</li> </ul>
Current progress of construction works	<ul><li>Substructure and basement work completed</li><li>Superstructure work in progress, currently at level 2 of 9</li></ul>

#### **Phased Refurbishment of Sunway Resort Hotel**



Following the successful refurbishment and reopening of the Grand Ballroom and Meeting Rooms in 2Q FY2019, Sunway Resort Hotel is currently undergoing a phased refurbishment to modernise its offerings with technology-enhanced features and family-friendly amenities to further elevate the guest experience at our flagship hotel in Sunway City.

Encompassing the facade and lobby to the guest rooms and facilities, with newly-converted spaces such as the Family Club Lounge, kids pool and gym room, the phased refurbishment will infuse value-added practicality and splendour, elevating the prestige and quality at Sunway Resort Hotel.

A comprehensive digital transformation will also take place, incorporating contactless technology for checking in, payment, and door lock control. Guest rooms will also be equipped with wireless charging stations, interactive Smart TV, electronic bidets, automated curtains and ambience setting.

258 enhanced guest rooms are expected to reopen upon completion of Phase 1, joined by 172 guest rooms, a Family Club Lounge, kids pool, gym room and 20 new guest rooms upon completion of Phase 2.

Description	
Estimated total refurbishment cost	RM220 - RM260 million
Refurbishment period	12 - 24 months from July 2020
Main scope of works	Phase 1 (Level 1, 9 to 21) Guestrooms and corridors, main lobby, level 1 swimming pool and landscape, M&E main plant, lifts and VIP lobby escalators Phase 2 (Level 1 to 8) Guestrooms and corridors, new gym room, level 5 kids pool and landscape, Family Club Lounge, Fuzion restaurant kitchen, lifts, car park repainting and epoxy flooring, façade repainting and lighting replacement

Reduced from RM790 million in FY2019 due to adjustment for overaccrual of capital expenditure in prior years.

# **MARKET REPORT**



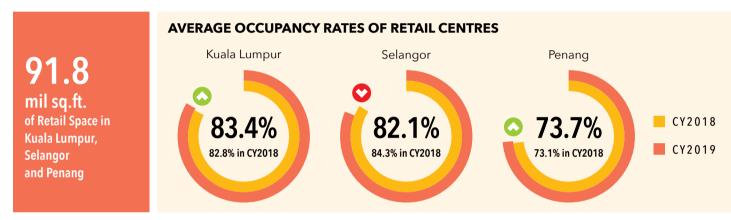
#### **ECONOMIC OVERVIEW**

Indicator	CY2019	CY2020 Forecast	Remarks
GDP Growth	4.3%	-5.5% to -3.5%	The economy will be impacted by necessary global and domestic actions taken to manage the COVID-19 pandemic. Tourism-related sectors, in particular, are expected to be adversely affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports.
Consumer Price Index (CPI)	0.7%	-1.5 to 0.5%	Headline inflation, as measured by the annual growth of CPI, declined to 0.7% in CY2019 (CY2018: 1.0%).
Unemployment Rate	3.3%	4.0%	Labour market conditions are expected to be weak in CY2020, affected by the COVID-19 pandemic. The stimulus packages introduced by the Government to assist workers, households and businesses may partially offset the impact.
Overnight Policy Rate (OPR)	3.00%	1.75%	Bank Negara Malaysia (BNM) cut its OPR by 125 bps to a record low of 1.75% in July 2020, indicating that the impact of the COVID-19 pandemic on the global economy was severe and that Malaysia's economic activity contracted sharply in the second quarter of the year.

Source: Bank Negara Malaysia

# RETAIL MARKET OVERVIEW

The Malaysian retail industry continues to face hardships mainly due to the fallout from the COVID-19 pandemic. Retail Group Malaysia (RGM) estimated a 10% to 50% decline in shopping traffic during the first wave of the outbreak in early February 2020. Even prior to the enforcement of the Movement Control Order (MCO) on 18 March 2020, retailers were already suffering from weak consumer spending with sluggish sales during the Chinese New Year period and a sharp drop in Chinese tourist arrivals, the second biggest group of spenders in Malaysia. The extended MCO, which was only relaxed slightly from 4 May 2020 onwards, still weighs heavily on the retail industry with RGM projecting a 5.5% decline in the country's retail sales in CY2020, the first contraction in over 20 years. Thus, the retail property market will be similarly subdued in CY2020.



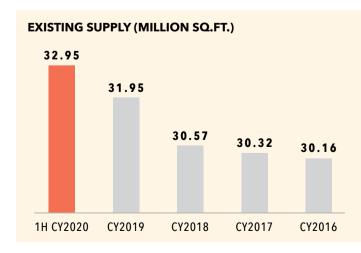
Source: Valuation and Property Services Department

#### **SUPPLY OF RETAIL SPACE**

#### Selangor

The cumulative supply of retail space in Selangor stood at approximately 32.95 million sq.ft. as at 1H CY2020 following the completion of Tropicana Gardens Mall at Kota Damansara, Petaling Jaya with NLA of approximately 1.00 million sq.ft.

Figure 1.1: Cumulative Supply of Retail Space in Selangor, CY2016 to 1H CY2020



Source: Knight Frank Research

Note: Putrajaya supply is included in Selangor.

The scheduled completions of four retail component/retail centres by CY2020 as shown below will increase the existing cumulative retail supply by approximately 1.03 million sq.ft.

Figure 1.2: Retail Centres/Retail Components in Selangor Scheduled for Completion/Opening in 2H CY2020

Name of Development	Location	Estimated NLA (sq.ft.)
Retail Component of Pacific Star	Section 13, Petaling Jaya	240,000
KIPMALL Desa Coalfields	Desa Coalfields, Sungai Buloh	140,000
Quayside @ Twentyfive 7	Kota Kemuning, Shah Alam	328,000
Retail Component of Datum Jelatek	Taman Keramat, Ampang	319,000
Total		1,027,000

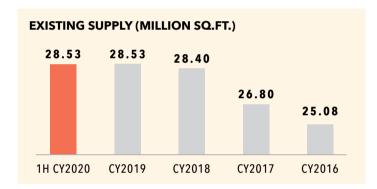
Source: Knight Frank Research

#### MARKET REPORT

#### **Kuala Lumpur**

The existing supply of retail space in Kuala Lumpur currently stands at circa 28.53 million sq.ft. The bulk of retail supply comes from KL Fringe with 17.88 million sq.ft. (62.7%) while KL City accounts for the remaining 10.65 million sq.ft. of space (37.3%). There was no opening of new retail centres or components in Kuala Lumpur for the first half of CY2020. However, it should be noted that the retail component measuring circa 126,000 sq.ft. NLA within Exchange 106, the tallest building in the financial district of Tun Razak Exchange (TRX), has received its Certificate of Completion and Compliance (CCC). The official opening date for the said retail component has yet to be announced.

Figure 1.3: Cumulative Supply of Retail Space in Kuala Lumpur, CY2016 to 1H CY2020



Three new retail components in KL City and one shopping centre in KL Fringe are expected to be completed or opened by 2H CY2020.

Figure 1.4: Retail Centres/Components in Kuala Lumpur Scheduled for Completion/Opening, 2H CY2020

Name of Development	Location	Estimated NLA (sq. ft)
Retail Component of Exchange 106	KL City	126,000
Retail Component of Lot 91 @ KLCC	KL City	73,000
Retail Component of 8 Conlay	KL City	120,000
KL East Mall	KL Fringe	380,000
Total		699,000

Source: Knight Frank Research

Source: Knight Frank Research

#### **Penang**

NAPIC statistics recorded a total of 19.6 million sq.ft. existing supply of retail space in Penang as at 1Q CY2020, with 11.5 million sq.ft. (58.7%) located on Penang Island and the remaining 8.1 million sq.ft. (41.3%) located on Mainland Penang. Two new retail malls with a total of 0.6 million sq.ft. were completed on Mainland Penang in CY2019, i.e. Tesco Bagan Ajam (approximately 0.1 million sq.ft.) and IKEA Batu Kawan (approximately 0.5 million sq.ft.).

Figure 1.5: New Supply of Retail Space in Penang, CY2020 Onwards

No	Name	Location	Approximate NLA (sq.ft.)	Expected Completion	Status
		Penang Is	sland		
1	Penang Times Square - phase 3	George Town	230,000	CY2021	Under-construction
2	Sunshine Central	George Town	900,000	CY2022	Under-construction
3	Penang Times Square - phase 4	George Town	110,000	Post CY2023	Being planned
4	The Light Waterfront Mall - phase 1&2	Jelutong	660,000	Post CY2023	Being planned
5	The Light Mixed Commercial Mall	Jelutong	500,000	Post CY2023	Being planned
6	Penang World City	Bayan Mutiara	1,000,000	Post CY2023	Being planned
7	Sunway Valley City	Paya Terubong	1,000,000	Post CY2023	Being planned

No	Name	Location	Approximate NLA (sq.ft.)	Expected Completion	Status
		Mainland P	enang		
1	Sunway Carnival Shopping Mall new wing	Seberang Perai	350,000	CY2020	Under-construction
2	Penang Sentral - phase 2	Butterworth	400,000	CY2020	Under-construction
3	GEM Megamall	Seberang Perai	1,200,000	CY2023	Under-construction

Source: Savills Research

#### **DEMAND FOR RETAIL SPACE**

#### Selangor

In CY2019, the minimum rental rates of selected shopping centres within Selangor range from RM4.00 per sq.ft. to RM39.19 per sq.ft. per month while the maximum rental rates are from RM4.00 per sq.ft. to RM45.18 per sq.ft. per month, depending on the size of occupied space, floor level, unit orientation and other factors. The rental rates of retail space within the said shopping centres were generally stable year-on-year.

Figure 1.6: Rental Levels of Retail Space in Selected Shopping Centres in Selangor, CY2018 and CY2019

Shopping Centre	Location	Floor Level	Floor Area (sq.ft.)	Rental (RM per sq	
				2018	2019
The Mines	Seri Kembangan	1 (Fashion)	172 - 1,647	11.20 - 18.00	10.00 - 20.69
		1 (Food)	560 - 1,604	7.90 - 17.80	7.15 - 16.44
		2 (Fashion)	667 - 2,099	8.00 - 15.50	8.00 - 17.85
		3 (Fashion)	786 - 1,776	4.90 - 10.80	5.40 - 8.40
		3 (Food)	474 - 3,907	8.20 - 12.00	5.85 - 14.77
		3 (Others)	775	26.00	23.85
		4 (Telco)	527 - 1,991	8.20 - 18.00	9.00 - 19.00
Subang Parade	Subang Jaya	Lower Ground	538 - 4,510	8.00 - 28.80	7.80 - 20.62
		Ground	463 - 2,659	10.50 - 22.01	12.00 - 17.00
		1	1,421	2.95 - 5.20	4.00
IOI City Mall	Putrajaya	Lower Ground (East Wing)	366 - 635	26.19 - 37.19	26.19 - 37.19
			1,173 - 1,313	17.19 - 21.19	17.19 - 21.19
		Lower Ground (Centre Court)	344 - 947	36.19 - 45.18	36.19 - 45.18
			1,216 - 3,143	27.19 - 40.69	27.19 - 40.69
		Lower Ground (West Wing)	226 - 269	33.79 - 36.19	33.79 - 36.19
			2,573 - 3,380	9.75 - 22.30	9.75 - 22.30

#### MARKET REPORT

Shopping Centre	Location	Floor Level	Floor Area (sq.ft.)	Rental (RM per sq	Range .ft./month)
				2018	2019
IOI City Mall	Putrajaya	Ground (East Entrance)	861 - 1,851	13.20 - 22.19	13.20 - 22.19
			16,318	6.00	6.00
		Ground (Centre Court)	1,076 - 2,809	10.20 - 14.94	10.20 - 14.94
		L1 (East Wing)	1,539 - 2,508	8.20 - 9.70	8.20 - 9.70
			1,711	14.19	14.19
			7,298	4.85	4.85
		L1 (Centre Court)	635 - 689	39.19 - 43.18	39.19 - 43.18
			1,184	17.20	17.69
			614 - 1,141	18.69 - 22.19	18.69 - 22.19
		L1 (West Wing)	990 - 1,066	9.40 - 10.50	9.40 - 10.50
		L2 (East Wing)	538 - 1,152	20.19 - 22.20	20.19 - 23.19
		L2 (Centre Court)	484 - 743	20.90 - 31.90	23.19 - 32.19
			1,001 - 1,163	20.19 - 21.69	20.19 - 21.69
		L2 (West Wing)	484 - 1,023	17.19 - 22.19	17.19 - 22.19

Source: NAPIC/Knight Frank Research

The average occupancy rate of shopping centres in the state peaked at 87.9% in CY2015 and has since continued to downtrend, recording 84.9% in CY2016, 85.4% in CY2017, 84.3% in CY2018 and 82.1% in CY2019. Despite the high supply pipeline of retail space coming into the market, it is noteworthy to mention that the average occupancy for Selangor has continued to remain firm above the 80% threshold.

Figure 1.7: Overall Occupancy Rate in Selangor, CY2014 to CY2019



Source: NAPIC/Knight Frank Research

#### **Kuala Lumpur**

The table below summarises the rental levels of selected shopping centres in Kuala Lumpur from CY2015 to CY2019.

Figure 1.8: Rental Levels of Retail Space in Selected Shopping Centres in Kuala Lumpur, CY2015 to CY2019

Shopping Centre	Location	Floor Level	Floor Area (sq.ft.)	Rental Range (RM per sq.ft./month)				
				CY2015	CY2016	CY2017	CY2018	CY2019
			KL City					
Suria KLCC	Jalan Ampang	Concourse (LG)	151 - 4,306	25.24 - 190.87	25.24 - 190.87	25.24 - 190.87	25.24 - 190.87	45.85 - 191.99
		Ground	301 - 4,306	17.16 - 165.47	17.16 - 165.47	17.16 - 165.47	17.16 - 165.47	10.35 - 191.99
		L1 to L4	205 - 4,467	30.17 - 92.60	30.17 - 92.60	30.17 - 92.60	30.00 - 97.64	31.15 - 114.40
Avenue K	Jalan Ampang	Ground	151 - 2,960	11.99 - 22.40	12.50 - 25.50	12.50 - 22.00	12.50 - 22.00	8.06 - 27.25
		Mezzanine	431 - 3,283	8.50 - 22.00	9.00 - 22.50	9.00 - 20.00	9.00 - 20.00	3.40 - 24.50
		L1 to L3	215 - 5,382	7.00 - 20.00	7.00 - 20.00	3.80 - 19.50	3.00 - 19.50	3.00 - 16.50
			KL Fringe					
Mid Valley Megamall	Mid Valley City	Lower Ground	323 - 3,229	27.65 - 59.65	27.65 - 59.65	27.65 - 59.65	27.65 - 59.65	27.65 - 63.65
		Ground	474 - 3,455	38.65 - 60.65	38.65 - 60.65	38.65 - 60.65	38.65 - 60.65	38.65 - 72.65
		L1 to L3	129 - 3,670	10.65 - 47.65	10.65 - 47.65	10.65 - 47.65	10.65 - 47.65	11.15 - 52.65
The Gardens Mall	Mid Valley City	Lower Ground	753 - 3,810	18.10 - 40.15	18.10 - 40.15	18.10 - 40.15	18.10 - 40.15	18.10 - 40.15
		Ground	495 - 4,252	23.65 - 38.55	23.65 - 38.55	23.65 - 38.55	23.65 - 38.55	23.65 - 38.55
		L1 to L4	194 - 4,252	6.15 - 38.15	6.15 - 38.15	6.15 - 38.15	6.15 - 38.15	6.15 - 38.15

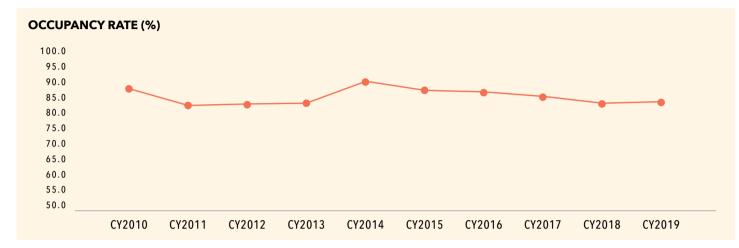
Source: NAPIC/Knight Frank Research

Popular shopping centres in Kuala Lumpur, such as Suria KLCC, command high rental rates ranging from RM10.35 per sq.ft. to RM191.99 per sq.ft. per month. Meanwhile, in KL Fringe, rental rates at other popular shopping centres such as Mid Valley Megamall and The Gardens Mall currently range between RM6.15 per sq.ft. and RM72.65 per sq.ft. per month.

The average occupancy rate of shopping centres in the Kuala Lumpur peaked at 89.8% in CY2014 and has since continued to downtrend, recording 87.4% in CY2015, 86.9% in CY2016, 85.3% in CY2017, 82.8% in CY2018 and 83.4% in CY2019. Notwithstanding the high supply pipeline of retail space, the average occupancy for Kuala Lumpur has continued to remain stable at above the 80% threshold.

MARKET REPORT

Figure 1.9: Overall Occupancy Rate in Kuala Lumpur, CY2010 to CY2019

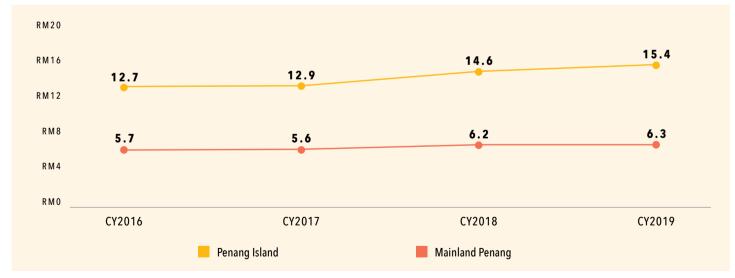


Source: NAPIC/Knight Frank Research

#### **Penang**

On the rental front, the rental rates for ground floor retail lots in the shopping malls in Penang averaged at RM15.40 per sq.ft. per month in Penang Island and RM6.30 per sq.ft. per month in the Mainland Penang. Rental rates in prime shopping malls are expected to hold up despite the influx of more retail space in the future.

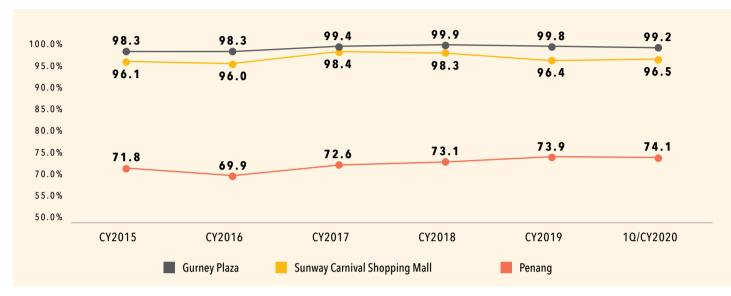
Figure 1.10: Average Ground Floor Rent (RM per sq.ft./month) of Malls in Penang



Source: NAPIC, Savills Research

The overall occupancy rate of retail space in Penang improved 2.6% year-on-year to 74.1% in 1Q CY2020 (1Q CY2019: 72.2%) where both the occupancy rates in the island and mainland were 81.5% and 63.7%, respectively. Nevertheless, the prime retail malls in Penang registered over 80% occupancy rate, with the best performers being Gurney Plaza (99.2%) and Sunway Carnival Shopping Mall (96.5%).

Figure 1.11: Occupancy Rates of Shopping Malls in Penang, CY2015 to 1Q CY2020



Source: NAPIC, REIT's Annual Report, Savills Research

In CY2019, First Avenue Mall in George Town was acquired by Ideal United Bintang International Berhad for RM153 million, representing an approximate 30.5% discount from its market value of RM220 million. The 9-year old mall has 407,000 sq.ft. NLA and is connected to Komtar and Prangin Mall via pedestrian bridges.

#### **OVERALL RETAIL MARKET OUTLOOK**

Undoubtedly, COVID-19 has stalled many economic activities, especially non-essential businesses. Retailers in malls reported that sales have fallen by 50% to 90% after the implementation of MCO, while sales in stores located in tourist zones have fallen by at least 70% due to the steep decline in footfall. This has compelled many mall landlords to offer rent-free periods to affected retailers during the MCO period.

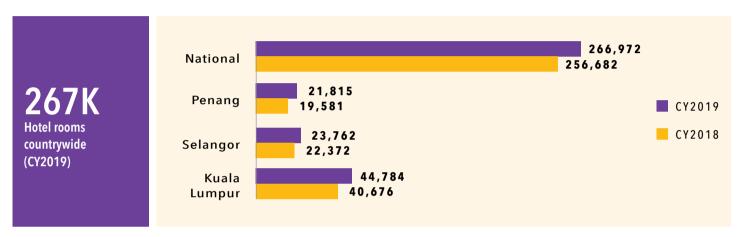
Malaysia began the Recovery Movement Control Order (RMCO) starting 10 June 2020, which allowed almost all retailers to resume operations by following strict standard operating procedures (SOP) set by the Ministry of Health (MOH). However, the impact on retailers in malls and the recovery of the overall retail sector will be highly dependent on how long COVID-19 will persist, as well as how it continues to be managed. Looking ahead, the longer-term impact of COVID-19 on retail properties will be less severe as shoppers are anticipated to return to shopping malls once the pandemic subsides.

Additionally, shopping malls are expected to embrace the new normal, with tighter security measures and heightened hygiene and sanitation practices. With the focus on less contact with surfaces and among people, there is a foreseeable trend of more shopping malls and retailers embracing technological innovations. Even before the pandemic, older malls were seen embarking on asset enhancement initiatives (AEIs) and creating new experiences to stay relevant in the competitive retail market and counter the continued rise of e-commerce. Amidst the challenging retail climate, RGM expects retail sales trend to improve, reaping positive growth in the third and fourth quarters of CY2020 by 2.5% and 3.3% respectively, following the easing of the MCO.

#### MARKET REPORT

#### **HOSPITALITY MARKET OVERVIEW**

At the onset of the COVID-19 pandemic early this year, hospitality-related segments were the hardest hit with cancellations of flights, tour packages and hotel bookings following international and domestic travel restrictions as well as lockdowns in many countries. The pandemic has also led to the cancellation of Visit Malaysia Year 2020 (VMY 2020), which has been replaced with a new campaign that focuses on promoting domestic tourism. Amidst this unprecedented crisis, the Malaysia Healthcare Travel Council (MHTC) has also postponed the Malaysia Year of Healthcare Travel 2020 (MyHT2020) campaign.



Source: Valuation and Property Services Department

#### **SUPPLY OF HOSPITALITY SPACE**

#### Selangor

The number of hotels and room supply in Selangor has continued in an upward trajectory since CY2013. In CY2019, notable completions and openings of hotels in Selangor included the Wyndham Acmar Klang. The 488-room hotel is managed by Wyndham Hotels & Resorts. In July 2019, the Intercontinental Hotels Group (IHG) signed a management agreement with Warisan City Development Sdn Bhd for the new Holiday Inn at Kota Warisan, Sepang. The hotel will feature 250 rooms and four state-of-the-art meeting rooms as well as a daytime lounge cum cocktail bar, a modern restaurant, gym and business corner. It is slated to be opened by CY2021.

i-City in Shah Alam is also set to welcome the four-star DoubleTree by Hilton i-City Hotel by 4Q CY2021. The 300-room hotel will occupy the ground floor to level 23. From levels 24 to 43, there will be 200 limited edition dwelling units dubbed Hill10 Residence. The following table summarises selected upcoming hotels in Selangor.

Figure 2.1: Future Hotel and Room Supply in Selangor

No.	Hotel Development	Location	Expected Completion	Total Rooms
1	Mercure Hotel	Ultrapolis, Glenmarie	CY2020	230
2	Doubletree by Hilton	i-City, Shah Alam	CY2021	300
3	Holiday Inn Sepang	Kota Warisan Sepang	CY2021	250
4	Aloft Hotel @ Meta City	Seri Kembangan	CY2024	276
5	Citadines Montfort Shah Alam	Emporia Shah Alam	CY2027	250

No.	Hotel Development	Location	Expected Completion	Total Rooms
6	The Ritz Carlton	Empire City	TBC	307
7	Marriott Hotel	Empire City	ТВС	294
8	Artes by Autograph Collection	Empire City	TBC	279
9	McGuffin Hotel	Empire City	ТВС	155
10	Emerald 9 Cheras	Batu 9, Cheras	TBC	200
	Total			2,541

Source: Knight Frank Research

#### **Kuala Lumpur**

The number of hotels and room supply in Kuala Lumpur has similarly continued to uptrend since CY2013. Notable completions and openings in CY2019 included Four Points by Sheraton Kuala Lumpur Chinatown (318 rooms), The Chow Kit (113 rooms), The Quay Hotel (42 rooms), MoMo's Kuala Lumpur (99 rooms), EQ Hotel (440 rooms), CitizenM Bukit Bintang (210 rooms) and J-Hotel by Dorsett (154 rooms). Two hotels were also rebranded, namely AC Hotel Kuala Lumpur Titiwangsa by Marriott (362 rooms), previously known as Vistana Kuala Lumpur and Invito Hotel & Residences (240 rooms), formerly Capri by Fraser Bangsar South.

Meanwhile, notable hotels that have ceased and are ceasing operations (from CY2019 and to-date) include the Grand Seasons Hotel Kuala Lumpur (800 rooms) and GTower Hotel (180 rooms). The following table summarises selected upcoming hotels in Kuala Lumpur.

Figure 2.2: Future Hotel and Room Supply in Kuala Lumpur

No.	Development Name	Location	Operator	Expected Completion	No. of Rooms
1	Monopoly Mansion	Jalan Baba	Sirocco Hospitality Group	CY2020	310
2	Fairfield by Marriott	Jalan Pahang	Marriott International	CY2020	188
3	Kempinski Hotel	Jalan Conlay	Kempinski Hotels	CY2021	260
4	Amari Hotel	KL Eco City	ONYX Hospitality Group	CY2021	252
5	Capri by Fraser	Jalan Imbi	Fraser Hospitality	CY2021	317
6	Crowne Plaza Hotel	Jalan Yap Kwan Seng	InterContinental Hotels Group	CY2021	338
7	The Edition Kuala Lumpur	Jalan Stonor	Marriott International	CY2021	350
8	Canopy by Hilton	Jalan Imbi	Hilton Worldwide	CY2021	456
9	Ascott Star	Jalan Yap Kwan Seng	The Ascott Limited	CY2021	353
10	Park Hyatt Kuala Lumpur	Jalan Stadium	Hyatt Hotels & Resorts	CY2021	232
11	JW Marriott	Brickfields	Marriott International	CY2021	N/A
12	Conrad Kuala Lumpur	KLCC	Hilton Worldwide	CY2021	544
13	Goldmen Suites	Jalan Imbi	N/A	CY2021	600

#### MARKET REPORT

No.	Development Name	Location	Operator	Expected Completion	No. of Rooms
14	Pan Pacific Serviced Suites Kuala Lumpur	Jalan Walter Granier	Pan Pacific Hotels Group	CY2021	210
15	Regent Kuala Lumpur	Jalan Tun Razak (TRX)	Intercontinental Hotels Group (IHG)	CY2023 onwards	250
16	Radisson Red Kuala Lumpur	Jalan Raja Laut	Carlson Rezidor Hotel Group	CY2023 onwards	166
17	Fairmont Kuala Lumpur	KLCC	Fairmont Hotels & Resorts	CY2023 onwards	690
18	Imperial Lexis	Jalan Kia Peng	Lexis Hotel Group	CY2023 onwards	272
19	Planet Hollywood Hotel	Jalan Raja Muda Aziz	Sirocco Hospitality Group	CY2023 onwards	207
20	So Sofitel	Jalan Ampang	AccorHotels	CY2023 onwards	207
21	Mercure Kuala Lumpur Trion	Jalan Sg. Besi	AccorHotels	CY2023 onwards	235
22	Jumeirah Kuala Lumpur	Jalan Ampang	Jumeirah Group	CY2023 onwards	181
23	Hyatt Regency	KL Midtown/KL Metropolis	Hyatt Hotels Corporation	CY2023 onwards	400
24	Shangri-La	Jalan Sultan Hishamuddin	Shangri-La International	CY2023 onwards	300
25	Holiday Villa Kuala Lumpur City Centre	Jalan Mayang	Holiday Villa Hotels & Resorts	CY2023 onwards	204
26	WOLO Chinatown	Jalan Tun HS Lee	Mammoth Empire Holdings Sdn Bhd	CY2023 onwards	300
27	Hotel Jen	Jalan P. Ramlee	Shangri-La International	CY2023 onwards	200
28	Holiday Inn Kuala Lumpur Bangsar	Jalan Bangsar	InterContinental Hotels Group	CY2023 onwards	220
	Total				8,242

Source: Knight Frank Research

#### Penang

In CY2019, a total of nine new hotels were completed on Penang Island, adding 972 rooms. However, there were a slew of hotel closures reported during the MCO period as hotel businesses were unable to withstand the economic impact brought about by the COVID-19 pandemic. Notable hotels that have since ceased operations, some as temporarily, include the below:

- Hotel Jazz: Ceased operations in April 2020, just over a year after commencing operations.
- Penaga Hotel and Jerejak Island Resort (both managed by VHM Hotel Management Group): Ceased operations in April 2020 (temporary).
- Mercure Penang Beach & The Gurney Resort Hotel and Residences (by Plenitude Group): Ceased operations in April 2020 (temporary).
- Holiday Inn Resort Penang: Ceased operations in June 2020 after 4 decades in operation.

The following table summarises selected upcoming hotels in Penang.

Figure 2.3: Selected Future Hotel Developments in Penang

Name	Location	Star Rating	Number of Rooms	Expected Year of Opening
PENANG ISLAND				
OZO Hotel	Georgetown, Penang	3	141	CY2020
Angsana Hotel (Banyan Tree)@ Angsana Teluk Bahang	Tanjong Tokong, Penang	5	230	Q4 CY2020
Amari Penang	SETIA Spice, Jalan Tun Dr Awang, Bayan Baru, Bayan Lepas	4	453	Late CY2020
Capri by Fraser Penang	Jalan Magazine	Hotel residence	255	CY2021
J.W. Marriott by Taman Sri Bunga Sdn Bhd	Persiaran Gurney, Georgetown	5	313	CY2022
Proposed hotel@Sunshine Tower (re-development of the old Sunshine Farlim site)	Farlim, Ayer Itam, Penang	4	320	CY2021/ CY2022
Peel Avenue Land Redevelopment (planned medical city with 33-storey hotel)	Jalan Pierce, Georgetown	4	440	CY2023
Phase 1 & Phase 2@Penang International Commercial City (Hunza Group)	Bayan Baru, Penang	5	TBA	CY2021 - CY2026
Ritz-Carlton to manage luxury hotel and residency units at Runnymede Place	Along Millionaire's Row or Jalan Sultan Ahmad Shah	5	133 rooms & 18 suites	CY2026
Penang Times Square (Phase 4) by Ivory Properties	Jalan Dato Kermat, Georgetown	International hotel	NA	In Planning Stage
Bukit Ayun Development@Mpire Residences by Paramount Solaris Sdn Bhd	Bayan Lepas, Penang	TBA	300	TBC
Hotel@Mah Sing Group's Southbay City Development	Batu Maung, Pahang	ТВА	TBA	ТВА
Hotel@Penang World City	Bayan Lepas, Penang	International hotel	TBA	TBA
Hotel@The Millennium by Ivory Properties	Batu Uban, Penang	NA	NA	TBA
Proposed 5-storey hotel behind the Convalescent Bungalow by Penang Hill Corporation (PHC)	Penang Hill	NA	200	TBC
Proposed hotel along the slopes on Coolie Line (Strawberry Valley) by Penang Hill Corporation (PHC)	Penang Hill	NA	100 est.	ТВА
Redevelopment of 'The Crag' (formerly a hotel & international school)	Penang Hill	NA	28 room (suites type hotel)	ТВА
13 storey hotel (Behind Soonstead Mansion)	Jalan Sultan Ahmad Shah, Georgetown	NA	97	ТВА
PENANG MAINLAND				
GEM Hotel	Jalan Baru, Seberang Perai	4	336	CY2020
Aloft Hotel	Aspen Vision City, Batu Kawan	4	308	CY2023
Holiday In & Suites	Juru Sentral, Central Seberang Perai	4	288	Q4 CY2021
Proposed Hotel	Jalan Bagan Luar, Butterworth	4 or 5	364	CY2021
Proposed Hotel@Penang Sentral	Jalan Pantai, Butterworth	4	372	CY2021

Source: Zerin Properties Research & various sources
Note: The expected completion data may differ as a result of the COVID-19 pandemic.

#### MARKET REPORT

95

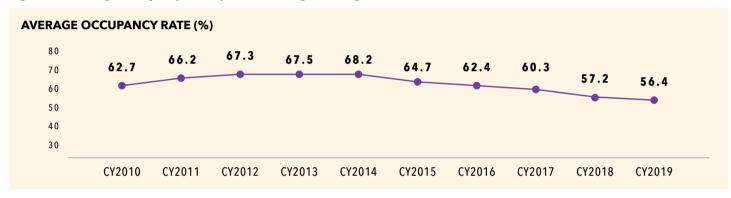
#### **DEMAND OF HOSPITALITY SPACE**

#### Selangor

The average occupancy rate of all-star rating hotels in Selangor, which stood at 62.7% in CY2010, grew steadily to peak at 68.2% in CY2014. Thereafter, the average occupancy rate experienced a continued decline till CY2019. Despite higher number of tourist arrivals in CY2019, the occupancy rate dipped further to 56.4%, the lowest point since CY2010. The lower occupancy trend may be attributed to the addition of new hotels in Selangor and competition arising from the rise of unregistered accommodation or unregulated short-term accommodations (STA) such as Airbnb.

Undoubtedly, the occupancy rate for CY2020 is expected to be significantly lower due to the impact arising from the COVID-19 pandemic.

Figure 2.4: Average Occupancy Rate by All Star Rating in Selangor, CY2010 to CY2019



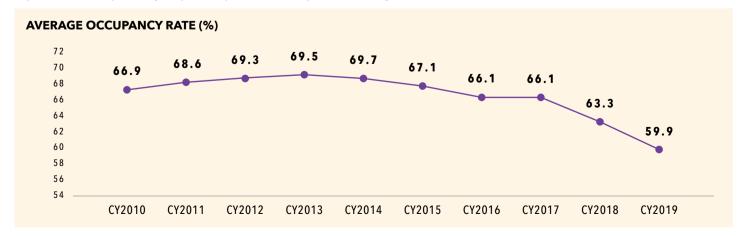
Source: Tourism Malaysia (Based on Hotel Survey)/Knight Frank Research

#### **Kuala Lumpur**

For the first five years of the review period (from CY2010 to CY2014), the average occupancy rate of all-star rating hotels in Kuala Lumpur grew steadily from 66.9% to peak at 69.7%. Thereafter, similar to Selangor, the occupancy rate recorded a downtrend till CY2019. The introduction of tourism tax at the flat rate of RM10 per room per night charged on foreign tourists and other factors such as higher hotel and rooms supply, coupled with a general lack of interesting international events in Kuala Lumpur led to this decline.

The occupancy rate for CY2020 again is expected to be significantly lower due to the severe impacts arising from the COVID-19 pandemic on the hospitality, tourism and aviation-related industries.

Figure 2.5: Average Occupancy Rate by All Star Rating in Kuala Lumpur, CY2010 to CY2019



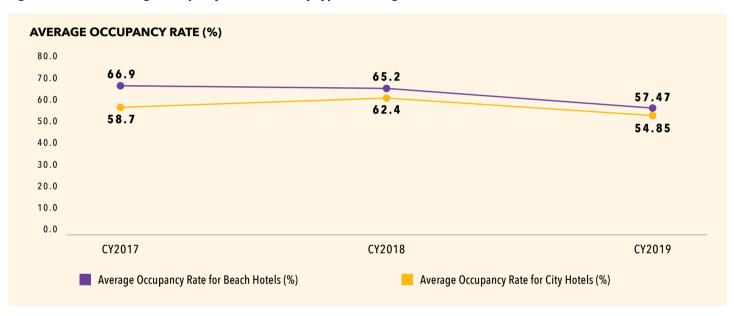
Source: Tourism Malaysia (Based on Hotel Survey)/Knight Frank Research

#### **Penang**

Penang has long been a favourite holiday destination for domestic and international guests. Hence, the hospitality market of Penang Island is highly dependent on the tourism sector. According to Tourism Malaysia, the average occupancy rate of hotels in Penang has been relatively stable at above 60% since CY2010. However, the rate has been impacted negatively by the COVID-19 pandemic as well as the soft corporate and leisure demand during the MCO period.

However, it must be noted that even before the outbreak of the pandemic, the occupancy rate of hotels in Penang was already pressured with rising new supply and more rooms being provided by Airbnb operators and alternative accommodations.

Figure 2.6: Recent Average Occupancy Rate of Hotel by Type in Penang



Source: NAPIC Property Market Reports & Malaysian Association of Hotels (Penang Chapter)

Note: The occupancy rate from October 2019 onwards is not available.

#### **OVERALL HOSPITALITY MARKET OUTLOOK**

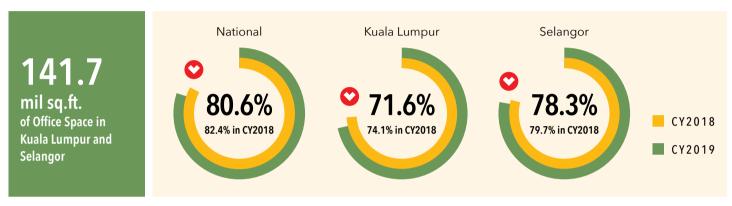
The Government's economic stimulus packages to address the COVID-19 outbreak focus on several economic sectors, which include the tourism sector. The packages aim to provide a boost to the domestic tourism industry by upgrading its products in order to attract more tourists nationwide. In the short to medium-term, the outlook for the hospitality sector is tough as it is among the worst-hit sectors that include tourism, retail and aviation-related industries. Many hotels nationwide are halting operations temporarily while others have shut down permanently. The Malaysian Association of Tour and Travel Agents (MATTA) expects the country's tourism sector to have a slow recovery in the last quarter of CY2020 and stabilise by mid-June CY2021.

Penang, being one of the top tourism destinations in Malaysia, is anticipated to rebound sooner thanks to the increasing domestic tourist arrivals, timely implementation of policies and strategies to manage the impact of COVID-19, introduction of tour packages and increase in flight frequencies as well as the commencement of the Penang Master Transport Plan (PTMP). Moving forward, it is expected that there will be a delayed entry of new hotel supply that is present in the pipeline as developers and hotel players are likely to wait for the tourism and hospitality industries to start showing signs of recovery.

#### MARKET REPORT

#### **OFFICE MARKET OVERVIEW**

Due to the impact of COVID-19, rental rates and occupancy levels of office buildings in Malaysia, especially in Klang Valley where there is an existing supply and demand imbalance, will experience further downward pressure in the near term. The unprecedented crisis will result in lower levels of leasing and transactional activities as businesses and occupiers delay or put their real estate plans on hold.



Source: Valuation and Property Services Department

#### **SUPPLY OF OFFICE SPACE**

#### Selangor

The supply of office space in Selangor stood at approximately 43.3 million sq.ft. as at CY2019. There were two notable office completions in 2H CY2019, namely 1 Powerhouse Building and Tropicana Gardens Office Tower. Linked to the Bandar Utama MRT station, 1 Powerhouse Building is a 31-storey office building with MSC Malaysia status offering an NLA of circa 600,000 sq.ft. Similarly, Tropicana Gardens Office Tower which offers approximately 219,000 sq.ft. NLA is also directly linked to the Surian MRT station.

The bulk of incoming office supply in Selangor, amounting to approximately 1.9 million sq.ft., is expected to come on stream in the next two years (2Q CY2020 to CY2021). The buildings are mainly concentrated in the locality of Petaling Jaya.

Figure 3.1: Future Supply of Office Space in Selangor, 2Q CY2020 to CY2021

Development	Location	Expected Year of Completion	Estimated NLA (sq.ft.)
Block G @ Empire City	Empire City	2Q to 4Q CY2020	
HCK Tower @ Empire City	Empire City	2Q to 4Q CY2020	
Menara Star 2	Seksyen 13, Petaling Jaya	2Q to 4Q CY2020	1 407 000
Tower 5 @ PJ Sentral Garden City	Seksyen 52, Petaling Jaya	2Q to 4Q CY2020	1,497,000
Q Tower @ twentyfive.7	Shah Alam	2Q to 4Q CY2020	
Quill 9 Annexe	Seksyen 19, Petaling Jaya	2Q to 4Q CY2020	
Imazium @ Uptown (formerly known as Uptown 8)	Damansara Uptown	CY2021	450,000
Total			1,947,000

Source: Knight Frank Research

#### **Kuala Lumpur**

The supply of office space in Kuala Lumpur stood at approximately 98.4 million sq.ft. as at CY2019. In KL City, the completion of The Exchange 106 and Menara Prudential in Tun Razak Exchange (TRX) as well as BB Tower at Jalan Bukit Bintang in 1H CY2019 collectively contributed approximately 3.3 million sq.ft. to existing office stock.

The bulk of incoming supply, amounting to approximately 8.6 million sq.ft. of office space, is expected to come on stream in the next two years (2Q CY2020 to CY2021).

Figure 3.2: Future Supply of Office Space in Kuala Lumpur, 2Q CY2020 to CY2021

Development	Location	Locality	Expected Completion Year	Estimated NLA (sq.ft.)
Affin Tower	Tun Razak Exchange	KL City	2Q to 4Q CY2020	
HSBC HQ	Tun Razak Exchange	KL City	2Q to 4Q CY2020	
TCM Tower	Jalan Tun Razak	KL City	2Q to 4Q CY2020	2,731,000
TS Law Tower	Jalan Inai	KL City	2Q to 4Q CY2020	
Legasi Kampung Bharu (formerly known as Menara Legasi)	Jalan Raja Muda Musa	KL City	2Q to 4Q CY2020	
Permata Sapura (formerly known as Lot 91 KLCC)	Jalan Kia Peng	KL City	2Q to 4Q CY2020	
Merdeka 118 Tower	Jalan Stadium	KL City	CY2021	
PNB 1194 (formerly known as MAS Annex)	Jalan Sultan Ismail	KL City	CY2021	
Menara Great Eastern 2	Jalan Ampang	KL City	CY2021	3,273,000
The Stride Strata Office	Bukit Bintang City Centre (BBCC)	KL City	CY2021	
UOB Tower 2	Jalan Raja Laut	KL City	CY2021	
V2 Corporate Office Tower	Sunway Velocity 2	KL City	CY2021	
Pavilion Damansara Heights (Phase 1)	Damansara Heights	KL Fringe	CY2021	
The MET Corporate Towers	KL Metropolis	KL Fringe	CY2021	2,598,000
Aspire Tower	Jalan Bangsar	KL Fringe	CY2021	
Total				8,602,000

Source: Knight Frank Research

#### MARKET REPORT

#### **DEMAND OF OFFICE SPACE**

#### Selangor

The overall occupancy rate of office space in Selangor dropped from 74.1% in CY2018 to 71.6% in CY2019. In terms of rental rate, selected Grade A office buildings in the locality of Petaling Jaya are commanding asking rentals between RM5.00 per sq.ft. to RM6.00 per sq.ft. per month. The asking rental rates for Grade B office space are at a wider range, ranging from RM3.50 per sq.ft. to RM5.00 per sq.ft. per month.

Meanwhile, the asking rental rates for selected Grade A office buildings in Subang Jaya range from RM4.00 per sq.ft. to RM6.50 per sq.ft. per month while Grade B office spaces command lower asking gross rentals of between RM3.20 per sq.ft. and RM4.50 per sq.ft. per month.

Figure 3.3: Asking Gross Rentals of Selected Office Buildings in Selangor, 1Q CY2020

Building Name	Location	Classification	Asking Gross Rental (RM per sq.ft./ month)
Locality: Petaling Jaya			
1 First Avenue	Bandar Utama	Grade A	6.00
Nucleus Tower	Mutiara Damansara	Grade A	5.80
The Ascent @ Paradigm	SS 7, Kelana Jaya	Grade A	5.50 - 6.00
Oasis Square - Block F	Ara Damansara	Grade A	5.00
PJ 33	Seksyen 13, Petaling Jaya	Grade B	5.50
Oasis Square - Block H	Ara Damansara	Grade B	5.00
Uptown 1 & 2	Damansara Utama	Grade B	5.00 - 5.80
Menara Axis	Seksyen 51A, Petaling Jaya	Grade B	4.90
CP Tower	Seksyen 16, Petaling Jaya	Grade B	4.00
Menara AmFirst	Seksyen 19, Petaling Jaya	Grade B	3.50
Locality: Subang Jaya			
The Pinnacle Sunway	Bandar Sunway	Grade A	6.50
SunGeo Tower	Bandar Sunway	Grade A	6.00
Puchong Financial Corporate Centre (PFCC) - Towers 4 & 5	Bandar Puteri Puchong	Grade A	4.00 - 6.00
Wisma Consplant 1 & 2	SS 16, Subang Jaya	Grade B	4.50
Puchong Financial Corporate Centre (PFCC) - Tower 1 & 2	Bandar Puteri Puchong	Grade B	4.00 - 4.50
Menara Summit	USJ 1, UEP Subang Jaya	Grade B	3.80
MCT Tower	One City, UEP Subang Jaya	Grade B	3.20 - 3.80

Source: Knight Frank Research

#### **Kuala Lumpur**

The overall occupancy rate of office space in Kuala Lumpur dropped from 79.7% in CY2018 to 78.3% in CY2019, amidst growing challenges in the office market with a widening gap between supply and demand. The completion of Equatorial Plaza in CY2018 (circa 460,000 sq.ft. NLA) has yet to achieve significant occupancy level. Tenant movements from buildings such as Menara Dion, Menara Worldwide and G Tower continued to exert pressure on the office market.

With the new entrants of good quality and high specification office spaces within TRX, Prime A+ office buildings in KL City continue to command higher asking rental rates, from RM9.00 per sq.ft. per month onwards. As shown in Figure 3.4 below, the asking rental rates of selected Grade A offices in the New CBD are lower, ranging from RM6.80 per sq.ft. to RM11.00 per sq.ft. per month whereas for selected Grade B offices, the asking rentals are from RM4.00 per sq.ft. to RM6.50 per sq.ft. per month.

In the Old CBD, the monthly asking rental rates of selected purpose-built office buildings range from RM3.50 per sq.ft. to RM7.50 per sq.ft. whilst in KL City Centre Peripheral, they are between RM3.70 per sq.ft. and RM4.15 per sq.ft.

Figure 3.4: Asking Gross Rental Rates of Selected Office Buildings in KL City, 1Q

Building Name	Location	Classification	Asking Gross Rental (RM per sq.ft./ month)
New CBD (formerly Golden Triangle)			
Petronas Twin Towers	Jalan Ampang	Prime A+	13.00 - 15.00
Menara 3 Petronas	Jalan Ampang	Prime A+	12.00 - 14.00
Integra Tower	Jalan Tun Razak	Prime A+	11.00
The Exchange 106	Tun Razak Exchange	Prime A+	10.00 - 12.00
Menara Prudential	Tun Razak Exchange	Prime A+	9.00
Menara Maxis	Jalan Ampang	Grade A	10.50 - 11.00
Menara Binjai	Jalan Binjai	Grade A	8.80
Menara Khuan Choo	Jalan Raja Chulan	Grade A	8.50
Vista Tower	Jalan Tun Razak	Grade A	7.50 - 9.50
Menara Hap Seng 2	Jalan P. Ramlee	Grade A	7.50
Menara AIA Sentral (formerly known as Menara Standard Chartered)	Jalan Sultan Ismail	Grade A	6.80
Wisma Golden Eagle Realty (formerly known as Wisma Selangor Dredging)	Jalan Ampang	Grade B	6.50
Menara HLA	Jalan Kia Peng	Grade B	6.00
Menara Atlan	Jalan Ampang	Grade B	5.00 - 6.00
Wisma MCA	Jalan Ampang	Grade B	4.50
Wisma MPL	Jalan Raja Chulan	Grade B	4.00

4.85

4.80 - 5.80

#### MARKET REPORT

**Building Name** Location Classification Asking **Gross Rental** (RM per sq.ft./ month) **Old CBD** (formerly Central Business District) Jalan Dang Wangi Grade A 7.50 Menara Cap Square Grade A 6.00 - 6.50 Wisma Hamzah-Kwong Hing Lebuh Ampang Grade A 5.50 - 6.50 JKG Tower Jalan Raja Laut Menara Multi-Purpose Jalan Munshi Abdullah Grade A 5.00 Menara TH Perdana Grade B 4.70 Jalan Sultan Ismail Wisma Bumiraya Jalan Raja Laut Grade B 3.60 Menara Olympia Jalan Raja Chulan Grade B 3.50 - 6.00 **KL City Centre Peripheral** Jalan Raja Chulan Grade B 4.15 Plaza See Hoy Chan Menara KPJ Jalan Tun Razak Grade B 4.00 Jalan Tun Razak Grade B 3.70 Bangunan TH Selborn

Source: Knight Frank Research

Separately, the asking rental rates for selected Grade A and Grade B office buildings in KL Fringe range from RM5.50 per sq.ft. to RM8.50 per sq.ft. per month and from RM4.80 per sq.ft. to RM6.00 per sq.ft. per month, respectively.

Figure 3.5: Asking Gross Rentals of Selected Office Buildings in KL Fringe, 1Q CY2020

Building Name	Location	Classification	Asking Gross Rental (RM per sq.ft./ month)
KL Fringe			
Menara Shell	KL Sentral	Grade A	8.50
The Gardens	Mid Valley City	Grade A	7.50
Menara LGB	Taman Tun Dr. Ismail	Grade A	6.50 - 7.50
Mercu 3	KL Eco City	Grade A	6.50
UOA Corporate Tower A	Bangsar South	Grade A	6.20
Menara Milenium	Damansara Heights	Grade A	6.00

Building Name	Location	Classification	Asking Gross Rental (RM per sq.ft./ month)
KL Fringe			
Menara BRDB	Bangsar	Grade A	5.50 - 6.50
Menara TM	Pantai	Grade B	6.00
Menara Kembar Bank Rakyat	KL Sentral	Grade B	5.50 - 6.50

Damansara Heights

Damansara Heights

Source: Knight Frank Research

Menara Manulife

Menara MBSB

#### **OVERALL OFFICE MARKET OUTLOOK**

In the immediate term, co-working or flexible spaces may be less in demand due to decreased preference among clients or members of the public to congregate and interact face-to-face in one location. However, we expect that business confidence would be restored when the pandemic can be contained, thus co-working or flexible spaces may be a good option for new tenants and businesses looking to expand to satisfy their need for space before committing to a longer-term plan.

While working from home has been the much talked about trend recently, this office spaces would continue to remain relevant as a place for connection, socialisation, creativity and innovation. Moreover, offices which are located within well-connected integrated developments offering various services and facilities with significant population catchment are likely to be able to sustain occupancy and rental rates even during challenging times.

Amidst challenges in the office market, some REITs and landlords of well-located but dated buildings, are shifting their focus to asset enhancement initiatives by refurbishing or revamping their office buildings. They are also motivated to offer attractive leasing packages that are centred on tenant retention to improve their market competitiveness and attract new occupants.

Jointly contributed by







Grade B

Grade B

## **MATERIALITY**

GRI 102-21, 102-43, 102-44, 102-47

Materiality assessments enable us to identify and assess the economic, environmental and social (EES) issues that are most important to our business and diverse stakeholders. It narrows down our approach in understanding and addressing the risks and opportunities of the issues that we need to respond to, manage and report on. It is also one of our stakeholder engagement platforms, where we obtain feedback and ensure effective response. Regular engagement with our stakeholders will help us meet their needs and understand their evolving expectations and concerns, which is vital for the sustainability of our business.



For more information, please refer to Stakeholder Engagement section.

# ° ECONOMIC



# ° ENVIRONMENTAL





In FY2019, we conducted an online survey that covered the EES matters and incorporated Materiality Assessment Approach feedback and queries from stakeholders which we gathered for the materiality in FY2018. Key considerations such as market and industry trends were included in the assessment prior to the mapping of 30 material matters to the Business, Leadership, Risk, Environment and Social pillars.

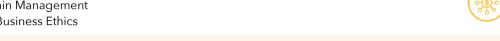
This year, we conducted an internal review and assessed the material matters by aligning them to local, regional and global issues and megatrends to identify potential gaps. Guided by sustainability frameworks such as the GRI and the Sustainability Accounting Standards Board (SASB), the validation exercise enabled us to validate the relevance of our material matters to our stakeholders and business operations.

We are pleased to report that the validation exercise did not show any major gaps between our material matters and the industry's. To further enhance our material matters, we have:

- Renamed Physical Impacts of Climate Change to Climate Change Adaptation
- Renamed Water and Wastewater Management as Resource Management
- Renamed Energy Management as Energy Consumption
- Renamed Employee Engagement, Diversity & Inclusion to Diversity and Inclusion
- Renamed Health, Safety and Security to Occupational Health and Safety
- Renamed Customer Welfare to Customer Satisfaction
- Integrated Corporate Governance and Business Ethics & Transparency as Corporate Governance and Business Ethics
- Integrated Supply Chain Management and Procurement Practices as Procurement and Supply Chain Management

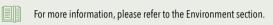
We have also prioritised the following 12 material matters that are related to REIT and property conglomerates with REIT:

- Financial Performance
- Procurement and Supply Chain Management
- Corporate Governance and Business Ethics





- Climate Change Adaptation
- Energy Consumption
- Resource Management



- Diversity and Inclusion
- Human Capital Development
- Occupational Health and Safety
- Customer Privacy and Data Security
- Human Rights and Community Enrichment
- Customer Satisfaction



# MATERIAL MATTERS ASSOCIATED WITH CLIMATE CHANGE

GRI 102-11, 102-15, 102-29

Material Matters	Risks	Opportunities and strategies	Impact & Boundaries	GRI Topic-Specific Disclosures
1. Financial performance	Risk of escalated cost of doing business due to policy changes to favour low-carbon economies	Transition into implementation of policies and action plans to reduce impact to climate change	Employees and investors	Economic performance, Market presence, Indirect economic impact
2. Procurement and supply chain management  12 STATE OF THE PROCURE OF THE PROCUR	<ul> <li>Reputational risk if the supply chain is tainted with violations of human rights and exploitation of natural resources</li> <li>Business operations and financing risks due to disrupted supply chain.</li> </ul>	Commit to increase percentage of suppliers that meet the environmental and social assessment	All stakeholders across our value chain	Supply chain

MATERIALITY

## MATERIALITY

Material Matters	Risks	Opportunities and strategies	Impact & Boundaries	GRI Topic-Specific Disclosures
3. Corporate governance and business ethics	Reputational risk and potential regulatory breach as well as lawsuits for any non-compliance or misconduct by employees or the management	Maintain high governance standards in line with international best practices	Employees, Government and regulators	Anti-corrruption, Anti-competitive behaviour, Environmental compliance, Customer health and safety
4. Climate change adaptation	Risk of damaged assets, environment and society	<ul> <li>Increase percentage of green building in the asset portfolio. The proposed acquisition of The Pinnacle Sunway is a GBI-certified building with MSC status.</li> <li>Leverage private security team as first-line of defence to strengthen safety and security of the community</li> </ul>	All stakeholders across our value chain	Emissions
5. Energy consumption	- Risk of increased operational costs due to electricity tariff hikes	<ul> <li>Utilise renewable energy to diversify sources of energy.</li> <li>Sunway REIT has embarked on solar panel projects in Sunway City township and assets</li> </ul>	Customers, suppliers, Government and regulators, investors, community and media	Energy, Emissions
6. Resource management  13 349 COO	<ul> <li>Risk of disruptions to businesses and operations</li> <li>Risk to human health affecting social license to operate</li> <li>Risk of fines, affecting finances and reputation</li> </ul>	<ul> <li>Diversify sources of water by reducing reliance on municipal supply to enhance water security. Sunway REIT also sources water from Sunway's water treatment plant</li> <li>Compost food waste for community use or urban farming</li> <li>Partnerships with others who use waste streams as input</li> </ul>	All stakeholders across our value chain	Water, Waste and Effluent
7. Diversity and inclusion	Reputational risk due to discrimination	Enable us to become an employer of choice	Employees and the community	Diversity and equal opportunity, Local communities

	nterial otters	Risks	Opportunities and strategies	Impact & Boundaries	GRI Topic-Specific Disclosures
8. 3 see - 1	capital development	Risk of low performance and productivity impacting operational efficiency	Invest in human capital development and cultivate a culture that attracts and retains talent	Employees	Employment, Labor/Management relations, Training and education
9.	Occupational health and safety	<ul> <li>Risks to the health and safety of workers which affect productivity</li> <li>Risks of getting fines that affect finances and reputation</li> </ul>	Partnerships with leading authorities and academics to pilot industry leading standards	Employees, Government and regulators and media	Occupational Health and Safety
16 AM	Customer privacy and data security	Cyberattacks can harm business and erode trust	Develop talent and test-bed new solutions	Employees, Government and regulators and media	Customer Privacy
1 1 1	Human rights and community enrichment	Risk of reputational damage and negative attention from regulators, media and the public	Build trust among our stakeholders	Employees and the community	Human rights, Inclusivity and supporting local communities
12.	Customer satisfaction	Reputational, business and attrition risks	Differentiation of branding, products and services to enhance stakeholders' confidence which in turn, lead to higher demand for our assets	Customers	Product quality and responsibility, product safety and customer well-being

#### **BUSINESS MODEL**

# **BUSINESS MODEL**

# WHAT WE PUT IN ...

#### **MANUFACTURED CAPITAL**

Sunway REIT is a diversified REIT with a portfolio of 17 properties across Malaysia. Sunway REIT owns 4 retail malls, 6 hotels, 4 offices, 1 medical centre, 1 education asset and 1 industrial

Turn to page 7 in this report for more information.

#### FINANCIAL CAPITAL

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

Turn to pages 39-41 in this report for more information.

#### INTELLECTUAL CAPITAL

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

Turn to pages 174-177 in this report for more information.

#### **HUMAN CAPITAL**

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

Turn to page 10 in this report for more information.

#### **NATURAL CAPITAL**

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.

Turn to pages 116-171 in this report for more information.

#### **SOCIAL AND RELATIONSHIP 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.

Turn to pages 194-198 in this report for more information.

# **HOW WE CREATE VALUE**

#### VISION

To be a leading diversified REIT in Malaysia committed to enhancing stakeholder value - Sustainable Growth, Environmental Stewardship and Community Engagement

#### **PURPOSE**

- Empowering businesses
- Curating experiences
- Enriching lives

#### MISSION

To deliver sustainable income distribution over the long term through responsible business strategies supported by adaptive innovation solutions, management and sustainability practices

#### **CORE VALUES**

- Integrity
- Humility
- Excellence

#### **SUSTAINABILITY FOCUS AREAS**

- Responsible business practices
- Continuous engagement with key business stakeholders
- Process and resource efficiency
- Environmental stewardship
- Giving back to the community

# **KEY GROWTH**

**STRATEGIES** 

- To shift from retail-focused **REIT to diversified REIT**
- To embark on opportunityled acquisition, turnaround redevelopment and divestment
- To invest in emerging growth sub-sectors to capitalise on global mega trends
- To diversify geographically in and out of Malavsia
- independently or in collaboration with Sponsor with focus on integrated development

#### **STRATEGIC OBJECTIVES**

Measured by **Property Value** or Market Capitalisation

Property Value

5-year Average **Total Return** 

5-year DPU CAGR

# **UNITHOLDERS/INVESTMENT COMMUNITY**

We endeayour to deliver sustainable DPU over the long-term horizon. Our ability to generate sustainable returns for unitholders is demonstrated through our track record and supported by a strong Sponsor.

THE VALUE WE CREATE FOR OUR STAKEHOLDERS TARGETS FY2025

2020 Ranked 2<sup>nd</sup> by property value/Ranked 4<sup>th</sup> by market capitalisation Property value: RM8.04 billion 5-year Average Total Return: **6.5**% 5-year DPU CAGR: (3.4)%

#### **CUSTOMERS/TENANTS/HOTEL GUESTS**

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

2020 Collectively, houses more than **1,200** tenants in the retail malls and offices



#### Through managing our environmental stewardship, we create positive

impact to the environment.

2020 21,645 MWh savings in electricity consumption **12,671 tonnes** of CO<sub>2</sub>e avoided



#### **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.

2020 **26** Training hours per employee **74%** employee retention rate

#### **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.

2020 Board composition with 43% female/Voluntary disclosure of Corporate Governance Report/Chairman of Malaysian REIT Managers Association (MRMA)



#### **BUSINESS PARTNERS**

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

2020 Periodic engagement sessions with our business partners on quarterly basis

Top 3 M-REITs

**Property Value** RM13 - RM15 billion

5-year Average Total Return 8% to 12%

5-year DPU CAGR 3% to 5%

## DRIVEN THROUGH ...

1 Diversification

**2** Embracing Environmental, Social and Governance (ESG) objectives 3 Acquisition, redevelopment, turnaround,

Property development/Built-to-suit

5 Investing in emerging growth sub-sectors

**OUR COMPETITIVE ADVANTAGES** 

Diversified asset portfolio

Prudent risk management

Experienced and diversed backgrounds & skill sets

Progressive mindset and innovative processes

Strong relationship with tenants

Sunway brand synergy

Performance track record

Responsible & sustainable business practices

# **UNDERSTANDING OUR RISKS**

**UNDERSTANDING OUR RISKS** 

Risk is fundamentally part of Sunway REIT's business operations, and it needs to be managed accordingly in order to create sustainable value for all our stakeholders. Therefore, the board of directors of the Manager ("Board") places great importance and is committed to maintaining effective risk management practices which is part of an integral process in achieving Sunway REIT's business objectives. As such, the Manager adopts a robust Enterprise Risk Management (ERM) framework that enables it to continuously identify, assess, treat and manage risk that could affect Sunway REIT from achieving its objectives within defined risk parameters in a timely and effective manner. The Risk Officer is responsible for ensuring 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 the Operation level of each property as well as at the Fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.



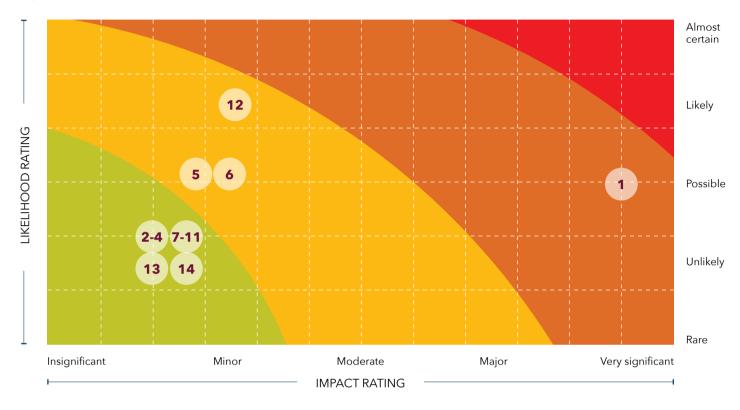
For more information, please refer to the Statement on Risk Management and Internal Control section.

#### **SNAPSHOT OF THE ENTERPRISE RISK MANAGEMENT PROCESS FLOW:**



The Manager proactively heightened its risk management surveillance to ensure business continuity following the aftermath of the COVID-19 pandemic and imposition of MCO, CMCO and RMCO where business operations were affected. Two new risks were identified this financial year, namely Bribery and Corruption and Climate Change Related risks.

#### **RISK TREND**



The residual risk rating of the risk factors is being represented in the risk matrix above, where:

- Risk numbers 2 to 4, 7 to 11, 13 and 14 are rated with minor impact and unlikely to occur, and hence given a **Low** residual risk rating.
- Risk numbers 5 and 6 are rated with minor impact and possible to occur, and risk number 12 is rated with minor impact and likely to occur; hence are given a **Moderate** residual risk rating.
- Risk number 1 with very significant impact and possible to occur, hence given a **High** residual risk rating.

#### **RISK NUMBERS**

1 Business/Market Risk	6 Valuation Risk	11	Operational Risk
2 Interest Rate Risk	<b>7</b> Cyber Risk	12	Property Development Risk
3 Reputational Risk	8 Security Risk	13	Compliance and Regulatory Risk
4 Financing and Refinancing Risk	9 Climate Chan	ge Related Risk	Bribery and Corruption Risk
5 Liquidity Risk	10 Acquisition a	nd Investment Risk	

Stable

#### UNDERSTANDING OUR RISKS

#### UNDERSTANDING OUR RISKS

#### **RISK FOCUS AREAS**

Sunway REIT's risk focus areas display the extent and emphasis of risks which are assessed to be of importance in achieving Sunway REIT's strategic objectives.

# External - Business/ Market Risk - Interest Rate Risk - Reputational Risk - Reputational Risk - Acquisition and Investment Risk - Business/ Market Risk - Liquidity Risk - Climate Change Related Risk - Acquisition and Investment Risk - Property Development Risk - Property Development Risk - Compliance and Regulatory Risk - Bribery and Corruption Risk

#### **RESIDUAL RISK RATING**



#### LOW

Acceptable - risk management practices are effective



#### HIGH

Not acceptable - appropriate mitigating action plans required to reduce risk to an acceptable level



#### **MODERATE**

Acceptable - risk management practices are effective but require mitigating action on certain areas of weaknesses



#### VERY SIGNIFICANT

Not acceptable - immediate attention required to ensure that the risk is managed and mitigated

For the financial year under review, Sunway REIT has identified the following risks on the Fund and the Operation level.

Ris	sk Focus Areas	Sources of Opportunities	Mitigating Measures/Actions	Residual Risk Rating
Ex	ternal			
1.	Business/market risk Risk that the properties face decline in revenue and net property income due to the COVID-19 pandemic, poor market condition, competition and geographical concentration.	Sunway REIT's strategy is to embark on a diversified portfolio of asset classes to maintain stability of its income base and to capture the emerging growth in global megatrends.	<ul> <li>Sunway REIT maintains a diversified asset portfolio which is able to mitigate the risks of weaker performance in certain property sub-sectors.</li> <li>The Manager ensures that the Business Unit Management Teams collaborate closely with the Sponsor, to leverage on and seek to maximise the operation and business synergies between the properties in the portfolio of Sunway REIT and the surrounding developments within the townships that are master-planned and developed by the Sponsor.</li> <li>The Manager also actively identifies and capitalises on potential asset enhancement initiatives within the portfolio to maintain market position and competitiveness.</li> <li>The Manager addresses the geographical concentration risk of its portfolio at Sunway City through the strategy to acquire properties at other key growth cities throughout Malaysia.</li> </ul>	Change from Moderate to High due to impact of COVID-19 pandemic or revenue and net property income of retail and hote

#### Risk Focus Areas Sources of **Mitigating Measures/Actions** Residual **Opportunities Risk Rating** 1. Business/market risk - To provide further stability to earnings, the Manager has (cont'd.) implemented the strategy to invest in properties such as educational campus, hospital, industrial, logistics, warehouses. etc. with long-term fixed leases. These assets will be classified under the Services and Industrial & Others segments and shall not exceed 25% of total assets value (TAV) of Sunway REIT. COVID-19 pandemic specific action plans: - Business continuity plans are implemented to rebuild confidence, retain business partners, recover footfall and minimise costs. Rebates continues to be assessed on case-to-case basis. Cost containment measures are implemented from reducing, cancelling and/or deferring non-essential operational and capital expenditures. For more information, please refer to Operations Review section. 2. Interest rate risk Sunway REIT is - The Manager strives to maintain fixed rate borrowings ratio of at least 40% to mitigate the risk of interest rate movements. Risk that adverse proactively movements in floating monitoring - The Manager dynamically monitors the interest rate interest rates will affect global economic environment and reviews and varies the capital management strategies in line with the interest rate outlook to optimise financial performance. Stable movements to cost of capital. capitalise on and respond swiftly to The Manager also continuously studies and explores effective the movement of hedging instruments and opportunities to hedge. global interest rates. As a gauge, every 25bps change in interest rate with respect to the RM1.95 billion floating rate borrowings as at 30 June 2020 would result in a change in finance cost of RM4.9 million or a DPU effect of +/- 0.17 sen. For more information, please refer to Capital Management section. 3. Reputational risk At the operation The Manager ensures that the Business Unit Management Risk of financial losses level, resources are Teams establish standard operating procedures on crisis arising from damage to allocated to protect, management and emergency response plan. the reputation of Sunway elevate and enhance Dedicated personnel to handle communication in the event REIT caused by adverse the brand value of of crisis. Stable events. Sunway. Transparent communication in the event of crisis. - Periodic training and simulations such as fire-drills together with tenants and in-house guests. - Sufficient insurance coverage for public liabilities. Financial 4. Financing and Strong interest - The Manager established the following diversified sources of refinancing risk funding with balanced pool of local and foreign financiers: service capability Risk that funding will not with quality asset - Commercial paper (CP) programme be available from financial backing, high - Unrated medium term note (MTN) programme

- Perpetual note programme

commitment from financiers.

multi-currency

Revolving loan facilities with the option to drawdown in

The Manager secured underwriting arrangement and

110 **SUNWAY REIT** INTEGRATED REPORT 2020

segments

institutions or debt

capital market to meet

requirements when due.

debt rating and

stewardship in

Sunway REIT attract

financiers to support

our financing needs.

confidence from

## **UNDERSTANDING OUR RISKS**

## UNDERSTANDING OUR RISKS

- Security team to be updated with latest protective measures and safety crisis management training.

Risk Focus Areas	Sources of Opportunities	Mitigating Measures/Actions	Residual Risk Rating	Risk Focus Areas	Sources of Opportunities	Mitigating Measures/Actions	Resi Risk R
. Financing and refinancing risk (cont'd.)		<ul> <li>Close monitoring of loan covenants to ensure acceptable level of interest service capability and to avoid breach of covenants.</li> <li>Regular engagement with financiers on refinancing ahead of due dates.</li> <li>Increase the underwriting limit and procure commitment from financiers to support refinancing plan.</li> <li>The Manager is exploring to refinance the borrowings due for longer tenure in view of the current low interest rate.</li> <li>Capitalise on the strength and synergy with Sunway Group treasury team.</li> </ul>		6. Valuation risk Risk that properties may suffer a decline in value thus affecting loan covenant and gearing. Such a situation may occur if the property suffers a decline in occupancy and rental rate.  The COVID-19 pandemic and imposition of	- Majority of Sunway REIT's properties are positioned in an integrated township, attracting a wider audience base in the form of footfall and occupancy rate.	<ul> <li>The Manager strives to ensure that all the assets under the management maintain its high occupancy level and rental rates by adopting various asset management strategies.</li> <li>Specific business recovery action plans to maintain vibrancy and occupancy of the assets includes: <ul> <li>Strict compliance with the Ministry of Health (MOH) standard operating procedures (SOP) to drive consumer confidence and occupancy rates.</li> <li>Rental support and flexible rental repayment schemes for eligible and qualified tenants.</li> <li>Promotions and cash voucher provisions as incentives to visit a Sunway REIT's retail/hotel premise.</li> </ul> </li> </ul>	Cha from I Mod due to prop perfor affecti valuat
Risk that funds are inadequate to meet obligations.  Risk that slower collections from the resulting from th		<ul> <li>The Manager, working together with the Business Unit Management Teams, actively and continuously monitor the debtors ageing record of tenants and supports tenants where possible in order to ensure survivability in the critical period.</li> <li>As at 30 June 2020, debtors' turnover was approximately</li> </ul>	Change from Low to	MCO, CMCO and RMCO resulted in lower performance of the retail and hotel properties, posing a risk to valuation.	property value enhances our ability to secure higher borrowings through a larger LTV base.	The Manager is working with the financiers on the increase in LTV ratio and injection of unencumbered properties to provide greater debt headroom.  For more information, please refer to Fair Value of Investment Properties and Operations Review sections.	retail an prope
of rental resulting from COVID-19 pandemic wil affect cash flow planning	-	<ul> <li>24.6 days and does not pose significant risk to Sunway REIT.</li> <li>At the Fund level, interest service cover ratio as at 30 June 2020 was 3.1 times, well above the covenant requirement of 1.5 times.</li> <li>To retain cash at the Fund level, measures taken include varying the distribution payout ratio, varying the distribution frequency, proposed Distribution Reinvestment Scheme (DRS) and proposed equity fund raising via private placement.</li> <li>Reduction, cancellation and/or deferment of non-critical operational and capital expenditure spending.</li> <li>The Manager works closely with advisors and placement agents on deal roadshows and early engagement for successful book-building process.</li> <li>Leverage on applicable Government economic stimulus package to alleviate financial pressure due to the COVID-19 pandemic.</li> <li>The Manager is working with the financiers on the increase in loan-to-value (LTV) ratio and injection of unencumbered properties for larger debt headroom.</li> </ul>	Moderate due to slower collection of rental	7. Cyber risk The risk of operations disruptions and loss of confidential data due to cyberattacks on the IT system.	<ul> <li>Sunway REIT strives to embrace innovation through new technologies in its operation.</li> <li>Increased dependence on IT system and management of information is inevitable as data is collected to predict behaviours and trends.</li> </ul>	The maintenance of Sunway REIT's IT system is outsourced to Sunway ITSSC with the following controls in place:  - Enforcement of Acceptable Use Policy (AUP).  - All relevant Sunway staff are to complete the annual compliance on Sunway Group IT policies.  - Effective controls including firewalls, antivirus, system contingency plan, user access rights among others.  - Data center disaster recovery procedure with annual walkthrough.  - Password management policy and access control policy.  - System backup and stored at different site.  - Prevent unauthorised access into work place Wi-Fi via password protection.  During the period where Work-From-Home was implemented, cyber security measures and practices were shared by Sunway Group IT team due to the increased utilisation of cloud and video conferencing. Utilisation of Microsoft Teams was highly encouraged due to the security in place to safeguard files transfers and video recording of virtual meetings. Employees were also updated with tips to avoid phishing and data leaks.	Sta
				8. Security risk - crime and threat of terrorism Risk of our properties being targets of organised or petty crime and terrorist attack.	Understanding the risk ahead provides steadfast actions in ensuring the comfort and security of our customers.	<ul> <li>Vigilant uniformed Auxiliary Police (AP) are placed at strategic locations to deter potential threats and provide higher level of security comfort.</li> <li>Armed police personnel regularly patrol the surrounding vicinity of the township.</li> <li>Upgrade and increase number of CCTV in critical areas and blind spots.</li> </ul>	Sta

Residual Risk Rating

Change

from Low to Moderate due

to the delay

following

temporary

cessation of property

construction

works during

MCO and CMCO

Stable

New risk

115

For more information on the ABC Policy, please refer to the Statement on Risk

Management and Internal Control secion.

#### **UNDERSTANDING OUR RISKS**

#### UNDERSTANDING OUR RISKS

Risk Focus Areas	Sources of Opportunities	Mitigating Measures/Actions	Residual Risk Rating	Risk Focus Areas	Sources of Opportunities	Mitigating Measures/Actions
risk (transition and physical risks) Risk of financial impact and litigation due to policy changes that seek to constrain actions that contribute to the adverse effects of climate change.  Risk of reputational damage tied to changing perceptions of an organisation's contribution to or detraction from the transition towards a lower-carbon economy.	<ul> <li>Reduction in operating costs by improving efficiency across energy, water, waste and materials management.</li> <li>Develop resilience or adaptive capacity to respond to climate change to better manage the associated risks and seize opportunities, including the ability to respond to transition risks and physical risks.</li> </ul>	<ul> <li>The Manager continuously studies and explores initiatives that contribute to environmental sustainability.</li> <li>Introduced solar energy projects, such as solar system with a capacity of 220kWp has been installed on Ecowalk (the canopy walk connecting Menara Sunway and Sunway Medical Centre) and new solar panels at the rooftop of Sunway Pyramid.</li> <li>The Manager aims for the following: <ul> <li>To avoid at least a total of 15,000 tonnes of carbon emissions by 2030 (12,671 tonnes of CO2e were avoided in FY2020) through the implementation of technologies which improve efficiency in energy, water and waste management.</li> <li>50% of water supply for assets in Sunway City to be sourced from recycled supply by 2030.</li> <li>Divert 40% of our waste from the landfill by 2030 (currently 4.6% of waste has been diverted from the landfill).</li> </ul> </li> <li>For more information, please refer to Sustainability Statement section.</li> </ul>	New risk	12. Property development risk Risk of revenue loss from delay in completion of Sunway Carnival Shopping Mall expansion and potential higher costs to completion.	Upon completion of Sunway Carnival Shopping Mall expansion, with an additional net lettable area of approximately 350,000 sq.ft., the depth and breadth of the tenancy mix can be enhanced through new offerings to stay ahead of the competition.	<ul> <li>As at 30 June 2020, there are registered delays in the completion timeline due to site conditions and construction works halted during the imposition of MCO and CMCO.</li> <li>The Manager, working together with the appointed projemanagers, contractors and consultants, will deliver accelerated project timeline with additional resources from the construction team.</li> <li>This entails closer supervision and monitoring by the projemanagement team - periodic updates with contractors a consultants to discuss progress and issues.</li> <li>Re-assessment of tendering price against budget and valengineering on remaining contracts yet to be awarded part of cost containment measures.</li> <li>Evaluate liquidated damages (LD) provided for in the projement of cost resulting from the delay, if required.</li> </ul>
10. Acquisition and investment risk Risk that assets are not yield-accretive and distort existing portfolio yield; difficulty in acquiring quality assets; lack of knowledge in non-real estate investments, especially investments that are based on underlying assets located overseas.	Successful yield-accretive acquisition and investment would drive incremental distribution to unitholders.	<ul> <li>The Manager remains highly selective and evaluates potential acquisitions against a set of approved investment criteria to ensure the investment to be yield-accretive.</li> <li>All acquisition proposals are evaluated by the Investment Appraisal Working Group prior to recommendation to the Board and Trustee.</li> <li>Due diligence to be performed prior to acquisition or investment in asset enhancement initiatives (AEIs) and property development activities.</li> <li>External consultants/investment banks to be consulted during the investment appraisal to seek their expertise and compliance with applicable regulations and on-the-ground knowledge of the underlying assets.</li> </ul>	Stable	13. Compliance and regulatory risk Risk that Sunway REIT fails to comply with applicable laws and regulations at the Fund level.	Regular and diligent compliance to all legal and regulatory requirements to safeguard Sunway REIT from any liabilities which may affect our operation and our ability to create value for the unitholders.	<ul> <li>Sunway REIT has a Compliance Officer who is responsite for ensuring compliance with the Trust Deed, all applical Securities Commission (SC) Guidelines for Listed REIT as securities laws at the Fund level.</li> <li>A compliance programme comprising compliance reviet questionnaires, on-the-job training and advisory is in place.</li> <li>The Manager updated and revised its internal Policy Manduring the financial year to reflect the changes surrounding the progress.</li> <li>The Manager will conduct annual testing of the Busine Continuity Plan (BCP) in accordance with the Busine Continuity Management Framework.</li> </ul>
Risk of loss due to occurrence of incidents resulting from inadequate or failed internal processes, systems or external events.	Presence of adequate and effective internal controls in core processes enhance operational capabilities and agility in the fast changing business environment.	<ul> <li>The Manager ensures strict compliance with regulatory requirements and relevant standard operating procedures.</li> <li>Effective internal controls are emphasised to prevent occurrence of adverse events with regular review by internal and external parties.</li> <li>Occupational health and safety measures and practices are regularly reviewed and emphasised.</li> <li>Regular internal audit reviews and weaknesses identified are promptly addressed by the Business Unit Management Teams.</li> <li>COVID-19 pandemic specific action plans: <ul> <li>Provide training and preparation for staff to effectively manage any health incidents according to a set of standard operating procedures.</li> <li>Provision of basic health safety kits, which include face masks and hand sanitisers to customers and staff.</li> <li>Implementation of social distancing seating setups in the premises, meeting rooms and for meeting events.</li> <li>Actively encourage sick staff, building occupants and workers to stay home.</li> </ul> </li> </ul>	Stable	14. Bribery and corruption risk  The Manager has adopted a ZERO TOLERANCE policy against all forms of bribery and corruption and the policy is applicable to all Sunway REIT's business associates and employees of the Manager.	Recognising strong corporate governance and upholding the highest level of integrity provides comfort to all stakeholders.	<ul> <li>The Anti-Bribery and Corruption (ABC) Policy is established the Board on 19 May 2020, in line with the corporate liab provision of the Malaysian Anti-Corruption Commiss (Amendment) Act 2018 and the Guidelines on Adequ Procedures.</li> <li>Tone from the top - direct messages from top managementall employees, and business associates including Governmo officials in relation to ABC Policy.</li> <li>All employees of the Manager are required to compla a mandatory e-training programme covering the Code Conduct Business Policy, and Conflict of Interest Policy in Success Factor Cloud Based HR Solution.</li> <li>To systematically review and monitor the ABC Policy, an annanti-bribery and corruption review program will be included Internal Audit Department (IAD)'s audit plan.</li> <li>Annual assessment will also be conducted by Sunway Grorisk Management department.</li> <li>Continuously monitor and identify areas of weakness business units' culture, structure and existing approval contractions.</li> </ul>

For more information, please refer to Operations Review section.

# **SUSTAINABILITY GOVERNANCE**

#### SUSTAINABILITY GOVERNANCE

Sunway REIT's sustainability journey has progressed into its fifth year and proven to be rewarding as we continuously strive to exceed industry standards. We have strengthened our sustainability approach over the years with a robust and overarching framework, an efficient Sustainability Working Group, Sustainability Commitment, an encompassing policy and a set of goals and targets as we entrench sustainability across our operations.

GRI 102-13, 102-16, 102-18, 102-20, 102-22, 102-31, 102-32

The Sustainability Working Group (SWG) is responsible for Sunway REIT's sustainability journey and ensures the execution of the REIT's sustainability strategies. The SWG was set up in April 2015 in conjunction with the formalisation of Sunway REIT Sustainability Framework and is chaired by the CEO of the Manager. Sustainability Key Performance Indicators (KPIs) are part of the CEO's overall KPIs, which are linked to the performance measurement evaluation process and remuneration reward system. The SWG meets regularly with the Sustainable Development Department (SDEV) of Sunway Group (or Sunway Group Sustainability Department) and reports to BOD twice a year on material EES initiatives. The SWG established a Sustainability Taskforce (ST) in each of the retail, hotel and office segments to strengthen its sustainability governance and incorporate the ST into the sustainability governance structure to better manage sustainability initiatives.

#### The aims of SWG include:

Being responsible for Sunway REIT's sustainability journey

Ensures the execution of the REIT's sustainability strategies at the property level

Monitor progress of sustainability projects

Monitor EES risks related to the business operations and properties

Consolidate data for the annual sustainability statement

Determine the KPIs for sustainability projects

# **SUSTAINABILITY FRAMEWORK**

**VISION** 

To be at the forefront with steadfast commitment to enhance values to stakeholders - sustainable growth, environmental stewardship and community engagement To deliver sustainable value

to the communities that we serve

**MISSION** 

OUR APPROACH

- Build resilient businesses that lead in their respective markets by focusing on our acquisition strategy, asset enhancement initiatives and capital management that are in line with maximising unitholders' interests.
- Commitment to responsible business practices, especially in employees' welfare and development.
- Being environmentally sensitive and proactively manage our footprint.
- Partnership and engagement with the communities around us and making positive impacts.

**POLICY** 

- The policy acts as guiding principles for Sunway REIT to establish short-term and long-term indicators and goals.
- The policy aims to guide implementation of impact-based initiatives that are measurable in line with Sunway REIT's sustainability aspirations.

#### **SUSTAINABILITY POLICY**

Sunway REIT officially adopted Sunway Group's Sustainable Development Policy in FY2020 to further improve its sustainability journey. The policy outlines the Group's commitment to sustainable development and acts as guiding principles for the establishment of short-term and long-term indicators and goals. It also aims to guide implementation of impact-based initiatives that are aligned with Sunway REIT's sustainability aspirations. For further information on the Group's Sustainability Development Policy, please refer to Sunway REIT's 2019 Sustainability Statement page 276.

# **SUSTAINABILITY COMMITMENT**

#### **Responsible business practices**

- Business ethics and code of conduct
- Adherence to the code of corporate governance
- Risk management and internal control to ensure business continuity
- Employee engagement and development
- Health and safety
- Formation of Independent Board of Directors to protect unitholders' interest

#### Continuous engagement with our key business stakeholders

- High level of disclosures, transparency and fair dealings
- Continuously develop two-way communication with various stakeholders such as unitholders, tenants, media, industry associations, etc.

#### Process and resource efficiency

- Continuous process improvement to achieve optimal operating efficiency
- Materials and resource management to maximise cost savings without compromising quality

#### **Environmental stewardship**

- Energy and water conservation
- Recycling and waste management
- Spreading awareness of environmental protection and climate change

#### Giving back to communities

- Community engagement
- Youth development
- Capital market development



We are humbled to receive a Merit recognition by the

National Annual
Corporate Report

Awards (NACRA)

in 2019 for our efforts in integrated reporting.

#### **MEMBERSHIP IN ASSOCIATION**

Real Estate and Housing
Developer's Association (REHDA)
Institute

Dato' Jeffrey Ng Tiong Lip, Chairman

Malaysian REIT Managers Association (MRMA)

> Dato' Jeffrey Ng Tiong Lip, Chairman

MIA's Professional Accountants in Business (PAIB)

Irene Sin May Lin, Committee Member

# **GOALS AND TARGETS**

TARGETS
GOALS AND TARGETS

To further strengthen Sunway REIT's commitment towards its sustainability endeavours and reporting standards, the Manager has established the following set of sustainability key performance indicators as Sunway REIT's mid-term targets and goals:

#### **ECONOMIC**

Торіс	Current Trend	Proposed Goals & Targets
Corporate Govern	nance	
Independence	Independent Non-Executive Director: 57%	<ul><li>To maintain above 50% of independence in the Board</li><li>To maintain an Independent Chairman</li></ul>
Ethics	<ul> <li>Launched the Anti-Bribery and Corruption Policy in FY2020</li> <li>Zero reported incidents relating to bribery and corruption</li> <li>Zero reported incidents in legal actions for anti-competitive behaviour, anti-trust and monopoly practices</li> <li>Zero reported incidents of non-compliance with environmental laws and regulations</li> <li>Zero reported incidents of non-compliance concerning the health and safety impacts of products and services</li> <li>Zero reported incidents of non-compliance with laws and regulations in the social and economic area</li> </ul>	<ul> <li>To maintain zero reported incidents relating to bribery and corruption</li> <li>To maintain zero reported incidents in legal actions for anti-competitive behaviour, anti-trust and monopoly practices</li> <li>To maintain zero reported incidents of noncompliance with environmental laws and regulations</li> <li>To maintain zero reported incidents of noncompliance concerning the health and safety impacts of products and services</li> <li>To maintain zero reported incidents of noncompliance with laws and regulations in the social and economic area</li> </ul>

#### **ENVIRONMENTAL**

Topic	Current Trend	Proposed Goals & Targets
Sustainable Buildings	Sunway Carnival Shopping Mall (new wing) is applying for green certification	<ul> <li>All AEIs are to incorporate sustainability considerations</li> <li>To achieve green certification for at least 5 assets by 2025</li> </ul>
Carbon Emission	A total of 12,671 tonnes of $CO_2$ e were avoided in FY2020	To avoid at least a total of 150,000 tonnes of $CO_2$ e by 2030 (2.25 mil trees grown for 10 years)
Energy	14.5% savings in electricity consumption for FY2020	<ul> <li>15% reduction in overall energy consumption from base year by 2025</li> <li>At least 3% of electricity from renewable source by 2025</li> <li>All properties to achieve the low Building Energy Index (BEI) limit by Green Building Index (GBI)</li> </ul>

#### **ENVIRONMENTAL (CONT'D.)**

Topic	Current Trend	Proposed Goals & Targets
Water	Data compilation in progress	<ul> <li>All landscape is to be irrigated by recycled supply by 2030</li> <li>50% of water supply for assets in Sunway City to be sourced from recycled supply by 2030</li> </ul>
Waste	4.6% of waste diverted from landfill	40% waste diverted from landfill by 2030

#### **SOCIAL**

Tania	Current Trend	Duamanad Caala 9 Taumata
Topic	Current Irena	Proposed Goals & Targets
Employee		
Employees Engagement	The Manager achieved 59% in the 2019 Employee Engagement Score (EES) (an improvement of 19% compared to the previous year)	To provide a highly engaging work environment (achieve EES above 88% by 2022)
Employees Training Hours	26 hours per employee/year	40 hours per employee/year
Inclusivity & Diversity	No anti-discrimination policy in place	To maintain zero reported cases of discrimination
Community		
No. of beneficiaries from Group CSR activities	Data compilation in progress	To contribute to the Sunway Berhad goal of reaching out to 1 million beneficiaries by 2030

**ECONOMIC** 

# **ECONOMIC**







Sunway REIT owns a diversified portfolio of assets in Malaysia with exposure to extensive subsectors – retail, hotel, office, healthcare, education and industrial. Being one of the leading diversified REITs in the country, Sunway REIT contributes enormous economic value to M-REITs industry, nation building with multiplying effect to the overall economic prosperity.

#### **Our representation in M-REITs**



Property value
RM8.04 billion
ranked 2



Market Capitalisation
RM4.80 billion
ranked 4



#### **FINANCIAL PERFORMANCE**

GRI 102-12, 201-1, 201-2, 203-2



This financial year marks Sunway REIT's 10<sup>th</sup> anniversary from its listing on the Main Market of Bursa Malaysia Securities Berhad in July 2010. Over the past decade, Sunway REIT has more than doubled the asset portfolio, both in terms of number of assets and property value via robust growth strategy through acquisitions and active asset enhancement initiatives (AEIs). Unitholders who have steadfastly supported us since the beginning of our journey have enjoyed up to 180% in total return on their investment up to 30 June 2020, with a 10.8% CAGR.

After recording a 9<sup>th</sup> year of uninterrupted growth in distribution per unit (DPU) up to FY2019, Sunway REIT was in a healthy position to continue to chart its prospective growth going forward. The unprecedented COVID-19 black swan event shocked the world, causing threat to health and severe disruption to businesses and global supply chain. Sunway REIT was not insulated from the pandemic and the financial performance in the near term was adversely affected by virtue of closure of businesses during the MCO and CMCO period.

The impact of the unprecedented COVID-19 pandemic has reversed Sunway REIT's record growth in revenue in FY2020. The financial year started on a firm footing in the first half of the financial year, however the trend reversed in the second half of FY2020 when the pandemic strike. For the financial year ended 30 June 2020, revenue eased by 4.0% y-o-y to RM556.9 million and with a corresponding contraction in net property income (NPI) of 5.2% y-o-y to RM416.8 million. The softer set of financial performance was adversely affected by the retail segment and hotel segment caused by the lockdown implemented by the Government in its effort to break COVID-19 infection chain. As part of long-term business continuity strategy, Sunway REIT has supported its tenants and lessees in the severely affected segments through rental support programme and lease support to partially ease the burden of tenants amidst the challenging period. The Manager believes in mutually supportive partnership with our tenants for the longevity of the business relationship. The retail and hotel segments aside, the other segments in Sunway REIT's asset portfolio were relatively unperturbed by the effect of the lockdown and COVID-19 pandemic.

#### **Economic Generation Facts for Financial Year 2020**

# Revenue RM557 million

Net Property Income RM417 million

7.33 sen

Acquisition value<sup>1</sup>
RM455 million

Property development activities RM573 - 613 million

Number of tenants > 1,200

#### **Creation of Employment and Nation Building**

Sunway REIT generates direct and indirect employment opportunities across the business value chain. At the REIT level, the Manager employs 100% local employees across diverse capabilities.



Creation of direct employment<sup>1</sup>
1,800
Creation of indirect employment<sup>2</sup>
25,000

<sup>1</sup> Consists of employee of the Manager, Business Unit Management Teams,

#### **Contribution to Industry Development**

Over the years, Sunway REIT strives to achieve new milestones for the development of the REIT industry for the progressive growth of M-REITs vis-à-vis regional REIT industry and overall development of the capital market. Through industry representation, Sunway REIT channels its endeavours to drive industry led initiatives through this platform.

Sunway REIT, through its active participation in the Malaysian REIT Managers Association (MRMA), has initiated new initiatives in 2019-2020. In October 2019, MRMA, in collaboration with the Asia Pacific Real Estate Association (APREA), has successfully organised the inaugural Malaysia REIT Forum 2019. The forum, being the largest scale REIT conference in Malaysia thus far, has successfully congregated a total of 300 renowned global thought leaders, distinguished speakers, international institutional

investors, specialists in REIT industry from the region, regulators, amongst others.

In line with the broader objective of nation building and capital market development, the forum deliberated extensively on the benefits and strategies of realising the value of public sector/ Government assets through a REIT, latest development in the M-REITs market, and uncover the potential of REITs as efficient vehicles for nation building, while at the same time delivering wealth creation for Malaysians and get inspired by innovative ideas to propel future growth of the industry.

#### **COVID-19 Economic Impacts**



COVID-19 is an infectious disease caused by a newly discovered strain of coronavirus, a type of virus known to cause respiratory infections in human. This new strain was unknown before December 2019, when an outbreak of a pneumonia of unidentified cause emerged in Wuhan, China. The first case of COVID-19 in Malaysia was detected on 24 January 2020.

The Ministry of Health in Malaysia has been working closely with the World Health Organisation to combat the virus and educate people about staying safe. Among the measures taken by the Government include the enforcement of Movement Control Order (MCO), which limits the movement of people while suspending business operations to slow down the spread of COVID-19. The Government's implementation of MCO, including travel bans, has negatively impacted consumer spending and business sentiment, affecting retail, office and hospitality segments, which are especially vulnerable to the impact.

<sup>&</sup>lt;sup>1</sup> Announced the proposed acquisition of The Pinnacle Sunway.

<sup>&</sup>lt;sup>2</sup> Consists of employees of tenants.

**ECONOMIC** 

### **ECONOMIC**



### **Impacts of COVID-19 on M-REITs**

### **M-REITs Estimated Revenue Loss:**

### RM689 million in 2020

and potentially more due to the loss of business and rental support provision for tenants.

### Further losses may occur due to:

- Non-renewal of expiring leases
- Early termination of existing leases
- Negative rental reversions for renewed leases
- Prolonged lead time for new lease commitments
- Lower turnover rent due to slow post-RMCO recovery

### **Challenge:**

M-REITs have to strike a balance between supporting tenants and remaining sustainable.

### **Support from the Government:**

Various measures such as electricity discount and wage subsidy to tenants.

### How the Malaysian REIT Managers Association (MRMA) responded:

Appealed to the Government for further support, such as:

- Further discount on electricity cost from 15% to 25%
- Full waiver of assessment and quit rent for one year
- Reduction in interest and financing cost for at least six months to 3%
- Liberalisation of 10% withholding tax for Individual Unitholders
- Temporary increase in gearing limit from 50% to 60% for two years until 31 December 2022

### **How Sunway REIT Responded\***

The COVID-19 pandemic has generated unprecedented challenges have impacted the global and local communities. Acknowledging that the pandemic will continue to shape society into embracing a new normal, the Manager promptly responded to the pandemic's impacts by rolling out a Business Continuity Plan (BCP) in all the three segments. In addition to complying with SOPs from the local authorities', we implemented our own guidelines to help stakeholders deal with the escalating challenges. Our hotels, malls and offices embedded safety measures in their daily activities to continue to create value for stakeholders while mitigating the impacts of COVID-19. We will remain vigilant in curbing the spread of the virus as we strive to emerge stronger from the crisis.



\* Please refer to Operations Review to read more about Sunway REIT's response to the COVID-19 pandemic.

### **Business Continuity Plan - COVID-19**

Sunway REIT invested RM2 million on hygiene safety measures, such as thermal scanners, fogging, sanitisation supplies and social distancing initiatives. The following precautionary methods have been implemented in all our properties since the beginning of March:



Social distancing



The wearing of face masks when indoors



Encourage employees to work from home



Encourage the scanning of barcodes or recording of personal details for contact tracing



Screening of body temperature at building entrances



Regular sanitising of common areas and touch points



Increase awareness on hand washing and sanitising



Declaration of travel plans by staff. Those who returned from COVID-19 affected countries are required to self-quarantine for 14 days



The signing of self-declaration form which includes the declaration of travel history, health and any contact with confirmed cases

#### Retail

Sunway Malls strives to retain occupancy rate and improve cash flow amid stiff competition from growing online shopping and food delivery platforms. To ensure a sustainable recovery, Sunway Malls rolled out a business recovery strategy that promotes confidence building, retains business partners and increases footfall recovery.

### Hotel

Sunway Hotels and Resorts prioritises the safety of its guests, staff and business partners as they strive to adjust their daily operations according to the new normal. Intensified safety measures were implemented in all Sunway hotels as an on-going initiative to assure the health and safety of guests and staff.

Under the BCP, the hotels introduced several measures to reduce contact and infection exposure such as working in smaller teams or from home, as well as cost containment measures to minimise disruptions to the business operations.

#### Sunway Safe Stay

Sunway Hotels & Resorts implemented new normal best practices to enhance its cleaning practices and protocols in response to COVID-19. This includes the launching of the "Sunway Safe Stay" programme to boost the hotel's operational guidance and resources concerning guests and staff, ensuring business sustainability during the pandemic.



### Sunway Safe Stay\*

Sunway Safe Stay is a programme that anchors on five pillars of safety and hygiene, comprising about 30 protocols.



### Pillar 1: Guest Contact

Guests are required to follow the safety guidelines by the Government and the hotel such as wearing face masks, observing social distancing and using the hotel's contactless services. As an added precaution, partitions are placed at front desk and all front-line employees are required to wear masks. Workers handling luggage and food delivery are required to wear masks and gloves.



### **Pillar 2: Hygiene Protocols**

Hotel team members are given daily briefings and enhanced protocols on hygiene, which include increased cleaning frequency at common areas with high-touch points such as lobbies, front desk and lifts. Sanitising stations are established throughout the hotels and guests' luggages are sanitised with medical grade disinfectants. All guest rooms are also thoroughly sanitised including 10 high touch point surfaces such as switches, door handles and remote controls.



### Pillar 3: Food Safety & Events

Kitchen staff continue to wear masks and gloves in accordance with the stringent Food Safety Management System (FSMS) policy. As for events, we have designed meeting packages that comply with the Ministry of Health's guidelines. Event organisers are strongly advised to take the necessary precautions to reduce the risk of community transmission.

### ECONOMIC



### **Pillar 4: Booking & Cancellation Policy**

Sunway Hotels & Resorts is committed to fulfilling guests experience. As such, guests are given the flexibility to change or cancel their reservations without imposing any cancellation fees until 31 December 2020.



### **Pillar 5: Workplace Safety Protocol**

Daily frequency of cleaning was increased in workers' spaces, focusing on high-touch areas including staff entrances, locker rooms, laundry rooms, staff restaurants and offices. In the event of a COVID-19 case, the hotel's management team and Sunway Group's Crisis Response and Recovery Team will immediately activate the relevant protocols and cooperate with the local health authorities. Everything in the guest's room will be thoroughly sanitised including the air. For foreign contractors, they are required to submit their latest COVID-19 test results before being allowed into the hotel.



\* To know more about Sunway Safe Stay, please visit http://www.sunwayhotels.com/sunway-resort/experiences/sunway-safe-stay.

#### Office

To keep Sunway REIT offices in operation throughout the pandemic, we adopted a Prevention, Preparedness, Response and Recovery strategy to:

Reduce the possibility of transmission

Maintain a healthy business operation

Maintain a healthy working environment

### Going forward

Sunway REIT expects the new normal practices such as working from home to continue. As such, we will re-strategise alternative use of office space to maintain and enhance office occupancy in the future. We foresee that physical retail will adapt to the new normal by offering omni-channel experience. This is because although e-commerce penetration increased from 5% pre-MCO to 20% at present, it has its own set of costs such as delivery and transportation. With the recent footfall recovery due to relaxation of restrictions, we expect physical retail experience to remain relevant, as online platforms cannot offer the 5-senses experience as physical retail stores do.

### **PROCUREMENT AND SUPPLY CHAIN**

GRI 102-9, 102-10, 204-1











As one of the leading diversified REITs in Malaysia, we are committed to operating our business in an ethical, legal and socially responsible manner to ensure a sustainable supply chain. We acknowledge that engaging suppliers may carry legal, reputation and financial risks, and thus, we endeavour to incorporate economic, environmental and social considerations in our supply chain management.

Our procurement practices are guided by an Integrity Pact that is applied throughout our business units. Central to our approach is responsible sourcing, where we select partners who uphold high standards in ethical conduct, human rights, workplace standards and environmental management.

To ensure transparency, all our suppliers are given equal opportunities to be part of the procurement process, where they have to go through a tendering and bidding process that checks their credibility before purchases are made. The screening process, which involves both online and offline checks, is conducted according to clear and transparent procurement policies and practices.

In FY2020, at least 99% of our procurement budget was used for significant locations of operations (all Sunway REIT operations in Malaysia) and spent on local suppliers ('local' referring to Malaysian companies).

In 2021, we will initiate reporting on the percentage of our suppliers who have been screened through environment and social assessment. This helps us to monitor their socio-environmental performance and possibly terminate suppliers who conduct unethical behaviour that contravenes our socio-environment performance.

### **Sunway's Procurement Policy**

- Follows best practice in line with client expectations
- Minimises risks associated with procuring from vulnerable sources
- Focuses on the responsible sourcing of materials
- Environmental conservation policy and practices through Letter of Award (LOA)
- Regular engagement and training sessions

### **Supplier Code of Conduct**

Sunway's Supplier Code of Conduct is communicated to suppliers in all our operations. The code supports the right to freedom of association and collective bargaining in compliance with local laws.

Sunway's suppliers must comply with all applicable laws, codes, or regulations of the countries, state and localities in which they operate including laws and regulations relating to environmental, occupational health and safety and labour practices. This safeguards against child labour, discrimination, health and safety, working conditions, working hours, compensation, right to association and fair employment.

In addition, suppliers must require their suppliers (including temporary labour agencies) to do the same. Suppliers must conform their practices to any published standards for their industry.

Suppliers must conduct their businesses in accordance with the highest standards of ethical behaviour and in accordance with applicable laws and regulations in:

- Fair trade practices
- Bribery, kickbacks and fraud
- Sunway's policies and procedures (including conflicts of interests, procurement relationships and Code of Conduct & Business Ethics)
- Intellectual property rights

Our Supplier Code of Conduct complies with all applicable labour and employment laws, ordinance, by-laws, rules, regulations or orders.

- Stipulates how information is being managed, monitored and reviewed

### Working with sustainable partners

We work closely with our suppliers and consultants, who are our extended team, to further ensure responsible operations throughout the value chain. It also ensures that the materials and components we procure comply with the relevant local and global regulations and standards.

We have put in place ongoing initiatives to continually improve our supply chain management and the transparency of our value chain as our products and services are sourced from thousands of suppliers from various industries due to our diverse business operations.

#### **ECONOMIC ECONOMIC**



► Sunway Malls is the first in Malaysia to receive Leadership Award from the Forest Stewardship Council (FSC) Asia Pacific Region.

Sunway Malls has recently been recognised and acknowledged by the Forest Stewardship Council (FSC) Asia Pacific region for their leadership role in advocating, educating and bringing awareness on the importance of forest sustainability. With this global recognition, Sunway Malls is now a leader in the Asia Pacific mall industry, and the voice to create awareness on the importance of supporting products sourced through responsible forest management. The FSC is a globally recognised international social and environmental certification. In the Asia Pacific region, FSC is focused in matching market supply and demand for sustainable forest products. Sunway Malls' most notable efforts include their commitment to use only FSC certified toilet paper products, to ensure the paper sheets are obtained from FSC managed forests and produced in FSC certified mills, which safeguard the sustainable cycle of responsible harvesting, and back to replanting. This helps maintain the overall ecology, integrity and longevity of the forests.

Sunway Malls also actively creates awareness on responsible consumption of tree products among shoppers. Friendly notices are placed in all the malls' washrooms, to remind shoppers that trees are the source of paper products, hence reducing wastage would help to save the trees. The notices also educate shoppers to take only the necessary amount of tissues they need when in the washrooms. Through this exercise, in Sunway Pyramid Shopping Mall alone, a total of 17 million paper sheets were avoided in just five months.



"FSC Goes to School" campaign in Sunway Pyramid Shopping Mall.

Another awareness activity conducted by Sunway Malls in partnership with FSC was the "FSC Goes to School" campaign in Sunway Pyramid Shopping Mall, aimed at raising awareness on the value of forests among the younger generation. A large crowd of children aged 7 to 12 years old were treated to a host of complimentary fun-filled activities such as "Building the Nicest Tree" and "Seed Planting" that taught them about the importance of forest management. There was also a colouring contest, designed to captivate the interests of the children while delivering FSC's message on necessary forest management and preservation.

Our contractors engaged in refurbishment and renovation activities are required to comply with the Environmental Quality Act 1974, Occupational Safety & Health Act 1994, Factories and Machinery Act 1967 and all other relevant legislation and regulations. Penalties will be imposed on builders who fail to comply with any of the regulations.

The following list illustrates Sunway REIT's initiatives to minimise environmental and safety impact of refurbishment and renovation activities:

- 1. Contractors will be briefed on Quality, Environmental, Safety and Health requirements once a contract has been awarded.
- 2. The Environmental, Safety and Health (ESH) performance is monitored through Sunway Safety Merit System (SSMS) Assessment. The target is to achieve a rating of
- 3. The SSMS is an internal assessment established based on the Malaysia Environmental, Safety & Health statutory requirements. It emphasises on site implementation requirements and is conducted to ensure compliance with ESH standards at project sites.
- 4. To achieve a rating of 80% and above, contractors are required to comply with the Malaysia Environmental Safety & Health statutory requirements throughout the refurbishment/renovation period.

### **CORPORATE GOVERNANCE AND BUSINESS ETHICS**

GRI 102-17, 102-33, 102-34, 206-1, 307-1, 416-1, 416-2, 419-1







Sound corporate governance is paramount in ensuring long-term value creation and safeguarding our business. Sunway REIT is committed to peace, justice and strong institutions which align to UNSDG 16 by adopting best practices through numerous robust policies and programmes. Guided by our Code of Conduct and Business Ethics which provides an ethical framework to guide actions and behaviours of all our Directors and employees and promote transparency while at work, we comply with all applicable laws, rules and regulations of the Government. The core sections of this conduct are guided by several corporate policies. The Code of Conduct is reviewed time to time for effectiveness. It is our commitment to maintain a strong corporate governance culture to further strengthen trust and confidence among our investors and stakeholders.

We acknowledge the significance of having strong controls in place to manage all aspects of our business and to uphold business ethics and integrity. Our corporate governance culture is strongly supported by the following policies which are available on our website at http://www.sunwayreit.com:

### **Anti-Bribery and Corruption Policy (ABC)**

The Manager adopts a zero tolerance policy against all forms of bribery and corruption. The Group is committed to conducting its business in accordance with all laws and regulations besides upholding the highest ethical standards. The ABC policy provides guidance to Sunway employees and its associates on the ways to deal with bribery and corruption.



Please turn to page 202 to read more about this policy.

### **Directors' Remuneration Policy**

The Remuneration Policy for Directors outlines the principles for the Remuneration Committee to determine and propose an appropriate level of remuneration for Sunway's Directors to attract and retain Directors of high calibre. The Remuneration Committee ensures our Directors are fairly remunerated for their responsibilities and contributions to Sunway's overall performance.

### Policy on Selection and Assessment of Board of Directors

This policy communicates the processes and criteria for selection and assessment of potential candidates for election to the Board of Directors as well as the Board Composition of the Company. The policy is to be practised in tandem with Sunway's Diversity and Inclusion Policy as well as the Group's Succession Planning Policy. The policy is reviewed periodically by the Nomination Committee to ensure its effectiveness.

### **Anti-Money Laundering Policy (AML)**

The Manager is strongly against all practices related to money laundering, including dealing in the proceeds of criminal activities and terrorism financing. The AML Policy provides guidance to all Sunway employees on strengthening anti-money laundering governance, reiterating Sunway's commitment to fully comply with the Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001.

### **Non-Audit Services Policy**

This policy outlines the guidelines and procedures for the Audit Committee to assess and monitor the provision of nonaudit services by external auditors. The Audit Committee is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors. The policy is also reviewed periodically by the committee to ensure that it stays relevant and appropriate.

### **Policy on Selection of External Auditors**

This policy communicates the selection criteria of independent external auditors, who are recommended by the Audit Committee to the Board of Directors for selection. Among the criteria listed are the fees, the independence of the auditors, the competency and resources as well as the rotation of audit engagement partners.

### **ECONOMIC**

### **ENVIRONMENTAL**







### **Whistleblowing Policy & Procedures**

This policy serves as a mechanism for Sunway employees and stakeholders to report concerns about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or abuse on a timely basis for management action. It protects whistleblowers against reprisals and/or retaliation and prevents the reporting of false information. It also contains the procedures for making a report, contact details of the people in charge and the Whistleblowing Report Form.



Please turn to page 182 to read more about Sunway REIT's Corporate Governance Overview Statement.

In FY2020, all our properties from the three segments reported no incidents in:

- Legal actions for anti-competitive behaviour, anti-trust and monopoly practices
- Non-compliance with environmental laws and regulations
- Non-compliance concerning the health and safety impacts of products and services
- Non-compliance with laws and regulations in the social and economic area

### **Anti-Bribery and Corruption Policy**

GRI 205-2, 205-3, 205-1

Sunway REIT is committed to upholding the highest standards of ethics and transparency in all our business activities. We are committed to safeguarding our core values of Integrity, Humility and Excellence as we continually strive to strengthen our culture of integrity and foster an effective compliance culture. Core to our integrity is corruption prevention, where we endeavour to ensure Sunway REIT remains free from the contagion of

In FY2020, we adopted the Anti-Bribery and Corruption Policy that was approved by the Board of Directors. It underscores our zero tolerance against all forms of bribery and corruption besides acting as a guide to our employees and associates in dealing with matters related to bribery and corruption. With the policy, Sunway REIT reiterates its commitment to complying with the Malaysian Anti-Corruption Commission (MACC) Act 2009 and the MACC (Amendment) Act 2018.

The policy communicates our principles on corruption, political contributions and money laundering among other issues related to bribery and corruption. It also details our new guidelines on

gifts, entertainment and hospitality expenses. In addition, it reminds employees that there are severe consequences if they violate the policy, which include dismissal as well as civil and criminal liability.

The policy complements our Code of Conduct and Business Ethics, which must be adhered to by all employees, and the Whistleblowing Policy and Procedures which protects employees and associates who report on bribery matters.

To ensure employees and associates understand the policy, they will undergo anti-corruption compliance training programmes regularly. The Business Units' Management Team will continually work to inculcate the policy among employees and associates through communication, training and education. The policy and anti-corruption programme will be reviewed by the Audit Committee to ensure effectiveness and that the objectives are

In FY2020, there were no reported incidents related to bribery and corruption.

Climate change encompasses not only rising average temperatures but also extreme weather events, shifting wildlife populations and habitats, rising seas and a range of other impacts. All of these changes are emerging as humans continue to add heat-trapping greenhouse gases to the atmosphere. Therefore, managing our environmental footprint is vital to mitigate effects of climate change and for the longterm growth of our organisation as we continually develop and expand our business. As we aim to build a sustainable community, we adopt a proactive approach to adapt to climate change, mitigate our environmental impact and conserve resources for the generations to come.

We strive to embed our business operations and goals with green initiatives that will lower our carbon footprint and, in some instances, educate the general public about environment conservation. Our initiatives include incorporating environmental considerations in asset enhancements such as investing in renewable energy and sustainable refurbishment, advocating zero food waste. discouraging the use of single-use plastic and reducing waste to landfill. Leveraging on Sunway **Group's sustainability initiatives,** we strive to reduce energy and water consumption, and better manage our waste to ensure lower carbon footprint to create a greener and sustainable community.



### **CLIMATE CHANGE ADAPTATION**











### **Green Building**

GRI 203-1, 302-4, 303-1, 303-3, 305-5

In our continuous effort to adapt to climate change and future-proof our properties, Sunway REIT ensures that some of its buildings strive for green certification standards through sustainable refurbishment practices. Green buildings are part of a sustainable community development and environment conservation as they are built with better ventilation and natural lighting, resulting in 25% lower energy consumption and 11% less water consumption\*. These buildings are also built without toxic materials such as toxic paint or wood.

Sunway Carnival Shopping Mall targets to achieve the GreenRE Gold and Green Mark Gold Plus certifications in FY2021 due to an expansion of the mall. The mall has also been refurbished and targets to receive another set of the certifications by 2025.

\* Source: Leadership in Energy and Environmental Design (LEED)

### **Upcoming Green Building Projects**

### **Sunway Carnival Shopping Mall**

No.	Transformation Progress	Target Year of Certification	Targeted Green Certification
1.	Mall expansion	2021	GreenRE - Gold Green Mark - Gold Plus
2.	Mall refurbishment	2025	GreenRE - Gold Green Mark - Gold Plus

### **ENVIRONMENTAL**

### **Carbon Emissions Management**

GRI 305-1, 305-2, 305-3, 305-5









Climate change is one of the world's most pressing challenges. Emissions of greenhouse gases such as CO<sub>2</sub> due to anthropogenic activities have increased the global temperature by around 1 degree Celsius since pre-industrial times. Our strategy towards decarbonisation is through efficiency improvement across our operations and to shift towards the use of renewable energy sources such as solar energy. We take proactive steps to continuously review our targets against global standards and best practices in progressing towards decarbonisation. We have established targets to avoid at least a total of 150,000 tonnes of CO<sub>2</sub>e by 2030 which is equivalent to 2.25 million trees grown for 10 years. In FY2020, a total of 49,749 tonnes of CO<sub>2</sub>e were avoided.

Sunway REIT supports the use of clean energy and has been providing charging bay facility for electric vehicle (EV) users at Sunway Pyramid Shopping Mall since 2019. The on-going green initiative is a joint effort with BMW Group Malaysia, Shell Malaysia and smart parking service provider ParkEasy. EV users can also reserve a charging bay for more than one hour at Reserve+Shell Recharge Bays through the ParkEasy mobile application. Currently, there are five charging bays with 15 charging stations at Sunway Pyramid Shopping Mall. We plan to continue collaborating with ParkEasy to provide EV charging bays at Sunway Carnival Shopping Mall and other properties.

### CO, EMISSIONS AND CO, EMISSIONS AVOIDED

	Tonnes CO <sub>2</sub>							Trees	
Financial	Scope 1		Scope 2		Scope 3		Total		Equivalent to CO <sub>2</sub> e
Year	Emitted	Avoided	Emitted	Avoided	Emitted	Avoided	Emitted	Avoided	Avoided
FY2016	53	0	119,559	7,454	60	0	119,672	7,454	111,810
FY2017	35	0	103,971	8,755	116	0	104,122	8,755	131,325
FY2018	82	0	103,324	9,438	908	9	104,314	9,447	141,705
FY2019	107	0	101,200	11,413	1,023	9	102,330	11,422	171,333
FY2020	102	0	87,192	12,663	4,0411	8	91,335	12,671	190,000
						TOTAL	521,773	49,749	746,173

<sup>&#</sup>x27; Emission factor of commercial waste disposed to landfill provided by DEFRA increases, hence higher emission is observed Note: Reported figures for previous years may be updated from last year's report due to internal audit checks

Data for emissions generated were obtained by using the relevant emission factors from The Department for Environment, Food & Rural Affairs (DEFRA), United Kingdom and Sustainable Energy Development Authority (SEDA) Malaysia. Our carbon footprint is calculated in accordance with the World Business Council for Sustainable Development and World Resources Institute's (WBCSD/ WRI) GHG Protocol, a corporate accounting and reporting standard. This protocol is considered the current best practice for corporate or organisational emissions reporting, and we measure our emissions in three 'scopes':

	CO <sub>2</sub> Emitted	CO <sub>2</sub> e Avoided
Scope 1	Direct GHG emissions from sources that are owned, such as company-owned vehicles.	None.
Scope 2	Total CO <sub>2</sub> emitted refer to indirect emissions from purchased electricity using the location-based and market-based methods.	Total CO <sub>2</sub> e avoided figure is obtained from solar energy and energy savings.
Scope 3	Total $\mathrm{CO}_2$ emitted refer to indirect emissions such as our business travel, waste generation and outsourced services.	Total CO <sub>2</sub> e avoided figure is obtained from waste which is diverted from the landfill.



15 tree seedlings grown for 10 years will offset 1 tonne of CO<sub>2</sub>e

98.7% **Electricity generation** 

Percentage of CO<sub>2</sub> Emission by Activities in FY2020

1.1%



**Business travel** 

### **ENERGY CONSUMPTION**

GRI 302-1, 302-2, 302-3, 302-4, 302-5







As a sustainable Manager, we aspire to gradually move away from relying on fossil fuels. In this context, we take proactive measures such as expanding infrastructure and investing in upgraded technologies that are energy efficient.

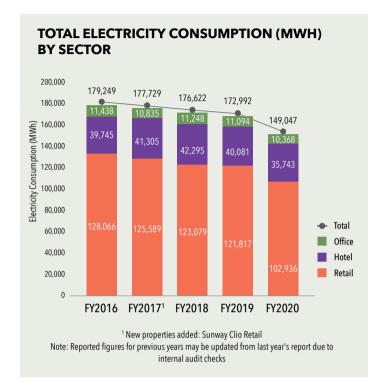
The low limit Building Energy Index (BEI) proposed by Green Building Index (GBI) for retail category is 350 while the high limit is 210. Currently, our malls are within these limits. The fall in electricity consumption for the retail sector in FY2020 can be attributed to the closure of non-essential businesses during the Movement Control Order (MCO) period.

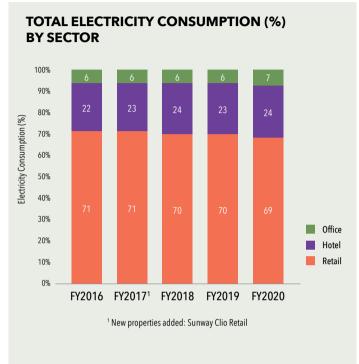
Since 2016, Sunway REIT has been rolling out robust energy reduction initiatives. Sunway REIT properties that actively took part in energy saving initiatives saved a total of 21,645 MWh of energy consumption in FY2020. The various energy reduction initiatives besides carrying out several on-going measures are shown in the following table:

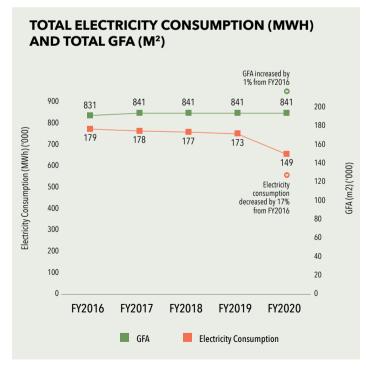
No	Activity	Description	FY2020	Current status
1	Earth Hour Lights Off	Sunway REIT properties participated in this annual global event that aims to encourage individuals, communities and business organisations to turn off non-essential lights for one hour to symbolise their commitment to the planet.	Properties from all segments switched off their non-essential lights on building facades and in common areas from 8.30pm to 9.30pm on 28 March 2020. The importance of this initiative was not lost during the Movement Control Order period as all non-essential lights were switched off to remind the community to do their part for the environment.	Recurring
2	Using energy efficient appliances	Old and inefficient electrical appliances such as air-conditioning units and refrigerators are replaced	Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya replaced the kettle jugs in their hotel rooms with energy efficient kettle jugs.	Completed
		appliances.	Sunway Tower begun upgrading eight lifts since November 2019 which are energy efficient as part of an asset enhancement initiative.	Ongoing
3 LED lighting replacement		Initiated in FY2017, the LED lighting replacement is an ongoing initiative that aims to replace the lightings in selected Sunway properties with LED lights to	Sunway Hotel Georgetown, Sunway Hotel Seberang Jaya and Sunway Putra Hotel completed the replacement of LED lightings in common areas, car parks, coffee house, staff lounge and offices.	Completed
		with new and energy efficient appliances.  Sunway Tower since November efficient as partinitiative.  Sunway Hotel of Seberang Jayar completed the lightings in selected Sunway properties with LED lights to increase energy efficiency and reduce daily operation cost.  With new and energy efficient application.  Sunway Tower since November efficient as partinitiative.  Sunway Hotel of Seberang Jayar completed the in common area lounge and off fluorescent light common areas basements.	All Sunway offices have also replaced their fluorescent lights with LED lightings in common areas, lobby, staircases, car parks and basements.	Completed
			Sunway Putra Mall is currently replacing the lights in common areas with LED lightings to reduce operating cost and maintenance.	Ongoing
4	Energy efficient air conditioning system	Chiller and air handling unit systems were upgraded for optimised performance to improve energy efficiency.	Sunway Resort Hotel has an on-going initiative to control and optimise its chillers in the airconditioning plant. The initiative is expected to reduce energy consumption by 15%.	Ongoing

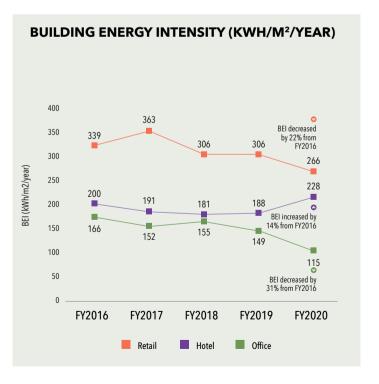
ENVIRONMENTAL	ENVIRONMENTAL

No	Activity	Description	FY2020	Current status
4	Energy efficient air conditioning system (Cont'd)	Chiller and air handling unit systems were upgraded for optimised performance to improve energy efficiency. (Cont'd)	or conditioning systems by using chilled water to improve for better efficiency and cooling capacity and	
			Sunway Putra Tower changed their air-handling units' (AHU) motorised valve for every AHU room as an energy saving initiative. In addition, AHU and chiller operation hours were also rescheduled to ensure better energy efficiency.	Completed
5	Building Energy Management System (BEMS)	The BEMS are computer-based systems that help to control, monitor, measure and optimise building technical services and the energy consumption of devices used by the building.	This on-going initiative is currently implemented in Sunway Pyramid Mall.	Ongoing
6	Other energy saving initiatives	Several proactive measures were taken by some Sunway REIT properties to drive energy saving initiatives and instil awareness among their employees. Most of	To reduce energy consumption and operating cost, Sunway Pyramid Shopping Mall installed Building Integrated Photovoltaic solar panels that could produce a maximum of 1MW at its peak capacity.	Completed
		the initiatives, such as switching off lights and air-conditioning when not in use, are an on-going effort.	Toilet motion sensors and light sensors were installed in common toilets to increase energy efficiency in:  - Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya  - Wisma Sunway, Menara Sunway and Sunway Tower.	Completed
			Sunway Putra Hotel ensures non-essential lights in back of house such as the locker room are turned off when not in use. Staff are also reminded to unplug all computers, printers and photocopy machines during off-duty hours.	Ongoing
			Sunway Resort Hotel and Sunway Pyramid Hotel ensure their refrigeration systems are switched off when not in use in the kitchens. The hotels, as well as Sunway Clio Hotel, also ensure that lights and air-conditioning are turned off in areas that are unoccupied.	Ongoing
			Sunway offices regularly remind tenants on their role in energy and water conservation, waste management as well as corporate social responsibility.	Ongoing









### **ENVIRONMENTAL**

### **ENERGY EFFICIENCY RETROFITS FY2020**

Sector	Energy Initiatives	Buildings	Energy Savings (MWh)
		Sunway Pyramid Shopping Mall	
MALL	LED Light Replacement	Sunway Carnival Shopping Mall	5,416
		Sunway Putra Mall	
Retail	Chiller Ontinoination	Sunway Pyramid Shopping Mall	12.4/0
	Chiller Optimisation	Sunway Carnival Shopping Mall	12,460
	Building Energy Management System (BEMS)	Sunway Pyramid Shopping Mall	610
		Sunway Resort Hotel	
* * * * * Hotel		Sunway Clio Hotel	
	LED Light Replacement	Sunway Putra Hotel	554
		Sunway Hotel Seberang Jaya	
		Sunway Hotel Georgetown	
	Chiller Optimisation	Sunway Resort Hotel	182
	Others (Room Control Unit, AC & DC Motor)	Sunway Resort Hotel	29
		Menara Sunway	
		Sunway Tower	000
9	LED Light Replacement	Sunway Putra Tower	983
		Wisma Sunway	
Office		Menara Sunway	4.440
	Chiller Optimisation	Wisma Sunway	1,112
	Others (Room Control Unit, AHU Replacement,	Sunway Tower	
	Motion Sensor/Energy Efficient Lighting)	Wisma Sunway	299
		TOTAL	21,645
		TOTAL CO <sub>2</sub> e AVOIDED	12,671 tonnes

### RESOURCE MANAGEMENT

GRI 303-1, 303-3, 303-5

**Water Management** 

### This year, Sunway Hotel Georgetown installed the RWHS to

In Malaysia where we predominantly operate, the Ministry of Water, Land and Natural Resources' (KATS) revealed in its latest findings that Selangor is consistently the state that suffered the most number of unscheduled water supply interruptions for the years 2014 to 2017. KATS's figures show Selangor topping the list for unscheduled water cuts by accounting for 84,796 of 174,997 nationwide incidents in 2014, 81,969 of 167,055 nationwide incidents in 2015, although this has fallen considerably to 19,061 out of 61,517 nationwide incidents in 2017.

Promoting water security and ensuring sustainable water management are essential parts of mitigating our impact on the environment as well as contributing to economic growth. Inefficient water management can cause water cuts and disrupt business operations. Sunway REIT is cognisant of its role in sustainable water management and integrates water saving initiatives in its daily operations. We continuously strive to improve our water resource management to reduce water consumption from municipal supply and preserve the environment while contributing to the sustainability of the economy.

### **Raising awareness**

To achieve sustainable water management, we recognise the fact that it is a collaborative effort with our stakeholders. At Sunway offices, we constantly send out reminders on water conservation to building occupants.

In the hotel segment, Sunway Putra Hotel celebrated Earth Day on 22 April 2020 by sending out emails and electronic direct mail (EDM) to create awareness on saving the environment and money by reducing water consumption. Sunway hotels also shared tips on water conservation through WhatsApp and Facebook.

### Rain Water Harvesting System (RWHS)

Harvesting rain water is central to our approach of sustainable water resource management. The system collects and stores rain water before distributing it for utilisation. In 2016, Sunway Clio Hotel installed its Rain Water Harvesting System (RWHS) to collect rain water for irrigation. In FY2019, Sunway Pyramid Shopping Mall and Menara Sunway also implemented the RWHS for cleaning and irrigation. With the RWHS, Menara Sunway saved a total of 1,504m³ of water or RM3,370 since its installation in November 2019.

This year, Sunway Hotel Georgetown installed the RWHS to reduce water consumption.

Sunway Hotel Georgetown's Rain Water Harvesting System

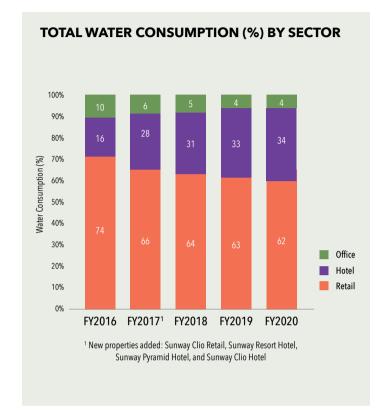
Installed a poly water tank with a capacity of 1.5 m <sup>3</sup> in January 2020	Installed a  water meter on the system to record the amount of water consumption
Started collecting rain water in February	Estimated rain water collected each month:
Amount of rain water used from February to June 2020:	The collected rain water is used for cleaning the hotel's porch and garbage room, and watering the garden

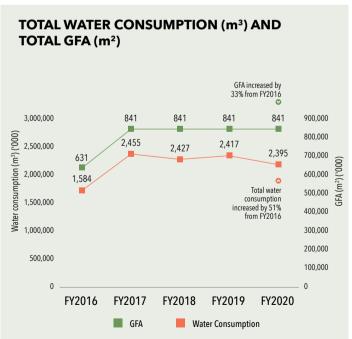
In Sunway offices, water efficient fittings such as sensor taps and new faucets were installed in toilets and pantries to reduce water consumption. Meanwhile, Sunway Putra Hotel reduced the amount of water in the cisterns of its guest rooms' toilets.

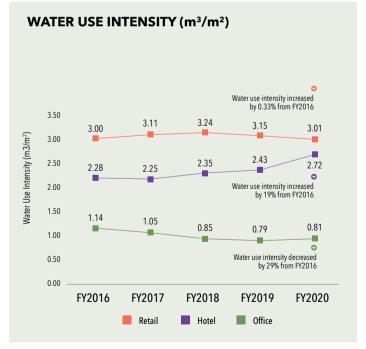
Water consumption reduction in Sunway REIT properties					
Duran and a	Water saved per	month (estimated)			
Property	m³	RM			
Menara Sunway	200	500			
Sunway Tower	144	238			
Wisma Sunway	157	360			
Sunway Putra Hotel	100	250			
Total	601	1,348			

### **ENVIRONMENTAL**

### **TOTAL WATER CONSUMPTION (m³) BY SECTOR** In FY2020, 1,540 m3 of water was recycled through rainwater harvesting and lake water was used for landscape watering 2,416,697 2,426,716 2,500,000 2,000,000 1,583,501 1 500 000 55,387 1 000 000 Office 500 000 Hotel FY2016 FY2017<sup>1</sup> FY2018 FY2019 FY2020 <sup>1</sup> New properties added: Sunway Clio Retail, Sunway Resort Hotel Sunway Pyramid Hotel, and Sunway Clio Hotel Note: Reported figures for previous years may be updated from last year's report due to internal audit checks







### **Waste Management**

GRI 306-2





Sunway REIT strives to continually identify opportunities to prevent and reduce waste to landfill by aligning our initiatives with the Group's waste management approach. Focusing on waste prevention and reduction, the Group aims to reduce waste to landfill through its five-level waste management hierarchy\*: Prevention, Reduction, Recycling, Recovery and Disposal. In FY2020, Sunway hotels, malls and offices actively rolled out waste management initiatives to reduce our ecological footprint while engaging with stakeholders.



\* To learn more about the Group's waste management hierarchy, please refer to page 102 in Sunway Bhd Sustainability Report 2019.

### Metal straw campaign and single-use plastic awareness

In reducing single-use plastic straws, Sunway Malls undertook the proactive approach of giving out reusable metal straws as a redemption gift. Shoppers in Sunway Pyramid Shopping Mall, Sunway Putra Mall and Sunway Carnival Shopping Mall were eligible for the gift with every RM100 spent. The on-going initiative started in 2019 and is in line with UN's Sustainable Development Goal 12: Responsible Consumption and Production.



Sunway Carnival Shopping Mall has given out 27,200 metal straws since the start of the project.

No. of metal straws redeemed at Sunway Pyramid Shopping Mall					
Event	Straws redeemed				
Artbox 2019	3,689				
March 2020 Campaign	3,838				
Raya Campaign	10,601				
Pyramid Concierge Redemption (Jan 2019 - May 2019)	74,357				
Pyramid Concierge Redemption (Jan 2020 - May 2020)	5,301				
Total	97,786				

To ensure a healthier ecosystem for animals, Menara Sunway encourages its occupants and tenants to use reusable food containers instead of single-use plastic. It also urges its cafeteria operators to use non-plastic packages.

Sunway Resort Hotel also trains their employees to identify different types of single-use plastic packaging commonly used to promote zero single-use of plastics. Due to this effort, the team have successfully compressed 8.4kg of plastic packaging and built 33 bottles of Ecobricks using hotel plastic bottles. The amount of plastic packaging is equivalent to removing 468 empty Sunway Hotel plastic bottles. This campaign serves as a starter for hotels to eventually do away with single-use plastic packaging.

#### Recyclables and paper recycling

Properties in Sunway are committed to preventing and reducing waste to landfills by reusing and recycling. In the office segment, Sunway offices raised awareness on paper and e-waste recycling by collecting recyclable items and electronic gadgets. Menara Sunway actively promotes the reusing and recycling of unused paper among its tenants and collects an average of 800kg of paper a month for recycling in FY2020. Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall as well as all hotels and offices also recycle their e-waste.

In the hotel segment, Sunway Resort Hotel collects recyclable items such as aluminium cans, carton boxes and plastic bottles in an on-going initiative. In FY2020, the hotel collected 6,718kg of recyclable items. Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya ensure that waste is separated into the category of paper, plastic and metal to be sold to vendors.

### ENVIRONMENTAL

### Staying in the Green Zone

In conjunction with World Environment Day on 5 June 2020, Sunway Hotels & Resorts organised Staying in the Green Zone speaker series to create awareness on waste management, especially on used soap bars and old clothes. The series, which featured two speakers from Kinder Soaps and Kloth Malaysia, was held online over Microsoft Teams and provided an opportunity for more than 450 viewers to learn about waste management and staying green.

#### Soap recycling\*

Sunway Hotels & Resorts continue to recycle used soaps through the **#SunwaySoapful** initiative that was rolled out in 2018 to help communities who are in need. In FY2020, the hotels collected more than 1,700 kg of used soaps and donated 3,100 bars of soap to the needy. Further to that, Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya also donated bath gels and shampoos through Kechara to improve hygiene awareness among the homeless community.



\* To read more about this initiative, please turn to pages 159 to 163 in the Community Enrichment section.

### Fabric recycling

One of our major contributions to preserving the environment is in cloth and fabric recycling. In FY2020, Sunway hotels collected more than 1,200 kg of linen in a "Bin It to Win It" initiative in November to raise awareness on cloth recycling. The initiative was a competition among Sunway hotels staff to see who could collect the most linen for recycling, which was subsequently donated to charity organisation Penang Cheshire Home and Kloth Cares Fabric Recycling Movement\*. Kloth Cares is a project by Selangor Youth Community (SAY) and Life Line Clothing Malaysia (LLCM), and it aims to save two million kilogrammes of unwanted fabrics from being sent to landfills by 2021.

	Property	Amount of linen collected (kg)	Recipients
	Sunway City Cluster Hotels	9,937	Kloth Cares
Hotel	Sunway Putra Hotel	500	Kloth Cares
	Sunway Hotel Georgetown	165	Penang Cheshire Home
	Sunway Hotel Seberang Jaya	105	Penang Cheshire Home
Office	Menara Sunway	277	Kloth Cares
Retail	Sunway Putra Mall	8,000	Kloth Cares
Total		18,984	

Apart from the hotels, Kloth Cares is also supported by Sunway Putra Mall and Sunway Pyramid, which promote the collection of old clothes for the needy or for upcycling as reusable items such as tote bags and pouches. Meanwhile, Menara Sunway collected 277 kg of donated fabrics as of 30 June 2020 since putting up its Kloth Cares bin in August 2019.

Other than Kloth Cares, Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya also have an on-going initiative to collect and donate reusable cloth to local non-profit organisations to make sellable handicrafts such as bags, dolls and pillowcases.



\* To know more about Kloth Cares Fabric Recycling Movement, please visit http://www.kloth.com.my/.

### **Compost Tour**

Sunway Resort Hotel conducts information sharing sessions and site visits for students and youths from time to time to create awareness on the hotel's food waste compost practices. On 5 February 2020, a group of students toured the hotel's compost site and the kitchen that produced food scrap. Besides learning about the collaboration between the hotel and the company that makes the composting machine, Mentari Alam EKO (M) Sdn Bhd (MAEKO), the students were also given the opportunity to touch, feel and pack home some compost.



Students who attended the compost tour by Sunway Resort Hotel each got to bring home a box of compost.



The Asset ESG Corporate Award 2019 **Highly Commended Initiative Environmental Responsibility** 

### Zero food waste and food waste compost

In a bid to reduce food waste, Sunway Pyramid Shopping Mall collaborated with Sunway Resort Hotel and Sunway REIT to invest in food waste composting machines that convert food waste into organic compost as soil conditioner for Sunway City's landscape. The initiative was part of their Food CPR (Compost. Plant. Reduce) campaign that was started in September 2019, in line with SDG 12: Responsible Consumption and Production. The machines enable the hotel and the mall to reduce the amount of food waste sent to landfills, which produces harmful emissions such as methane. The mall has placed the machine near the loading bay area to allow tenants who are willing to separate their food waste to dispose the waste into the machine. In FY2020, the machines composted 6,425kg of food waste such as fruits, vegetables, grains, dairy, meats, fish, poultry, eggshells and crustacean shells. The composters decompose all types of food waste in an aerobic environment using controlled parameters such as temperatures, agitation and airflow. This technology reduces up to 80% of food waste within 24 hours and transforms it into bio-organic compost. The machine is also enhanced with unique ventilation features and a bio-enzyme filtration system that promotes elimination of unpleasant smells. Sunway Resort Hotel also has been donating surplus food from its buffets in The Resort Café to Kechara Soup Kitchen since 2017 to benefit the underprivileged communities.

In Sunway Putra Hotel, a Zero Food Waste Campaign was held to reduce food waste in the staff cafeteria from 15 June to 30 June 2020. Staff were invited to participate in a zero-food waste slogan contest.

Sunway Resort Hotel creates awareness among hotel guests on zero food waste by displaying signages in the F&B outlets such as The Resort Café. Additionally, chefs in the hotel prepare dishes according to individual orders at the breakfast buffets to reduce wastage from leftover food. In the staff cafeteria, a 'No Food Waste' signage is displayed to encourage hotel employees to take smaller portions of food and choose foods that they will consume during their meals.

Menara Sunway continues to send food waste to a composting farm that grows composting worms and black soldier fly maggots that naturally break down food waste into compost. The office sent 3,594 kg of food waste to be composted in FY2020.

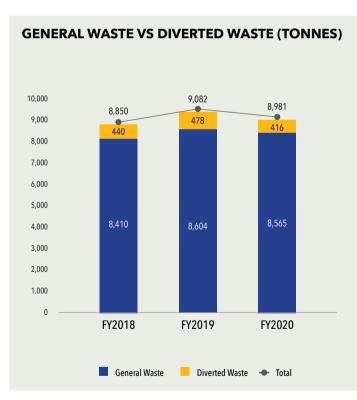
### ENVIRONMENTAL

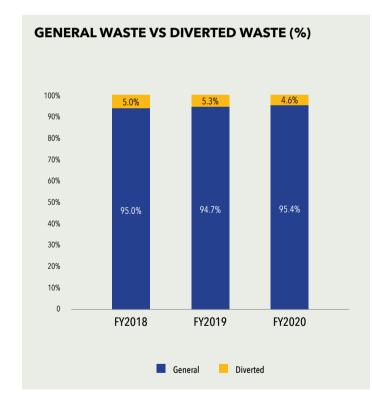
### Repurpose used cooking oil

Sunway hotels continue to collaborate with FatHopes Energy Sdn Bhd, a waste to energy company, to repurpose cooking oil from the hotels' kitchens. The on-going initiative is held under the Ethical Waste Management Practice Programme, which encourages restaurants and F&B outlets to dispose of used cooking oil responsibly through the programme. The energy company buys used cooking oil to make biofuels in its biodiesel plant at Shah Alam, Selangor. FatHopes Energy also provides a portable tank to collect used cooking oil.

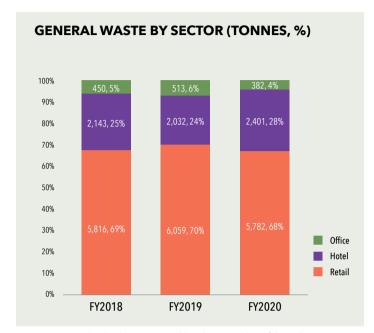
The hotels embarked on the programme in April 2019 and aim to repurpose 25% of used cooking oil by 2022 based on consumption and to repurpose 50% of used cooking oil by 2030. A total of 12,275 kg of used cooking oil has been repurposed as biodiesel in FY2020.

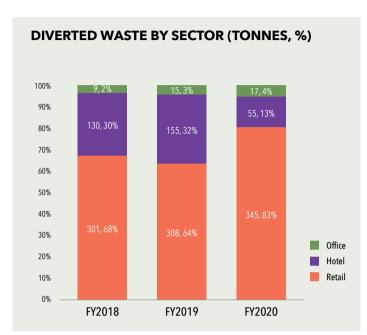






The overall reduction in diverted waste from FY2019 to FY2020 is mostly due to closure of several of our business operations which affects recycling activities.





Note: Figures stated in the charts may not add up due to rounding of decimals.

In FY2020, we managed to reduce our waste generation by 2% in the retail sector and increased diverted waste by 19% from the previous year.

# FOOD WASTE COMPOSTED Food Composted (tonnes) FY2018 FY2019 FY2020 Total 36 87 67



► Sunway REIT, Sunway Pyramid Mall and Sunway Resort Hotel joined forces to launch Food CPR (Compost, Plant and Reduce), an initiative that converts food waste into compost. The Food CPR campaign has garnered a total of at least 35 supporting partners.

### **ENVIRONMENTAL**

### **PERFORMANCE DATA (ENVIRONMENT)**

	INDICATOR	UNIT	FY2016	FY2017	FY2018	FY2019	FY2020
GHG	Scope 1		53	35	82	107	102
EMISSIONS	Scope 2	tonnes CO <sub>2</sub> e	119,559	103,971	103,324	101,200	87,192
	Scope 3		60	116	908	1,023	4,041
GHG	Scope 1		0	0	0	0	0
AVOIDANCE	Scope 2	tonnes CO <sub>2</sub> e	7,454	8,755	9,438	11,413	12,663
	Scope 3	_	0	0	9	9	8
ELECTRICITY	Retail		128,066	125,589	123,079	121,817	102,936
CONSUMPTION	Hotel	N 4) A / L	39,745	41,305	42,295	40,081	35,743
	Office	— MWh	11,438	10,835	11,248	11,094	10,368
	Total		179,249	177,729	176,622	172,992	149,047
	Retail		71%	71%	70%	70%	69%
	Hotel	- %	22%	23%	24%	23%	24%
	Office		6%	6%	6%	6%	7%
BUILDING	Retail		339	363	306	306	266
ENERGY INDEX	Hotel	kWh/m²	200	191	181	188	228
III DEX	Office	-	166	152	155	149	115
GROSS FLOOR AREA	Total	m²	831,361	840,640	840,640	840,640	840,640
ENERGY	Retail		-	-	-	-	18,486
SAVINGS	Hotel	MWh	-	-	-	-	765
	Office		-	-	-	-	2,394
WATER	Retail		1,172,154	1,618,623	1,552,466	1,531,558	1,482,874
CONSUMPTION	Hotel	m³	255,387	694,065	754,091	796,340	813,714
	Office	— m³	155,960	141,962	110,140	98,818	98,818
	Total		1,583,501	2,454,650	2,416,697	2,426,716	2,395,406
	Retail		74%	66%	64%	63%	62%
	Hotel	%	16%	28%	31%	33%	34%
	Office		10%	6%	5%	4%	4%

Figures stated in the table may not add up due to rounding of decimals.
 Improvement of data completeness is under progress.
 '-'refers to data unavailability.

	INDICATOR	UNIT	FY2016	FY2017	FY2018	FY2019	FY2020
WATER USE	Retail		3.00	3.11	3.24	3.15	3.01
INTENSITY	Hotel	$m^3/m^2$	2.28	2.25	2.35	2.43	2.72
	Office		1.14	1.05	0.85	0.79	0.81
GENERAL	Retail		-	-	5,816	6,059	5,782
WASTE	Hotel	tonnos	-	-	2,143	2,032	2,401
	Office	— tonnes	-	-	450	513	382
	Total		-	-	8,409	8,604	8,565
	Retail		-	-	69%	70%	68%
	Hotel	— %	-	-	25%	24%	28%
	Office		-	-	5%	6%	4%
DIVERTED	Retail		-	-	301	308	345
WASTE	Hotel		-	-	130	155	55
	Office	— tonnes	-	-	9	15	17
	Total		-	-	440	478	417
	Retail		-	-	68%	64%	83%
	Hotel	 %	-	-	30%	32%	13%
	Office		-	-	2%	3%	4%
FOOD	Retail		-	-	0	0	52
COMPOSTED	Hotel		-	-	36	87	6
	Office	— tonnes	-	-	0	0	9
	Total		-	-	36	87	67

- Notes:
  1. Figures stated in the table may not add up due to rounding of decimals.
  2. Improvement of data completeness is under progress.
  3. '-'refers to data unavailability.

SOCIAL

### **SOCIAL**







### **DIVERSITY AND INCLUSION**





GRI 102-8, 202-2, 401-1, 405-1

In our journey of value creation, we are committed to nurturing an inclusive workforce that cuts across gender, ethnicity and culture. Diversity and inclusion play an important role in the sustainability of the Manager as they are strongly linked to our core values of integrity, humility and excellence, which are embedded in every facet of our business and goals. In FY2020, we recorded no cases of discrimination and we target to maintain the status of zero cases of discrimination.

How we define diversity and inclusion:

### **Diversity**

All the ways we differ that make each of us unique. This includes:

- visible differences such as age, gender, ethnicity, religion, language, abilities, physical appearance and cultural background
- underlying differences such as thinking styles, beliefs, religion, nationality and education

### Inclusion

Creating a workplace culture where differences are valued. Inclusion encourages collaboration, flexibility, equity and fairness that allows every employee an opportunity to develop skills and talents consistent with our values and business objectives.



Guided by Sunway's Diversity and Inclusion Policy, we ensure every employee is given equal opportunity to develop and achieve their professional and personal aspirations regardless of gender, race and background. The policy acts as a framework for us to deliver against our diversity and inclusion objectives in the following three key areas:

### **Talent**

Building a diverse talent pool working in an inclusive workplace environment.

- Nurturing an inclusive workplace environment and culture to retain and develop our talent and maximise their potential.

#### Community

Building community and enriching lives through corporate responsibility focusing on education, healthcare and C.A.R.E. projects, an acronym for community aid, reach-out and enrichment.

We aim to create a culture that:

Respects and values each other's differences

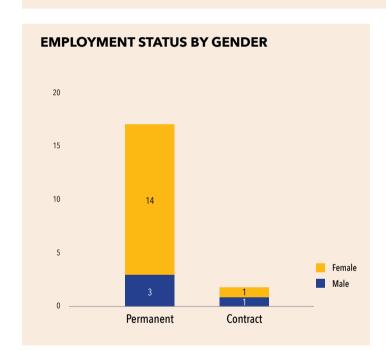
**Promotes equality** and diversity

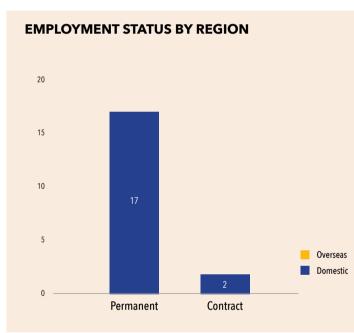
**Encourages** individuals to grow and develop in order to realise their full potential

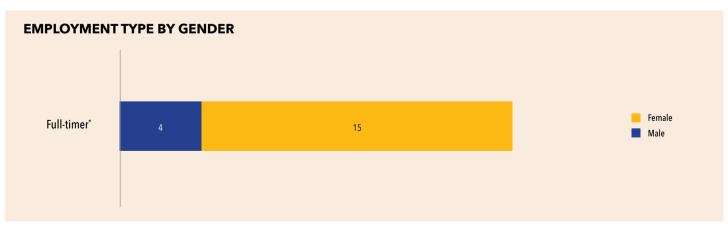
### Supporting local talent

As part of the communities we serve, we support local employment of Malaysians irrespective of race, religion, gender or culture. Our commitment to fostering local talent and economic development is reflected in our record of 100% local senior management as shown in the table below:

> 100% **Local Senior Management** for 2018,2019 and 2020



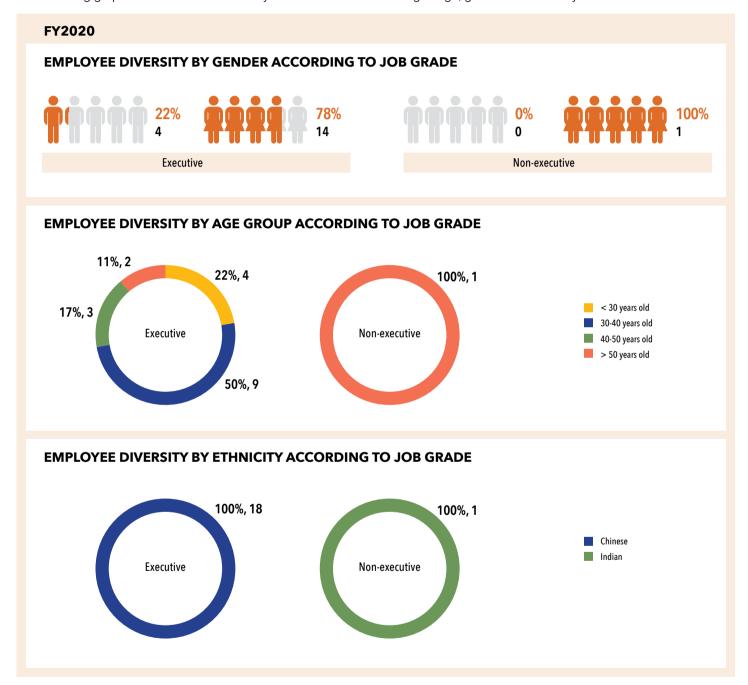




<sup>\*</sup> Full-Timer is defined as Contract and Permanent Staff.

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The following graphs break down the diversity of our workforce according to age, gender and ethnicity:



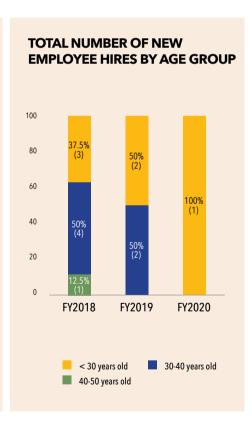
### **Workforce Diversity**

As of 30 June 2020, the Manager consists of 19 employees. The table below describes our employees' transition in FY2020:

Number of employees (as at 30 June 2019)	23
Number of attrition	5
Number of new hires	1
Number of employees (as at 30 June 2020)	19
Retention rate	73.7%
Attrition rate	26.3%
New hires rate	5.3%







146 **Sunway reit** integrated report 2020

SOCIAL

### **HUMAN CAPITAL DEVELOPMENT**

GRI 401-2, 401-3, 402-1, 404-1, 404-2, 404-3

Sunway REIT recognises the need to provide a positive work environment to attract and retain the best talent, keeping the morale of our employees up to inculcate a high-performance culture. A high-performance culture is a tenet of Sunway's leadership and strategy as it translates into people practices, performance management and total rewards management. The results of performance reviews are linked to rewards such as bonuses and increments.

In this context, our people are ensured continuous learning and development opportunities to pursue their professional and personal aspirations. In addition to offering competitive employment benefits, we also regularly engage with our employees to better understand their needs and strengthen relationships between employees and the management. Effective human capital development will result in a productive workforce and retain talent, moving Sunway REIT closer to achieving Sunway Group's goal of becoming the best employer in Malaysia by 2025.

### **Employee Engagement**

We strive to recognise and compensate the contribution of our employees by going beyond regulatory compliance and providing monthly wages. We review our salary structure annually to remain competitive in the industry by benchmarking against industry best practices. This is in addition to providing comprehensive and competitive benefits package relevant to the particular markets of our employees.

### **Benefits for the Manager Employees**

Programmes	Description
Care for Nursing Mothers	<ul> <li>Our premises offer designated car parks and escort assistance by the security officers.</li> <li>Mother's rooms provide convenience to working mothers and other visitors.</li> <li>Mother's rooms are present in our malls, education buildings and office (Menara Sunway).</li> </ul>
Childcare Subsidy	<ul> <li>Sunway partially subsidises the tuition fees for R.E.A.L. Kids Sunway and The Parenthood if parents are employees.</li> <li>This subsidy is available for up to two children per family for a maximum of RM200 per month per child.</li> <li>Childcare subsidy of up to RM2,400 is tax exempted.</li> </ul>
Employee Health Screening	<ul> <li>Employee health screenings are available at the Group function level as well as in selected business units.</li> <li>Confirmed executives of Sunway with minimum of six months service may undergo the Health Screening Programme as follows: <ol> <li>Below 40 years of age: Once every two years</li> <li>40 years and above: Once a year</li> <li>Confirmed executives are eligible to apply for subsequent health screening upon either one year (for those above 40 years of age) or two years (for those below 40 years of age) from the date of the last health screening.</li> <li>The Health Screening Programme is also extended to all confirmed non-executives of Sunway aged 40 and above with a minimum of six months service. They may undergo the Health Screening Programme once a year and will be eligible to apply for subsequent health screening upon one year from the date of their last health screening.</li> </ol> </li> </ul>

Programmes	Description
Kelab Sosial Sunway	Social Club for Sunway employees that organises various activities such as:  - Blood donation drives  - CSR activities  - Donations drives  - Health Talks  - Local and overseas trips  - Sports and Recreational activities
Other Leaves	<ul> <li>Annual leave</li> <li>Emergency leave</li> <li>Extended Maternity Leave</li> <li>Maternity leave</li> <li>Medical/Hospitalisation leave</li> <li>No-pay leave</li> <li>Parental/Childcare leave</li> <li>Paternity leave</li> <li>Prolonged Illness Leave</li> <li>Study leave</li> <li>Special leave (e.g. compassionate leave, marriage leave)</li> </ul>
Staff Discounts	<ul> <li>We act as a co-investor in our integrated communities and we manage our assets within them.</li> <li>As part of our long-term co-investor proposition, we encourage Sunway employees to be part of the communities they serve and live, learn, play and be healthy alongside our communities.</li> <li>Live: discounts on property purchases</li> <li>Learn: discounts for selected educational programmes in all our Learning institutions</li> <li>Play: discounts for theme park tickets, hotel room rates and food &amp; beverage</li> <li>Health: discounts for healthcare services</li> </ul>
Professional Development*	<ul><li>Tuition Fee Discount Scheme</li><li>Tuition Fee Refund Scheme</li><li>Professional Association Membership/Subscription Subsidy</li></ul>



\* To read more about Sunway REIT's Professional Development, please refer to pages 150 to 153 in Learning and Development.

### **SUMMARY OF EMPLOYEE LEAVES**



### Parental/Childcare Leave

Number of employees applied in FY2020

8

FY2019: 8, FY2018: 9

Days applied in FY2020

8

FY2019: 13, FY2018: 14



### **Paternity Leave**

Number of employees applied in FY2020

There were

no new fathers
in FY2018, FY2019 and FY2020



### **Maternity Leave**

Number of employees applied in FY2020

2

FY2019: 3, FY2018:0

Days applied in FY2020

**120** FY2019: 180, FY2018: 0

SOCIAL SOCIAL

### **Engaging with Employees**

Engaging with employees is essential in ensuring a healthy relationship between the management and staff in order to maintain performance excellence and retain the best talent. If there should be any changes to the terms and conditions of employment, we will provide notice based on the judgment and discretion of the management and on a case-by-case basis. We continuously hold dialogue sessions to allow employees to communicate their concerns and issues at work besides enabling the management to respond to the concerns and better understand employee needs. In FY2020, we rolled out the following initiatives to foster closer ties with the Manager's employees:

### **Birthday Celebrations**

### **Teambuilding at Sunway Iskandar**

A teambuilding programme was held at Sunway Iskandar to promote teamwork and conflict resolution in December 2019. The event was also aimed at improving employee morale, decreasing turnover, instilling new skills and increasing employee creativity to improve

### **Christmas Party**

We held a Christmas party in management to on-the-ground superiors and subordinates, which is a qualitative trait.

### **Learning and Development**

Sunway REIT believes the key to transformation is through providing regular learning and development opportunities. Equipping our employees with the latest skills and knowledge is essential to future-proof our workforce and the organisation. To ensure every employee has an opportunity to achieve fullest potential, we have put in place comprehensive training programmes and courses via online, classroom and workshops that cover leadership and soft-skills, technical training and other essential skills. Our human capital development is largely anchored on the SAP SuccessFactor®, a robust learning management system that covers self-development programmes as well as performance management.

#### The SAP SuccessFactor®

We transform our People Management by digitalising SuccessFactor® to deliver experiences that help employees achieve their own goals as well as Sunway REIT's collective goals as an organisation.



### The SAP SuccessFactor®

### What is it?

It is a platform that allows our employees to undertake selfdevelopment programmes by completing online courses and conducting self-performance reviews. The self-performance reviews will be part of the evaluation in an annual review by the management.

### How does it help?

Learners are required to complete A majority of the training content are assessments at the end of each training to successfully mark their completion. We will continue to improve user experience on this online learning are: platform.

### What does it offer?

compliance courses, covering key compliance policies. The core online learning programmes for all employees

- Code of Conduct and Business Ethics
- Conflicts of Interest
- Sunway E-Policy
- Information Security@Work
- My Performance\*

### \*My Performance

My Performance is a performance management process that involves a career conversation session, which helps employees and managers to understand their career aspirations. Employees will perform a self-evaluation before they are evaluated by their supervisors, followed by a moderation or calibration cycle in the final review, which involves the participation of division heads and the Chief Executive Officer.

Key focus areas on Sunway's My Performance:

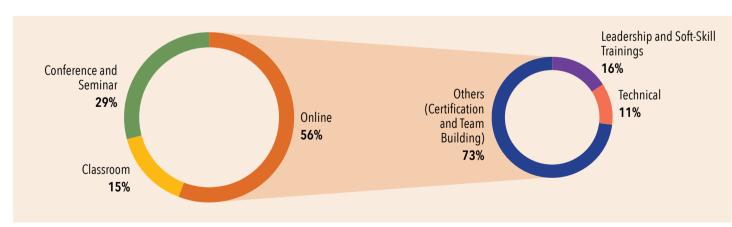
- Continuous dialogue that matches the cadence of work
- Value-added in which the manager drives feedback and development
- Employee-driven experience aligned with individuals' unique needs that emphasise on continuous growth and development
- Employees give and receive real-time bi-directional social and collaborative feedback at any point in the year

### **Learning platforms**

As one of the most leading diversified REITs, we believe in upgrading employee skills, which is fundamental to nurturing a dynamic and efficient workforce. To enhance our learning programmes, Sunway REIT offers three main types of learning platforms to employees:

**Conferences and seminars Classroom learning Online learning** 

Covering a wide range of topics including professional certification, teambuilding, and leadership and soft-skills training, the various platforms equip employees with the necessary skills and knowledge that boost their career growth. In FY2020, more than half of the learning programmes were conducted online due to social distancing measures implemented to reduce the spread of COVID-19.



In FY2020, we recorded



26 hours

Average training hours per employee (Executive level and above)

### SOCIAL SOCIAL

In FY2020, we offered the following learning development courses/programmes:

- Advanced Financial Modeling: Mergers and Acquisitions
- Ground Improvements Part 1 by Keller Malaysia
- Ground Improvements Part 2 by Keller Malaysia
- Information Security @ Work
- Introduction to Footings and Pile Cap Design
- Microsoft Excel: Advanced
- SDG 2 Zero Hunger
- SDG 4 Quality Education
- SDG 9 Industry, Innovation and Infrastructure
- SIDC Digital Transformation & Disruptors

For Leadership Programmes, we offer:

- Empathy in the Workplace: A Tool for Effective Leadership
- Sunway Leaders Conference
- Leadership is a Conversation

#### Performance review

To manage our talent and further improve our workforce, we review the performance of our people continuously throughout the year, where it involves goals setting, Q2 & Q3 performance chat and final performance evaluation. In FY2020, 100% of Sunway REIT employees received performance and career development reviews that were conducted by their managers and our Human Resources Department.

Gender		iviale	remaie
Percentage		100%	100%
Employee Category	Managerial	Executive	Non- Executive

### **Continuous Learning and Development**

Our employees benefit from Sunway Group's commitment to continuous learning and development, which is vital in maintaining a competitive, skilled, productive and engaged workforce. To this end, we ensure every employee is given an opportunity to maximise their potential through training and on-the job opportunities that complement and improve their existing skills and responsibilities. Apart from ExCeL@Sunway, other leadership competency training includes First-Time Manager, Situational Leadership® II and 7 Habits of Highly Effective People.



### **Excellence in My Career and Leadership (ExCeL@Sunway)**

### What is it?

A platform to support Sunway employees in their leadership and career development. The pilot phase was launched by the Group in 2018.

### What does it do?

- It identifies an employee's growth areas in both personal and professional capacities through our Leadership Development Centre. This is done with a concerted effort from Sunway leaders across the Group to ensure consistency in standards and expectations.
- It facilitates frequent and meaningful career conversations with leaders.
- It delivers personalised learning opportunities and a focused development journey.

### Who is eligible for ExCeL@Sunway?

It identifies an employee's growth areas in both personal and who are interested in charting their professional capacities through our career paths and improving their Leadership Development Centre. This

### **Professional Development**

As a testament to Sunway Group's commitment to continuous learning and development, employees are given tuition fee discount and refund as well as professional association subsidies. The initiative is to encourage continuous professional development and to support our employees to keep abreast with the industry's latest and best practices.

### **Tuition Fee Refund Scheme**

- Enables employees to upskill or further their studies by signing up for external courses for certificate, diploma, degree or post-graduate qualification.
- Employees will be reimbursed up to RM10,000 upon completion and passing of the programme.

### **Tuition Fee Discount Scheme**

- Helps to ease the financial burden of employees who sign up for courses under Sunway Education Group.
- The discount is also extended to employees with close family members studying in any institution under the Group such as spouse, children and siblings.
- The discount is up to a maximum of RM8,000 for employees, their spouse and children while siblings of employees are eligible for 6% off tuition fee per academic year.

### Professional Association Membership/Subscription Subsidy

- Allows employees to reimburse annual subscription to local or overseas professional associations.
- Employees can claim up to RM500 for a local association and RM1,500 for an overseas association.

### **OCCUPATIONAL HEALTH AND SAFETY**

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 416-1, 416-2

Workers' safety and health is a priority in Sunway REIT. We acknowledge that providing a safe and conducive work environment will boost productivity, reduce costs and ensure performance excellence. In ensuring a safe and healthy workplace, we established a robust health and safety management system that helps to identify risks and prevent work-related hazards, rolled out wellness programmes and organised safety training. These holistic measures underscore Sunway REIT's commitment to uphold the health and safety of its people.

In ensuring the health and safety impacts of our products and services, all mechanical and electrical systems as well as renovation works in Sunway offices have been assessed. Sunway malls and hotels have also conducted 100% assessments for all their products and services. In FY2020, there were zero incidents of non-compliance concerning the health and safety impacts of products and services.

As for the prevention and mitigation of OHS impacts directly linked by business relationships, Sunway REIT has yet to reach workers who are not under the control of Sunway Berhad. In this regard, Sunway Berhad has appointed a new safety manager in FY2020 to look into this matter and we target to report progress beginning next year onwards.

### Occupational Health and Safety Management System (OHSMS)

Sunway REIT is guided by its Occupational Health and Safety Management System (OHSMS), which is implemented as per Malaysian legal requirements. The requirements are governed by the various relevant governmental agencies such as Department of Occupational Safety and Health (DOSH), Fire and Rescue Department of Malaysia (Bomba), Ministry of Health, The Construction Industry Development Board (CIDB) as well as local municipal councils. We comply with:

### Occupational Safety and Health Act 1994

Factories and Machineries Act 1967

Fire Services Act 1988

Food Act 1983

Construction Industry Development Board Act 1994

Uniform Building By-Laws 1984

#### SOCIAL SOCIAL

The OHSMS was developed according to the international standard ISO 45001:2018 Occupational Health and Safety Management System. Although no properties have been certified with the standard, our employees and workers are required to comply with stringent health and safety management policies and standards. Our workers include Sunway employees and non-Sunway employees such as tenants and contractors. All data and information reported in this section represent the following Sunway REIT properties:

No	Туре	Property
1		Sunway Carnival Shopping Mall
2	Mall	Sunway Putra Mall
3	-	Sunway Pyramid Mall
4		Sunway Hotel Georgetown
5	Hotel	Sunway Hotel Seberang Jaya
6		Sunway Putra Hotel
7		Sunway Resort Cluster Hotels

### Hazard Identification, Risk Assessment and Incident Investigation

### Hazard Identification, Risk Assessment and Determining Controls (HIRADC)

Prior to the commencement of an activity, Sunway REIT ensures a formal risk assessment is first conducted in accordance with the OHSMS. Part of the risk assessment requires risk avoidance, risk reduction or mitigation measures. The assessment is conducted by a member of the business unit's Safety and Health Committee, who is trained by a certified Safety & Health Officer (SHO). The risk assessment is approved by the chairman of the OHSE committee.

Prior to the commencement of any job, high-risk activities on-board are identified and risks are mitigated using the Permitto-Work system.

### **Hazard and Incident Reporting and Investigation**

All employees are required to report all hazards and incidents including near misses to the management and assist to reduce and eliminate risks. Our safety policy also allows workers to remove themselves from work situations that they believe could cause injury or ill health. Reports on hazards will be kept classified to ensure no reprisals against the anyone who reported the hazards.

When an accident occurs at a workplace, it is required to be reported to DOSH as stipulated in the Section 32 of OSHA 1994. Our incident reporting and investigation process is as follows:

> Employee reports hazards and incident through E-log system.

An experienced personnel investigates the claim. A root cause analysis is conducted in consultation with Operation, HR and Safety & Health Committee members.

Safety & Health committee members recommend risk mitigation methods that are equivalent to a hierarchy of controls for the identified hazards.

Preventive and corrective actions are taken.

Report is presented to the management in the management review meeting.

### **Prevention and Controls of Work-Related Hazards**

Work related hazards that have the potential to cause highconsequence injuries are determined according to the Crisis and Incident Management Procedure. Periodical reviews of any organisational changes, occurrence of incidents, or employee feedback would result in ad-hoc reviews of the risk controls using the hierarchy of controls. In an effort to reduce work related hazards, several actions have been taken to eliminate hazards and minimise risks related to work activities. This includes:

- Conducting pre-, during and post- inspections for each event held in a shopping mall to ensure suitable risk controls are applied
- Getting department heads to hold toolbox talks to ensure staff are aware of potential risks at individual work

- Organising briefings and training by referring to past and potential incidents based on existing and new facilities in
- Requiring employees to follow regulations and Standard Operating Procedures set by Business Units at their work

### **Worker Participation, Consultation and Communication on**

The Manager takes the safety and health of workers seriously and ensures employees are part of the OSH management system. Sunway REIT Safety & Health Committee Meeting serves as a communication channel for staff to participate in the development, implementation and evaluation of the OSH management system. Comprising representatives from all departments, the committee meets every three months, in compliance with the Occupational Safety and Health (Safety and Health Committee) Regulations 1996. Employees with any concerns can escalate the issues to their representatives to be raised in the meeting. Decisions at the meeting are made by the senior management.

### **Worker Training on OHS**

The latest OHS training that is relevant to their activities as required by Section 15 of OSHA 1994 are provided accordingly. All training comprises beginner, intermediate and advanced levels, encompassing both classroom and practical sessions. They are conducted by competent and trained instructors and coaches during paid working hours to promote participation. Training sessions are conducted in both English and Malay for the benefit of non-executive employees, and they include generic and specialised training as listed below:



CPR, First Aid and AED

Safety and

Awareness

Security



**HSE Policies** and Operating **Procedures** 



Emergency Preparedness and Response and Fire



Evacuation



**HSE Risk** Management



Safe Use of Electrical Equipment



**Ergonomics** 



Working at Heights



Chemical Management

### **Employee Wellness**

The Manager believes in the wellbeing of its employees and tenants and provides various occupational health services to benefit the stakeholders. We offer the following occupational health services to minimise health risks by identifying and eliminating hazards:

Pre-employment medical examination

Health assessment and medical health surveillance such as Chemical Health Risk Assessment (CHRA) for staff working with chemicals. The assessment is conducted by a competent CHRA assessor

Occupational poisoning and disease investigations managed by registered Occupational Health Doctor (OHD)

Various health programmes to promote health

Emergency response and disaster management managed by Crisis Management, Response and Recovery (CMRR) team comprising occupational health and safety experts

Clinical services provided by Sunway Medical Centre, private and public medical clinics

Transportation for workers to go for medical appointments with private and public medical practitioners

We also provide access to non-occupational medical and healthcare services through medical health insurance and Protection & Indemnity (P&I) insurance. Both executive and non-executive employees also enjoy eHealthy screening programme and medical services in panel clinics across all states in Malaysia.

SOCIAL

To promote employee wellness, we have put in place various activities to encourage a healthy lifestyle among our employees. The activities include:

### **Annual health screenings**

### Lunch-time health and fitness talks, such as:

- stress management
- understanding dementia
- prevention of flu, measles and chronic diseases

### Sports and recreational activities, such as:

- badminton
- yoga
- futsal
  - sal zumba
- bowling monthly wellness menu

Beyond that, our Employee Assistance Programme (EAP) caters to those in need of psychological support when they face issues such as stress, mental distress, health issues or financial problem among others. Employees who require early stage assistance can call a counseling hotline and, upon recommendation, will be referred to a medical specialist such as a psychiatrist if needed. The programme is managed by independent and professional counselors, and employees are assured of the confidentiality of their information.

### **Ensuring a Safe Workplace**

Sunway REIT strives to provide a safe working environment in all its properties as we remain proactive in implementing safety measures at the workplace.

Our OHSMS covers
4,451 or 47%
of 9,465
Sunway and
non-Sunway employees



3,687 or 83% are internally audited and 2,613 or 59% are externally audited

These data were retrieved from the internal audit records and excluded part-timers and interns as they are hired on an ad-hoc basis.

In FY2020, the number of high consequence work-related injuries for employees was 11 cases, an increase of seven cases from FY2019. The injuries were largely attributed to falls from height, trips and falls, ergonomics and exposure to sharp objects. Due to the rise of the injury rate, which increased from zero in FY2018 to 2.52 in FY2020, we will embark on the following steps to improve our safety measures:

Conduct root cause analysis

Identify and measure the effectiveness of corrective and prevention actions

Introduce incident communication such as incident alert

Organise training for specialised topics such as working at height, slips trips and falls and ergonomics

For non-employees, we recorded one fatality in FY2018 and maintained zero cases of fatality from FY2019 onwards. The number of high-consequence work-related injuries also dropped from two in FY2018 to zero in FY2020, indicating Sunway REIT's success in improving public health and safety since FY2019.

To reduce exposure to work-related hazards that pose a risk of ill-health, we organised Chemical Health Risk Assessment (CHRA) to determine possible exposure to hazardous chemicals. We are proud to report that we recorded zero cases of work-related ill health for both employees and non-employees for the past three years.

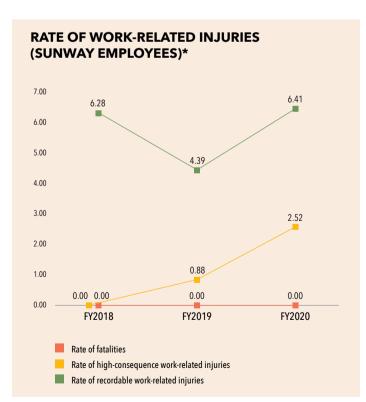
### Work-related injuries for Sunway Employees and Non-Employees\*

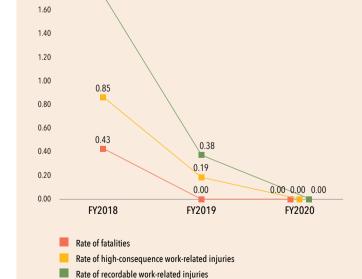
	Total Number			
Year	FY2018	FY2019	FY2020	
Employees				
Number of hours worked	1,608,418	4,573,296	4,374,495	
Fatalities	0	0	0	
High-consequence work-related injuries	0	4	11	
Recordable work-related injuries	10	20	28	
Non-Employees				
Number of hours worked	2,351,271	5,333,128	5,211,792	
Fatalities	1	0	0	
High-consequence work-related injuries	2	1	0	
Recordable work-related injuries	4	2	0	

\* Data represents employees and non-employees from:

- Sunway Carnival Shopping Mall, Sunway Putra Mall, Sunway Pyramid Shopping Mall.

- Sunway Hotel Georgetown, Sunway Hotel Seberang Jaya, Sunway Putra Hotel, Sunway City Cluster Hotels.





**RATE OF WORK-RELATED INJURIES** 

**AMONG NON-EMPLOYEES** 

1.70

1.80

<sup>\*</sup> The rates were calculated based 1,000,000 hours worked.

#### SOCIAL SOCIAL

### **CUSTOMER PRIVACY AND DATA SECURITY**

GRI 418-1

As the Manager to various properties in the retail, office and hotel segments, Sunway REIT takes customer privacy and data security seriously. Any breaching of privacy and data will lead to loss of trust and customer satisfaction besides reputational damage. We are committed to ensuring proper and adequate protection of personal data within our control in compliance with the Personal Data Protection Act 2010 (PDPA). In FY2020, there were zero reported complaints or breaches of customer privacy and data security in all the segments. There were also zero reported incidences of identified leaks, thefts, or losses of customer data.

Guided by our robust governance infrastructure, we are able to take a holistic approach to data privacy and security across all business units. Employees of Sunway malls and hotels are required to comply with the PDPA, Sunway's compliance manual and all Sunway policies that are related to the PDPA.

**HUMAN RIGHTS** 

GRI 406-1, 410-1

Sunway REIT recognises human rights as one of our prioritised matters as it involves the rights of our people, the local communities in the areas within which we operate and other stakeholder groups that are impacted by our business activities. We are committed to respecting the rights and dignity of every individual within our business operations as we stay true to our vision, mission and core values.

Sunway REIT's human rights principles are embedded in our day-to-day operations. They are aligned with Sunway Berhad's commitment to respecting human rights, which is guided and governed by the following local labour laws and internationally recognised human rights principles\*:

> The UN Guiding Principles on Business and Human Rights

International Labour Organisation's (ILO) eight foundational conventions

**Employment Act 1995** 

\* To read more about Sunway Berhad's commitment to human rights, please refer to pages 46 to 49 in Sunway Berhad's Sustainability Report 2019.



Employees of Sunway malls are required to read, understand and acknowledge a Non-Disclosure Agreement (NDA) besides having to undergo PDPA training and an annual internal audit to ensure PDPA compliance. To instil customers' confidence in data privacy, all redemption forms and kids' club forms are stated with our commitment to comply with the PDPA. Shoppers are allowed to suggest their preferred method of communication in the forms. Further to that, signs are placed at concourse areas of the malls to inform all shoppers that they may be filmed/ photographed for the malls' usage.

In Sunway hotels, our guests' details are strictly accessible by authorised users with the highest level of administration authority only. In the office segment, we ensure that tenants' information is not easily disclosed to any third party without approval from the tenants.







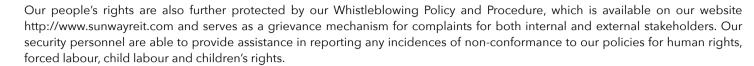


Sunway Group has been participating in the UN Global Compact 10 Principles since 2012, upholding the principles with respect to human rights, labour, environment and anti-corruption.

We constantly communicate our labour policy to our employees as an effort to uphold workers' rights. We recognise that our people are the key driver to transforming our organisation as well as the communities we manage and serve. As such, we are committed to ensuring fair treatment to all our employees and that no discrimination is practised in Sunway REIT. Furthermore, we observe the eight fundamental conventions of the ILO with regards to:

- Freedom of association and the recognition of the right to collective bargaining
- The elimination of forced labour, child labour and discrimination in the workplace

Our commitment to respecting human rights and upholding the ILO conventions is reflected in our Code of Conduct and Business Ethics as well as our Supplier Code of Conduct. We also comply with the Employment Act 1995 and other labour laws of Malaysia, which guide us in ensuring fair working hours, fair payment of wages and fair treatment to all regardless of age, race, gender and religion.



In FY2020, there were no incidents and grievances of discrimination, child labour and forced labour reported in Sunway REIT.

#### **COMMUNITY ENRICHMENT**

GRI 413-1

Giving back to society is part of Sunway REIT's contribution to building an inclusive society, ensuring that no one is left behind. Our efforts are in line with Sunway Group's commitment to the UNSDG through its #SunwayForGood initiatives that focus on three key pillars - Education, Healthcare and Community Enrichment. Our initiatives enrich the vulnerable with sustainable growth by creating opportunities for them in various areas such as education, health and jobs. By striving to do good, we aim to create long lasting impact and add value to society, the environment and the economy.

In FY2020, we reached out to the underprivileged and marginalised through collaborations with Government bodies and non-governmental organisations to identify the groups that were in need. To meet the needs of our target groups, we rolled out holistic programmes as we enriched and empowered the underserved and marginalised. This year, the focus was on the underprivileged and the B40 group who has a combined household income of below RM3,000. Several of our projects were aimed at reducing the burden and challenges faced by these groups during the Movement Control Order (MCO) as a result of the COVID-19 pandemic. We remain committed to supporting communities who have been impacted by the economic upheaval caused by COVID-19.













Sunway REIT contributes to healthcare awareness through various programmes that were implemented throughout FY2020. The beneficiaries of our programmes were wide ranging, including Government bodies and Sunway office tenants apart from the underprivileged communities.

### **Eve Test for Children**

Children of Penang Shan Children's Home were given a free eye test at MOG Eyewear in Sunway Carnival Shopping Mall to improve the children's wellbeing. Held in October 2019, the annual event was a joint effort between the mall and MOG Eyewear since 2015. The event benefitted 19 children, who were also given goodie bags and Baskin Robbins ice cream.

### **Dental Check-up**

A free dental check-up by Selangor's State Health Department was held in Wisma Sunway in September 2019. Wisma Sunway's sponsoring of the venue was in support of the health department's Health Week Campaign. The event attracted 74 visitors who had their teeth checked and treated.

#### **Blood Donation**

In a bid to contribute to the National Blood Bank and local general hospitals, Sunway offices organised several blood donation drives throughout the year. The initiative received positive response and support from the management and tenants of Menara Sunway, Wisma Sunway, Sunway Geo Tower and Sunway Tower. Besides the National Blood Bank, the initiative also benefitted Hospital Tengku Ampuan Rahimah Klang, Selangor's State Health Department and Hospital Kuala Lumpur.

#### **First Aid Training**

Sunway Tower continued to hold its annual first aid training for its management and tenants. The initiative was to equip 10 management staff and tenants with first aid skill to enable them to respond to emergency situations.

SOCIAL SOCIAL



### **Battling COVID-19**

In support of the Government's effort to battle the spread of COVID-19, Sunway REIT contributed in the following various ways to help flatten the curve and ease the burden of those whose income was affected by the pandemic:

- Sunway Hotel Seberang Jaya contributed 1,500 pieces of shower caps to Hospital Seberang Jaya in March 2020 for the hospital's healthcare staff.
- Sunway Resort Hotel donated a total of 14,525 pillows, blankets and toiletries such as shampoo, bath gels, shower caps, gloves and vanity kits to patients in Hospital Sungai Buloh in April 2020 due to a shortage of personal hygiene supplies in the hospital.
- Two Sunway hotels provided accommodation for persons under surveillance (PUS) from 13 April to 14 May 2020:

Hotel	No. of sponsored room nights	Value (RM)	No. of beneficiaries (persons under surveillance)
Sunway Pyramid Hotel	14,938	1,792,560	1,127
Sunway Clio Hotel	11,074	1,107,400	891

- To promote mental health during the lockdown, Sunway Pyramid Hotel and Sunway Clio Hotel collaborated with Harith Iskandar to screen an online live comedy by the Malaysian comedian. Titled "Locked Down Laughs with Harith Iskandar", the one-hour exclusive live show was screened through Microsoft Teams on 30 April and attracted more than 1,000 viewers. Guests staying at the cluster of three hotels in Sunway City were able to view and interact with Harith during the show.
- Sunway Putra Hotel provided food to on-duty staff and contract workers who lost their jobs due to the lockdown from April to May 2020. The hotel's management also contributed cash to purchase dried food items.
- Sunway Pyramid Mall collaborated with Subang Jaya City Council and The Lions Club of Subang Jaya to donate RM30,000 worth of food and groceries to B40 communities in Subang Jaya during the MCO in March. The contribution benefitted 1,100 individuals.
- B40 communities from 11 areas in Seberang Jaya benefitted from the Food for Thought initiative by Sunway Carnival Shopping Mall in March and April 2020. The communities, who were impacted by COVID-19, received packed meals from 26 March to 14 April 2020 through the mall's initiative that was aimed at reducing hunger.
- Sunway Putra Malls contributed food supplies to 40 underprivileged families under Yayasan Chow Kit's care to ease the families' financial burden during the MCO in April 2020. The food items included rice, biscuits, cooking oil and other daily essentials.







### **Empowering the Underprivileged**

To ensure no one is left behind in building a sustainable society, Sunway REIT constantly reaches out to those in need through distinctive programmes. In FY2020, we helped a boy to fulfil his dream and we brought smiles to the faces of underprivileged children, amongst other positive impacts.

### #SunwaySoapful

Sunway Hotels & Resorts continued to implement the #SunwaySoapful project, which started in December 2018 to repurpose used soaps and help communities in need. Soapful is a collaborative effort between Sunway Hotels & Resorts with Ecolab Sdn Bhd, Kinder Soaps Sdn Bhd and Selangor Youth Community (SAY). In FY2020, Sunway Hotels & Resorts collaborated with Malaysian Christian Association of Relief (CARE) and SAY. SAY, a long-term partner in the project, will continue to identify future beneficiaries for the project. The project\* aims to:

- Minimise the hotels' environmental impact
- Reduce the financial burden of the beneficiaries
- Break the cycle of poverty by allowing the children from the homes to help out in the project and acquire business skills, consequently shaping them into entrepreneurs
- To learn more about the project, please refer to page 325 in Sunway REIT's Annual Report 2019.



**Sunway Hotels & Resorts donated** 

3,100 bars

of Soapful repurpose soap from April to June 2020 to the following recipients:

1,500

Juvenile inmates at Pusat Koreksional Puncak Alam (PKPA) via Malaysia CARE

600

Human Aid Selangor & Kechara Soup Kitchen 500

District Parole Office and Parolees via Malaysia CARE

500

Kajang's Women Prison

### **Turning A Dream into Reality**

It was a dream come true for five-year-old Nu'Aim, who has Wilms tumour, when his wish to visit Sunway Lagoon and stay in Sunway Hotel was granted. Through Make A Wish Malaysia, Nu'Aim and his family enjoyed a complimentary stay at a Family Suite at Sunway Pyramid Hotel on August 3 and 4 in 2019. They were also treated to a buffet dinner and breakfast at the hotel.

### **#SunwayForGood Truck**

Sunway Putra Tower, Menara Sunway, Sunway Pyramid Mall and Sunway Resort Hotel sponsored their venue as one of the stops for the #SunwayForGood truck on 13 December to bring smiles to the faces of underprivileged children from 26 welfare homes in the Klang Valley. Carrying more than 1,500 wishes of the children, the truck allowed members of the public to fulfil the children's wishes by sponsoring items such as school necessities and sports equipment which they can purchase from the truck. Travelling around the Klang Valley for 21 days from 25 November to 15 December, the #SunwayForGood truck made stops at various places every day to invite as many donors as possible to fulfil the wishes of the children.



### Pillow Donation to Taska & B40 Families

Sunway Resort Hotel donated 100 used pillows to Persatuan Taska-taska Selangor in Shah Alam and 150 used pillows to B40 families in Kota Damansara through a collaboration with Adab Youth Garage (AYG) in May 2020.

### SOCIAL

### **Festive Events**

No.	Date	Description	Location(s)
1	Deepavali		
1.1	10 Oct 2019	Sunway Resort Hotel hosted 25 children from Rumah Charis and Persatuan Rumah Kebajikan Kanak-kanak Makarios for the lighting of a kolam ceremony with Miss Malaysian Indian Global (MMIG) 2019, Miss Sumittra Gunalan. The children were later treated to a sumptuous dinner at The Resort Café.	Sunway Resort Hotel
2	Christmas		
2.1	29 Nov 2019	A total of 30 children and five residents from Yayasan Sunbeams Home enjoyed a Christmas Lighting event by Sunway Resort Hotel. The event was made even more memorable for the children with performances from Malaysian singers Juwita Suwito and Zamil Adris as well as a carolling group before a delightful dinner at The Resort Café.	Sunway Resort Hotel
2.2	7 Dec 2019	A Christmas charity event entitled "Passion with Fashion" was held in conjunction with the launch of a new tea set at Sunway Resort Hotel's The Lobby Lounge. The hotel also donated RM8,000 to GIVE Malaysia at the event that was jointly organised by renowned Malaysian fashion designers.	Sunway Resort Hotel
3	Chinese New Year		
3.1	11 Jan 2020	In a collaboration with Touching Lives Club, Sunway Putra Mall brought Chinese New Year cheer to 150 underprivileged children by treating them to a movie and scrumptious lunch and dinner at the mall. The movie was sponsored by TGV Cinemas while the dinner was by McDonald's. It was the second year for the mall to implement the initiative, which benefitted the children from Yayasan Chow Kit, Sunbeam Home, Victory Home, Rainbow Home, Hiichiikok Home for Children and Zotung Refugee Learning Centre.	Sunway Putra Mall
3.2	2 Feb 2020	Sunway Putra Hotel hosted a Chinese New Year luncheon for 50 children and caretakers of Charis Home. The children also received a RM10 red packet each.	Sunway Putra Hotel
3.3	4 Feb 2020	Sunway Hotel Georgetown visited the Rumah Sejahtera Permatang Tinggi old folks home and catered lunch for the residents in conjunction with Chinese New Year celebration. The residents also received goodie bags, mandarin oranges and red packets. The annual event, which started in 2012, is a joint effort between Sunway Hotel Georgetown, Sunway Hotel Seberang Jaya and Sunway Carnival Shopping Mall.	<ul><li>Sunway Hotel Georgetown</li><li>Sunway Hotel Seberang Jaya</li><li>Sunway Carnival Shopping Mall</li></ul>

No.	Date	Description	Location(s)
4	Thaipusam		
4.1	7 Feb 2020	Devotees at Nagarathar Sivan Temple were treated to a free meal prepared by Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya. The yearly initiative, in line with SDG 2: Zero Hungry, benefitted 2,500 devotees who were celebrating Thaipusam at the temple.	<ul><li>Sunway Hotel</li><li>Georgetown</li><li>Sunway Hotel Seberang</li><li>Jaya</li></ul>
5	Hari Raya		
5.1	May 2020	Sunway Hotels & Resorts prepared 1,000 packets of bubur lambuk every week for AYG to distribute to Hospital Kuala Lumpur, Hospital Sungai Buloh, Hospital Serdang, Hospital Kajang, essential workersand B40 families. Adapting to the new normal, the AYG volunteers wore masks and ensured social distancing measures were in place when distributing the food. In Penang, Sunway Hotels & Resorts provided 2,000 packets of bubur lambuk to Penang State Assembly to distribute to Hospital Seberang Jaya, Perda District Police Headquarters, fire fighters and local communities in Seberang Jaya, Komtar and Masjid Kapitan Keling. The weekly contribution, which totalled up to 6,500 packets of bubur lambuk, involved the effort of 40 chefs and volunteers.	Sunway Hotels & Resorts
5.2	May 2020	Raya celebration was made more meaningful for 140 children in four charity homes through Sunway Pyramid Shopping Mall's Raya CSR with Sunway Group Brand Marketing and Communications' initiative on 15 May. The children and caretakers of Pusat Jagaan Nur Bakarah, Pusat Jagaan Baitus Sofwah, Pertubuhan Anak Yatim Berkat Kasih (House of Love) and Pusat Pengurusan Al-Firdaus received RM4,000 worth of groceries from the mall as well new clothes, "duit raya", vitamin C packs and sanitisers. They also received a sweet surprise on 18 May when Sunway Resort Hotel gave them 200 packs of cookies through the Sunway Raya Cheer 2020 initiative.	Sunway Pyramid Shopping Mall
5.3	13 Jun 2019	Sunway Carnival Shopping Mall brought some festive cheer to the children of Sekolah Sinar Harapan, a school for mentally handicapped children. The school is run by non-governmental organisation Persatuan Kebajikan Kanak-Kanak Terencat Akal Seberang Perai Tengah. The mall handed out 45 goodie bags and 39 packets of "duit raya" and food to the children and caregivers. It was the mall's fifth year of contributing to the school with the aim of raising awareness on the plight of the children.	Sunway Carnival Shopping Mall

### SOCIAL SOCIAL

### **Safeguarding Our Communities**







Ensuring the safety of our stakeholders is part our effort to contribute to society as we strive to develop sustainable townships. Safeguarding our communities will promote goodwill and trust from our stakeholders including staff, residents, shoppers, tenants and the public besides adding value to our properties. By not taking action to keep crime away from our developments, there is a potential for loss of income, damage to property and even loss of lives.

To keep crime at bay, we engage 1,400 security personnel and auxiliary police and integrated Sunway's Safe City concept in all our townships. Sunway as a co-investor in its masterplanned communities adopt the Crime Prevention by Environmental Design (CPTED) principles at the design and planning stage of all its integrated developments. Besides installing closed circuit television cameras, we also work closely with the police and NGOs, and engage our tenants on social issues through townhalls and safety awareness programmes such as firedrills.

Our security measures include:

### **Security and Crime Prevention**

- Partnered the Royal Malaysian Police (PDRM) and Malaysian Crime Prevention Foundation
- Enforced 1,400 security personnel including auxiliary police, in-house security and out-sourced Nepalese guards
- Ensured all auxiliary police attend a two-month intensive training programme at PDRM's training centre

#### **Emergency Response Plan**

- Installed panic buttons in shopping malls and car parks for quick emergency response
- At least one fire drill/evacuation exercise is held annually to comply with the Fire and Rescue Department's (Bomba) requirement. Failure to comply will affect the renewal of fire safety certificate for Sunway's buildings
- Formed a SWIFT team to respond to emergencies and disasters within Sunway City

### **Enforcement of Clean Air**

- Sunway's auxiliary police was empowered by the Ministry of Health in 2019 to issue summons for anyone caught smoking at non-smoking zones in Sunway City

### **Escalators**

 Ensured all new escalators are installed with additional auxiliary brake, in accordance with British Standard EN 115.
 Regular inspections are conducted on all escalators and travellators

### Minimum training for auxiliary police and security personnel

- Auxiliary police attend at least two shooting training by PDRM
- Security personnel attend monthly training by Sunway's Group Security, an annual 48-hour foot drills and Bomba training, a two-month training and 16 hours of classroom training each year

### **Ensuring child safety**

We advocate child safety through educational programmes for children which are organised by our shopping malls. In Sunway Pyramid Mall, every child gets the privilege of receiving a complimentary safety pack that contains temporary tattoos with concierge numbers in case a child is lost and child-safe wristlets that link a child to his parents. The mall also provides a conducive room for children and nursing mothers in its Leo's Junior Kids Toilet & Baby Room that also facilitates toilet training for young children.

Meanwhile Sunway Putra Mall created an autism-friendly ambience such as ensuring dimmed lights and soft music besides providing a calm room and sensory walls for autistic children. The Autism is Awesome initiative or "Autsome", launched on 8 January 2019, is an on-going initiative to create awareness and promote acceptance and support towards the autism community, in line with UN SDG 10: Reduced inequalities.

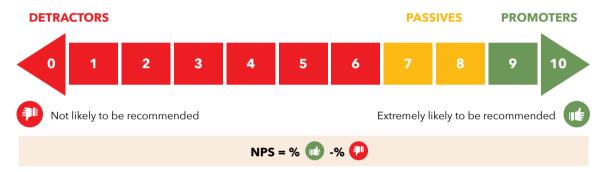
### **CUSTOMER SATISFACTION**



Customer satisfaction is at the heart of everything we do. Sunway REIT is committed to providing greater customer satisfaction by obtaining feedback from our customers at shopping malls, hotels and offices through surveys and measurement tools that are benchmarked against best industry practices. The feedback obtained is reviewed and relevant measures are taken to increase customer satisfaction in all our properties.

#### Mall

Sunway Pyramid Mall gauges its shoppers' overall satisfaction based on the Net Promote Score (NPS), an index that ranges from -100 to 100, to measure the likelihood of shoppers recommending the mall as a shopping destination. NPS also measures shoppers' loyalty and their overall satisfaction on products and services.



In FY2020, Sunway Pyramid Mall gained positive results on its NPS, which shows a good overall satisfaction and high likelihood of shoppers recommending the mall as a go-to destination. Due to COVID-19 and the MCO, the customer satisfaction scores for Q4 of FY2020 could not be obtained. Additionally, the scores for Q3 may not accurately reflect the overall customer satisfaction due to lower mall traffic from the outbreak of COVID-19.

Reporting year	FY2020		
Reporting period	Q1	Q2	<b>Q3</b>
Net promoter score	23.2%	27.2%	15.2%
Customer satisfaction index	60%	59%	41%

### **Customer Satisfaction Index for Malls**

Category	Factor
Shop mix	<ul><li>Latest in fashion and design</li><li>Variety of F&amp;B</li><li>Variety of brands for clothing/accessories</li></ul>
Amenities	<ul> <li>Spacious pathways/walkways/footpath</li> <li>Signages for ATMs/toilets/lifts</li> <li>Cleanliness and tidiness of restrooms</li> <li>Other amenities for shoppers</li> </ul>
Outlet's employees	<ul><li>Friendliness and politeness</li><li>Knowledgeability and responsiveness</li></ul>
Parking & security	<ul><li>Safety and security</li><li>Ease of finding parking spaces with the parking guide system</li></ul>

### SOCIAL

#### Hotel

In FY2020, Sunway Hotels scored well overall in the Global Review Index by ReviewPro, a measurement tool used by thousands of hotels worldwide as a benchmark for reputation management efforts.

Hotel	Global Review Index Score (FY2020)
Sunway Resort Hotel	91.4%
Sunway Pyramid Hotel	89.3%
Sunway Clio Hotel	93.2%
Sunway Putra Hotel	89.7%
Sunway Hotel Georgetown	86.7%
Sunway Hotel Seberang Jaya	87.0%

Sunway hotels was recently awarded with 'Loved by Guests' 2020 by Hotels.com. The Loved by Guests Award is an annual awards programme based on genuine guest reviews and experiences registered on the Hotels.com online accommodation site. The award is a testament to our consistency in delivering outstanding levels of service, demonstrating our commitment to providing unique experiences to all guests every time.

### Office

All Sunway REIT offices improved in their customer satisfaction index in FY2020 compared to the previous year. Menara Sunway scored particularly well, followed by Sunway Tower, Wisma Sunway and Sunway Putra Tower.

Office	NPS FY2020	Customer Satisfaction FY2020
Menara Sunway	78%	97%
Sunway Tower	55%	92%
Wisma Sunway	4%	82%
Sunway Putra Tower	48%	82%

Category	Factor
Employees	<ul><li>Staff availability and punctuality</li><li>Professionalism in regards to response to customers</li><li>Speed in regards to response to customers</li></ul>
Product and service quality	<ul><li>Quality of work and services</li><li>Accuracy of billing</li></ul>
Security	- Security operation
Amenities	- Cleanliness - Landscape

### **Technology solutions for customer satisfaction**

Sunway REIT strives to stay at the forefront of rapidly changing customer expectations by leveraging on technology and digitalisation to enhance customer experience.

In Sunway Pyramid Shopping Mall, we are currently test-bedding our retail innovations to enable seamless shopping experience by implementing the following initiatives:

### **Parking**

A license plate recognition system and cashless parking system have been rolled out for the convenience of shoppers, hotel guests and visitors.

### Security

A pilot project is being developed to enhance the security system by integrating Smart CCTVs that include facial recognition.

#### **Self-service kiosk**

A self-service kiosk is currently being tried out in Sunway Pyramid Mall Ice to deliver seamless experience to customers.

### **Indoor positioning system**

Sunway Malls is working closely with Google and Apple to offer indoor positioning via the individual mall's shopper mobile app. Sunway Pyramid Mall was the first to roll out the app while other malls are in the process of implementing the initiative.

### **Bridging communication**

Sunway Malls has developed RetailTECH, a mobile app to close communication gaps between tenants and mall operators to improve our speed in delivering operational solutions.

### **Digitalised payment**

All our malls are equipped with a Unified Payment Terminal to allow retail tenants accept cashless payment from major e-wallets, debit cards and credit cards via an all-in-one payment terminal.



▶ Sunway Smart Parking, a fully unified smart parking system with multi cashless payment options has been implemented in Sunway Pyramid Mall, Sunway Hotels, The Pinnacle Sunway and Menara Sunway.

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

SOCIAL

### **PERFORMANCE DATA (SOCIAL)**

BOARD DIVERSITY (GENDER)   Female   %   57%   57%   6 6 6 6 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8		INDICATOR	UNIT	2020	2019	2018
Total no. of new employees		Total Board of Directors		7	7	6
Turnover rate   %   26.3   17.4		Total no. of employees	Number	19	23	23
BOARD DIVERSITY (GENDER)   Female   %   57%   57%   6 6 6 6 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8		Total no. of new employees	_	1	4	8
Female   W   A3%   A3%		Turnover rate	%	26.3	17.4	8.7
BOARD DIVERSITY (AGE GROUPING)   40-50 years old   750 years old   86%   85%   88		Male	0/	57%	57%	67%
AGE GROUPING    >50 years old   86%   85%   88	(GENDER)	Female	- % -	43%	43%	33%
Solution   Solution		40-50 years old	0/	14%	15%	17%
Chinese	(AGE GROUPING)	>50 years old	- % -	86%	85%	83%
Chinese		Malay		29%	29%	33%
EMPLOYMENT STATUS (GENDER)         Permanent male employees         3         3           (GENDER)         Permanent female employees         14         18           Contract male employees         1         1         1           Contract female employees         1         1         1           Part-time male employees         0         0         0           EMPLOYMENT STATUS         Permanent domestic employees         17         21           STATUS         Permanent overseas employees         0         0	(ETHNICITY)	Chinese	%	57%	57%	50%
Permanent female employees   14		Indian	_	14%	14%	17%
Contract male employees		Permanent male employees		3	3	4
Contract male employees		Permanent female employees	_	14	18	17
Contract female employees	(GENDEN)	Contract male employees	Nl	1	1	1
Part-time female employees 0 0  EMPLOYMENT Permanent domestic employees 17 21  STATUS Permanent overseas employees 0 0 0		Contract female employees	– Number –	1	1	1
EMPLOYMENT Permanent domestic employees 17 21 STATUS Permanent overseas employees 0 0 0		Part-time male employees		0	0	0
STATUS Permanent overseas employees 0 0		Part-time female employees	_	0	0	0
Parmanant avarcase amplavase		Permanent domestic employees		17	21	21
	STATUS (REGION)	Permanent overseas employees		0	0	0
Contract domestic employees 2 2	(NEOIOIV)	Contract domestic employees	Ni. wala au	2	2	2
Contract overseas employees Number 0 0		Contract overseas employees	– Number –	0	0	0
Part-time domestic employees 0 0		Part-time domestic employees		0	0	0
Part-time overseas employees 0 0		Part-time overseas employees		0	0	0
		Male executives		21%	17%	22%
DIVERSITY (GENDER) Female executives 74% 78% 7		Female executives	0/	74%	78%	74%
	(32.102.11)	Male non executives	/0	0%	0%	0%
Female non executives 5% 4%		Female non executives		5%	4%	4%

	INDICATOR	UNIT	2020	2019	2018
EMPLOYEES	Executives below 30 years old		21%	26%	26%
DIVERSITY (AGE GROUP)	Executives between 30 to 40 years old	_	42%	43%	39%
(AGE GROOT)	Executives between 40 to 50 years old	_	16%	13%	17%
	Executives more than 50 years old	-0/	11%	13%	13%
	Non executives below 30 years old	% — —	0%	0%	0%
	Non executives between 30 to 40 years old		0%	0%	0%
	Non executives between 40 to 50 years old	_	0%	0%	0%
	Non executives more than 50 years old	_	5%	4%	4%
EMPLOYEES	Malay executives		0%	0%	4%
DIVERSITY (ETHNICITY)	Chinese executives	_	95%	96%	91%
(LITINGITT)	Indian executives	_	0%	0%	0%
	Other races executives	_	0%	0%	0%
	Foreigner executives	% — — —	0%	0%	0%
	Malay non executives		0%	0%	0%
	Chinese non executives		0%	0%	0%
	Indian non executives		5%	4%	4%
	Other races non executives		0%	0%	0%
	Foreigner non executives	_	0%	0%	0%
EMPLOYEES	Executives who worked less than 1 year		11%	17%	26%
DIVERSITY (YEARS OF	Executives who worked between 1 to 5 years	_	47%	61%	52%
SERVICE)	Executives who worked between 5 to 10 years	_	37%	17%	17%
	Executives who worked between 10 to 15 years	_	0%	0%	0%
	Executives who worked between 15 to 20 years	_	0%	0%	0%
	Executives who worked more than 20 years	_	0%	0%	0%
	Non executives who worked less than 1 year	_	0%	0%	0%
	Non executives who worked between 1 to 5 years	%	0%	0%	0%
	Non executives who worked between 5 to 10 years	_	5%	4%	4%
	Non executives who worked between 10 to 15 years	_	0%	0%	0%
	Non executives who worked between 15 to 20 years	_	0%	0%	0%
	Non executives who worked more than 20 years	_	0%	0%	0%

Note: Figures stated in the table may not add up due to rounding of decimals.

SOCIAL

### SOCIAL

	INDICATOR	UNIT	2020	2019	2018
EMPLOYEES LEAVES	Number of parental/childcare leave applications		8	8	9
	Number of days applied for parental/childcare leave	_	8	13	14
	Number of maternity leave applications	Number	2	3	0
	Number of days applied for maternity leave	_	120	180	0
	Number of paternity leave applications	_	0	0	0
	Number of days applied for paternity leave	_	0	0	0
NEW HIRES (GENDER)	Male domestic new hires		0	1	3
	Female domestic new hires	NI salaas	1	3	5
	Male overseas new hires	Number -	0	0	0
	Female overseas new hires	_	0	0	0
NEW HIRES	Domestic employees below 30 years old		1	2	3
(AGE GROUP)	Domestic employees between 30 to 40 years old	_	0	2	4
	Domestic employees between 40 to 50 years old	_	0	0	1
	Domestic employees more than 50 years old	Number -	0	0	0
	Overseas employees below 30 years old	Number -	0	0	0
	Overseas employees between 30 to 40 years old	_	0	0	0
	Overseas employees between 40 to 50 years old	_	0	0	0
	Overseas employees more than 50 years old	_	0	0	0
OTHERS	Proportion of senior management hired from local community	%	100%	100%	100%
LEARNING	Total learning hours*	NI seele ess	494	544	437
HOURS	Total learning hours per employee	Number -	26	24	19
COMPLETION OF	Male employees		100%	100%	100%
PERFORMANCE REVIEW (GENDER)	Female employees	% -	100%	100%	100%

<sup>\*</sup> Total learning hours exclude non executives.

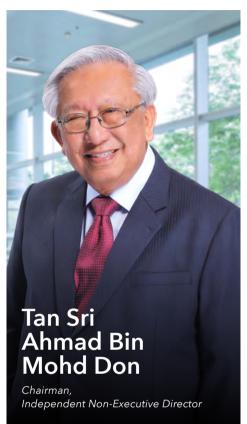
	INDICATOR	UNIT	2020	2019	2018
COMPLETION OF	Managers		100%	100%	100%
PERFORMANCE REVIEW (EMPLOYEE	Executives	%	100%	100%	100%
CATEGORY)	Non executives		100%	100%	100%
HEALTH AND SAFETY	Total number of employees covered		1,751	N/A	N/A
(OHSE MANAGEMENT SYSTEM)	Total number of non-employees covered	Number	2,700	N/A	N/A
HEALTH & SAFETY	Number of hours worked (employees)		4,374,495	4,573,296	1,608,418
(WORK-RELATED INJURIES)	Total number of recordable work-related injuries (employees)		28	20	10
	Rate of fatalies (employees)		0	0	0
	Rate of recordable work-related injuries (employees)		6.41	4.39	6.28
	Rate of high-consequence work-related injuries (employees)	Nl	2.52	0.88	0
	Number of hours worked (non-employees)	Number	5,211,792	5,333,128	2,351,271
	Total number of recordable work-related injuries (non-employees)		0	2	4
	Rate of fatalies (non-employees)		0	0	0.43
	Rate of recordable work-related injuries (non-employees)		0	0.38	1.7
	Rate of high-consequence work-related injuries (non-employees)		0	0.19	0.85
HEALTH & SAFETY	Total number of fatalities (employees)		0	0	0
(WORK-RELATED ILL HEALTH)	Total number of recordable work-related ill health (employees)	N. I	0	0	0
	Total number of fatalities (non-employees)	Number	0	0	0
	Total number of recordable work-related ill health (non-employees)		0	0	0

Note: N/A refers to unavailability of data as data collection was not yet initiated.

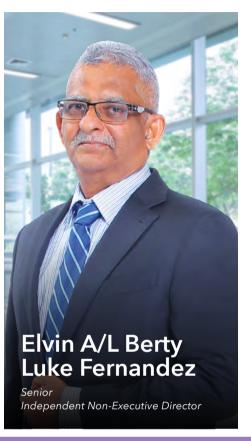
# AN EXPERIENCED AND

COMMITTED BOARD

GRI 102-18. 102-22. 102-23. 102-25. 102-26. 102-27







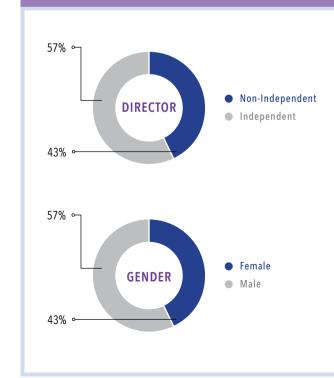


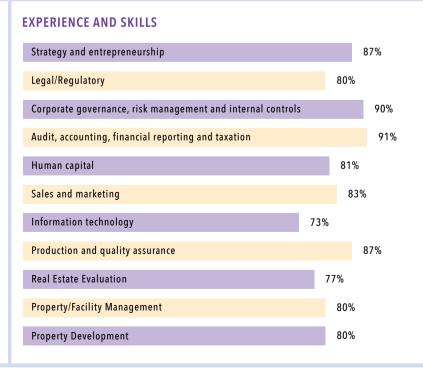


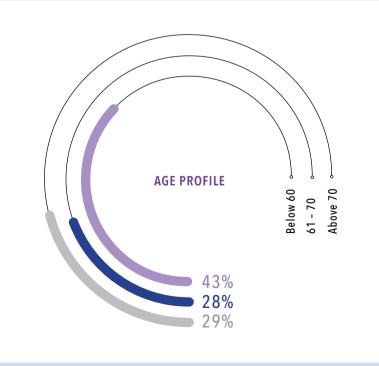




### A DIVERSE AND SKILLED BOARD GRI 405-1







# None of the Board members hold more than 5 directorships

in listed issuers which complies with Paragraph 15.06 of the Listing Requirements.

Their directorships in listed issuers and public companies are set out in the Directors' Profile in the 2020 Integrated Report of Sunway REIT.

### **DIRECTORS' PROFILE**

#### LEGEND



AC Audit Committee



**DIRECTORS' PROFILE** 

Nomination and Remuneration Committee



Risk Management Committee



Chairman/Chairperson

### Tan Sri Ahmad Bin Mohd Don

Independent Non-Executive Director















25 August 2010

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Science in Economics and Business, Summa cum Laude, Aberystwyth University, United Kingdom
- Fellow, Institute of Chartered Accountants in England and Wales
- Member, Malaysian Institute of Certified Public Accountants

#### **WORKING EXPERIENCE:**

- Present Appointments:
   Independent Non-Executive Director, Alliance Bank Malaysia Berhad
- United Malacca Berhad
- Malaysian Genomics Resource Centre Berhad

#### Past Experiences:

- Corp of Accountants, Government of Malaysia (1972 1974) Financial Controller (1974 - 1980),
- Syarikat Jengka Sdn Bhd Mansfield Berhad
- Pernas Securities Sdn Bhd
- Company Secretary, Pernas Securities Sdn Bhd
- Deputy General Manager, Permodalan Nasional Berhad
- General Manager of Treasury, Malayan Banking Berhad (1982 - 1991)
- Senior General Manager, Malayan Banking Berhad
- Board Member, Malayan Banking Berhad Executive Director, Malayan Banking Berhad
- Group Managing Director and Chief Executive Officer,
- Malayan Banking Berhad (1991 1994) Governor, Bank Negara Malaysia (1994 - 1998)
- Independent Non-Executive Director.
- MAA Group Berhad
- Hap Seng Plantations Holdings Berhad
- Zurich Takaful Malaysia Berhad
- KAF Investment Bank Berhad
- KomarkCorp Berhad Non-Independent Non-Executive Director,
- Zurich Life Insurance Malaysia Berhad
- Hing Yiap Group Berhad
- J.P. Morgan Chase Bank Berhad

### OTHER DIRECTORSHIPS

### **Listed Issuers**

- Alliance Bank Malaysia Berhad
- United Malacca Berhad
- Malaysian Genomics Resource Centre Berhad

### **Public Company**

### Dato' Jeffrey Ng Tiong Lip

Chief Executive Officer. Non-Independent Executive Director







### APPOINTED:

24 March 2010

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Economics, Monash University, Melbourne
- Capital Markets Services Representative Licence Holder

### **WORKING EXPERIENCE:**

### **Present Appointments:**

- Malaysian REIT Managers Association (MRMA)
- Real Estate and Housing Developers Association (REHDA) Institute
- Member
- Board of Studies Master of Real Estate Development,
- University Tunku Abdul Rahman Malaysian Institute of Certified Public Accountants and
- Chartered Accountants, Australia & New Zealand Appeal Board under the Federal Territory (Planning)
- Chairman and Independent Non-Executive Director,
- United Overseas Bank (Malaysia) Berhad
- Director.
- SUNREIT Capital Berhad SUNREIT Unrated Bond Berhad
- SUNREIT Perpetual Bond Berhad
- Chairman, Sunway Lagoon Club Berhad

### Past Experiences:

- Managing Director, AP Land Berhad
- Executive Director, Sunway City Berhad (now known as Sunway City Sdn Bhd)
- President REHDA
- Chairman, REHDA Wilayah Persekutuan (KL) Branch
- Director, Construction Industry Development Board (CIDB)
- Vice President and Secretary General, FIABCI Malaysian Chapter (International Real Estate Federation)
- Vice President, Malaysian Association of Hotel Owners Chairman, Young Presidents Organisation (YPO)
- Malaysian Chapter Vice Chairman, Malaysia Australia Business Council
- (MARC)

### OTHER DIRECTORSHIPS

### **Listed Issuer**

### **Public Companies**

- United Overseas Bank (Malaysia) Berhad
- SUNREIT Capital Berhad
- SUNREIT Unrated Bond Berhad
- SUNREIT Perpetual Bond Berhad
- Sunway Lagoon Club Berhad

### Elvin A/L Berty Luke Fernandez

Senior Independent Non-Executive Director









### APPOINTED:

24 March 2010

#### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

Institution of Surveyors Malaysia (Now known as the Royal Institution of Surveyors Malaysia)

#### WORKING EXPERIENCE:

### **Present Appointments:**

- Managing Director, Khong & Jaafar Group of Companies
- Fellow, Royal Institution of Chartered Surveyors (RICS),
- Honorary Member
- China Appraisal Society
- Indian Institution of Valuers
- Indonesian Society of Appraisers
- Institute of Philippine Real Estate Appraisers
- National Association of Romanian Valuers Practising Valuers Association, India
- Member and Qualified Business Valuation Instructor, International Association of Certified Valuation Specialists
- Investigating Tribunal Panel, Malaysian Bar Council Malaysian Institute of Estate Agents
- Malaysian Institute of Professional Property Managers National Committee Member, FIABCI Malaysian Chapter
- President, Business Valuers Association Malaysia
- Executive Committee Member, Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (PEPS)
- Chairman, Valuation & Property Consultancy Committee of

#### Past Experiences:

- President, Royal Institution of Surveyors Malaysia (Session 2010/2011)
- Member/Exco-Member, Board of Valuers, Appraisers & Estate Agents Malaysia (1993-2007)
- President, Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (2000/2002)
- Adjunct Professor, University Malaya Faculty of Built Environment (2013/2014) Member, RICS Malaysia Board (1 June 2014 - 31 May 2016)
- Chairman, International Valuation Standards Council (2007/2008)
- Secretary-General, ASEAN Valuers Association (2010/2018) Consultant, Real Estate Investment Trust Framework (Valuation Aspects), Securities Commission of Pakistan

### OTHER DIRECTORSHIP

Listed Issuer

### **Public Company**

### Sarena Cheah Yean Tih, SMS

M Male

Non-Independent Non-Executive Director

E

Female







#### APPOINTED:

25 August 2010

### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Masters in Business Administration.
- Melbourne Business School Bachelor of Commerce (Accounting and Finance), University of Western Australia
- Member, Association of Chartered Certified Accountants (ACCA)

Capital Markets Services Representative

### **WORKING EXPERIENCE:**

Licence holder

- **Present Appointments:** Managing Director, Property Development
- Division, Sunway Berhad Non-Independent Executive Director.
- Sunway Berhad Director.
- SUNREIT Capital Berhad SUNREIT Unrated Bond Berhad Institute of Corporate Directors'
- Yayasan Raja Muda Selangor SUNREIT Perpetual Bond Berhad Board Member, The Board of Valuers, Appraisers, Estate Agents and Property

Malaysia

- **Past Experiences:** Joint Managing Director, Property Development Division, Malaysia/Singapore
- Executive Director, Strategy and Corporate Development General Manager, Sales and Marketing, Property Development Division, Sunway
- Various Roles, Corporate Finance, Group Internal Audit Departments and Business Department departments, Sunway Group

#### OTHER DIRECTORSHIPS

#### Listed Issuer

Sunway Berhad

#### **Public Companies** SUNREIT Capital Berhad

- SUNREIT Unrated Bond Berhad Institute of Corporate Directors' Malaysia
- Yayasan Raja Muda Selangor SUNREIT Perpetual Bond Berhad

### Ng Sing Hwa Non-Independent

Non-Executive Director









APPOINTED: 18 November 2013

### ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Completed Program for Management Development, Harvard University Graduate School of Business Administration, Boston
- Qualified chartered accountant Member, Malaysian Institute of
- Accountants Member, Malaysia Institute of Certified Public Accountants

### **WORKING EXPERIENCE:**

- Present Appointments:
- Executive Chairman, Miramas Development Sdn Bhd
- Director, Millennium Pavilion Sdn Bhd, a major shareholder of the Manager
- Past Experiences:

Group Chief Executive, Faber Merlin

Executive Chairman, Bertam Alliance Berhad (2002 - 2012) Managing Director, CI Holdings Berhad

### Malaysia Berhad (1977 - 1985) OTHER DIRECTORSHIP

(1985 - 1988)

Listed Issuer

### **Public Company**

### Tengku Nurul **Azian Binti** Tengku Shahriman

Independent Non-Executive Director



APPOINTED:

11 March 2016

QUALIFICATIONS:

Inner Temple

Court of Malaya

Studies, University of London

**WORKING EXPERIENCE:** 

**Present Appointments:** 

Past Experiences:



Bachelor of Law, School of Oriental & African

Barrister-at-Law, The Honourable Society of

Former Advocate and Solicitor of the High

Independent Non-Executive Director.

Independent Non-Executive Chairman.

Freight Management Holdings Berhad

Board Member, PEMIMPIN GSL, Malaysia

Board of Governors, Convent Bukit Nanas

Executive Vice President and Partner,

Director of Education and Human Capital

Development, National Transformation

Management and Delivery Unit, Prime

Advocate and Solicitor, Shook Lin & Bok

Freight Management Holdings Berhad

Minister's Department (PEMANDU)

Head of Corporate Finance, RHB

Investment Bank Berhad

OTHER DIRECTORSHIPS

Dutch Lady Milk Industries Berhad

(Member of the GSL Networks)

PEMANDU Associates Sdn Bhd

Programme of the Performance



2 January 2019

### ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

Clayton Melbourne, Australia Member, CPA Australia

### **WORKING EXPERIENCE:**

- **Present Appointments:**
- Trustee, Top Glove Foundation
- Board member, Khazanah National Berhad Managing Partner, Citigroup Global
- (Malaysia) Sdn Bhd Head of Research, WI Carr (Malaysia) Sdn Bhd
- CIMB Securities) Accountant, Cooperative Central Bank Auditor, Ernst and Winney (now known as

### OTHER DIRECTORSHIP

Listed Issuers Dutch Lady Milk Industries Berhad

**Public Company** 

### **Yeo Kar Peng**

Independent Non-Executive Director









### APPOINTED:

### ACADEMIC AND PROFESSIONAL

Bachelor of Economics majoring in Accounting and Finance, Monash University,

- Chairman and Managing Partner, Kendall Court Capital Partners Ltd
- **Past Experiences:**
- Markets Malaysia Sdn Bhd Head of Research, UBS Equity Research
- Analyst, Ariffin and Low (now known as

### Ernst & Young)

### **Listed Issuer**

Cheah Yean Tih, cms.

**Public Company** Top Glove Foundat

Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling AO who is the Executive Chairman and major shareholder of Sunway Berhad, and major unitholder of Sunway REIT, is the father of Sarena

Save as disclosed above, none of the Directors any family relationship with any Director

- Sunway REIT; any conflict of interest with Sunway REIT; any conviction for offences within the past 5 years (other than traffic offences); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 30 June 2020.

of the Manager and/or major unitholder of

### MANAGEMENT TEAM & KEY PERSONNEL













24 March 2010 For more information, please refer to Directors' Profile section.

Bachelor of Business (Accounting), University of Technology, Sydney Fellow, CPA Australia

- Chartered Accountant, Malaysian Institute of Accountants
- Attended Executive Program from Harvard Business

Ms Irene Sin has more than 20 years of working

experience in the Property and Corporate sectors

focusing on financial accounting and reporting,

strategic planning, investment evaluation and project

management accounting across a variety of industries

including property investment, property management,

leisure and hospitality where she held various financial

positions. She started her career in the nineties as an

auditor with PricewaterhouseCoopers Assurance Division

before expanded her experience to the corporate sector.

Ms Irene Sin joined Sunway Group in 2010 and prior

to her appointment as Chief Financial Officer of the

Manager, she was the General Manager - Finance,

Property Investment Division of Sunway Property.

Professional Accountants in Business.

She currently serves as a committee member of MIA's

- Capital Markets Services Representative Licence Holder
- Bachelor of Science in Building Contract Management, John Moores University, Liverpool, United Kingdom
- Graduate Member, The Royal Institution of Surveyors

1 November 2017

Listed issuer

- Bachelor of Engineering (Hons) Electronics majoring in Telecommunications, Multimedia University, Malaysia Master of Science in Biomedical Engineering, University
- of Oxford, United Kingdom Chartered Financial Analyst (CFA) Charterholder
- Certificate of Higher Education in Law, University of

London, United Kingdom

- Bachelor of Science (Hons) Banking and Finance, University of London
- Bachelor of Laws, Monash University, Melbourne,
- Bachelor of Commerce (Management), Monash University, Melbourne, Australia

Listed issue

**Public Company** Sunway Lagoon Club Berhad **Public Company** 

Ms Koh started her career in 2004 with consultancy firm prior to joining Sunway City Berhad in 2009. At Sunway City Bhd (now known as Sunway City Sdn Bhd), she has gained comprehensive knowledge and experience in Quantity Surveying, Contract Management and Project Management across a variety of industries including property investment, property development, leisure and hospitality where she held various positions. Her last role was Head of Department for Supply Chain & Contract Management, Property Investment Division of Sunway Integrated Properties Sdn Bhd before assuming her current position as Assistant General Manager.

Listed issuer

**Public Company** 

Prior to joining the Manager, Mr Raymond Ng gained his experience in the real estate sector working for Employees Provident Fund 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.

Listed issuer

**Public Company** 

Prior to joining the Manager, Ms Crystal Teh was attached to Westports Holdings Berhad. She was instrumental in the formation of the investor relations functions of the Manager. She started her career as Investment Analyst in Kuala Lumpur City Asset Management Sdn Bhd in 2000 followed by TA Asset Management Sdn Bhd (TAAM) in 2004 where she managed unit trust funds and high net worth clients. During her career in fund management, she was also attached to Hong Leong Assurance Berhad. Phillip Capital Management Sdn Bhd and RHB Asset Management Sdn Bhd. She has collectively 10 years of experience in equity research, investment advisory and fund management prior to embarking her career into

Listed issuer

23 October 2012

**Public Company** 

Ms Samantha Khoo joined the legal department for Sunway Group on 16 May 2012 and additionally took on the role of the compliance officer for Sunway REIT on 23 October 2012. She continues to be involved in capital markets transactions, property acquisitions and corporate and commercial exercises undertaken by Sunway REIT and Sunway Group. Ms Samantha Khoo started her career in Penang, specialising in property and real estate, banking and finance and general corporate advisory. She then specialised in equity capital markets and mergers and acquisitions in Kuala Lumpur. 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

Leading key initiatives in finance that support overall strategic goals: cost discipline management and productivity assessment, tightening capital expenditure spending, maximisation of tax allowances

- Active capital management to achieve a diversified capital portfolio base: debt/equity balanced portfolio, debt maturity profile, type of debt instruments
- Active investment appraisals review, enabling the M&A progress in line with the strategic goals
- Strategic assessment of asset enhancement initiatives: review redevelopment concepts, strategic positioning, cost estimates and financial returns
- Planning, managing, coordinating and monitoring for property development/upgrading/refurbishment of properties
- Bulk purchase/strategic sourcing
- Ensure compliance to Sunway REIT's Standard of Procedures for tender & award
- Examine and evaluate technical and financial independently on recurrent related party transactions mandate
- Verify and analyse the scope of work, project duration, budget cost estimate and feasibility for new CAPEX and OPEX approval, award and payment

- Develop investment strategies and evaluate acquisition and investment proposals
- Conduct relevant industry and capital market researches Execute investment and corporate exercises
- Manage the annual property valuation and insurance renewal exercises
- Strategise and implement overall investor relations strategy Relationship management with investment community and media
- Production of integrated report Management of Sunway REIT's website and social media
- Undertake industry research

investor relations.

Monitor compliance of the Trust Deed, all applicable guidelines issued by the Securities Commission, applicable securities laws and Listing Requirements relating to Sunway REIT

None of the Management Team members and key personnel have:

- any family relationship with any Director of the Manager and/or major unitholder of Sunway REIT; any conflict of interest with Sunway REIT;
- any conviction for offences within the past 5 years (other than traffic offences); and any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 30 June 2020.

European operations.

176 **SUNWAY REIT** INTEGRATED REPORT 2020

177

THE STRENGTH OF OUR GOVERNANCE FRAMEWORK

### **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

### THE STRENGTH OF OUR GOVERNANCE FRAMEWORK

This Corporate Governance Overview Statement details how the governance practices of Sunway REIT Management Sdn Bhd ("Manager"), the Manager for Sunway Real Estate Investment Trust ("Sunway REIT") underpin the way in which the assets of Sunway REIT is managed and how it encompasses culture, values and corporate behaviour to contribute to the long-term sustainability of Sunway REIT. This Statement is supplemented with our Corporate Governance Report FY2020, disclosed on a voluntary basis, which provides an insight on our governance framework in compliance with the principles detailed in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). It is important to note that as a listed REIT, not all principles of the MCCG 2017 may be applicable to the Manager and Sunway REIT. Any deviations from the Principles are explained in the Corporate Governance Report FY2020 which is available on Sunway REIT's website.

Our governance framework is set out below. The Board is responsible for corporate governance and has established this framework to enable effective leadership and oversight of the Manager and Sunway REIT's activities. The Board has a majority of independent non-executive directors who provide valuable advice and independent insights.

### **CHAIRMAN**

Tan Sri Ahmad Bin Mohd Don

### **BOARD**

- Senior Independent Non-Executive Director
- Independent Non-Executive Directors
- Non-Independent Non-Executive Directors
- Non-Independent **Executive Director**

**SUPPORTED** BY COMPANY **SECRETARIES & COMPLIANCE OFFICER** 

### AC

### Chairman

Elvin A/L Berty Luke Fernandez

### Composition

- Senior Independent Non-Executive Director
- Independent Non-Executive Directors

### **Key Function**

To oversee the financial and accounting reporting, evaluate audit processes, assess internal control systems, and review Related Party Transaction ("RPT") & Conflict of Interest Situation.

### **INTERNAL AUDIT DEPARTMENT ("IAD")**

### **NRC**

### Chairperson

Tengku Nurul Azian Binti Tengku Shahriman

### Composition

- Senior Independent Non-Executive Director
- Independent Non-Executive Directors
- Non-Independent Non-Executive Director

### **Key Function**

To review the remuneration matters of Directors and Senior Management, oversee the Director's selection process, annual Board and Board Committees' performance assessment, evaluate performance of CEO and CFO, and ensure management succession planning.

### **RMC**

### Chairman

Ng Sing Hwa

### Composition

Senior Independent Non-Executive Director

management of the business.

- Independent Non-Executive Directors
- Non-Independent Non-Executive Director

### **Key Function**

To review the adequacy and effectiveness of the risk management framework and internal control systems of Sunway REIT.

### **RISK OFFICER**

### **MANAGEMENT TEAM**

For more details, please refer to the Corporate Governance Report 2020 of the Manager on Sunway REIT's website at http://www.sunwayreit.com under Investor Relations section.

The Board meets regularly and there is an annual cycle of topics it considers, including updates on key management, financial, and

operational matters and approval of significant acquisition and assets enhancement initiatives. The Committee Chairs provide a

The Management Team are invited to present to the Board on operational progress updates during the course of the year.

The Management Team comprises the Executive Director and the senior leadership team. Its role is to oversee operational matters

and contribute to the longer-term evolution of our strategy. It provides senior employees greater engagement and experience in the

detailed update to the Board after each Committee meeting, and all Committee minutes are circulated to the Board.

This enables non-executive directors to have direct and open access to our senior leadership team.

### **INVESTMENT APPRAISAL** WORKING **GROUP**

### Dato' Jeffrey Ng Tiong Lip (Chairman)

Sarena Cheah Yean Tih, S.M.S. (Alternate: Clement Chen Kok Peng)

Irene Sin May Lin

Raymond Ng Meng Chun

### **SUSTAINABILITY WORKING GROUP**

### Dato' Jeffrey Ng Tiong Lip (Chairman)

Sarena Cheah Yean Tih, S.M.S. (Alternate: Loo Hoey Theen)

Irene Sin May Lin

Chan Hoi Chov (Alternate:

Cheng Jew Keng

Kevin Tan Gar Peng)

Alex Castaldi

Crystal Teh Lay Ling

### RISK **MANAGEMENT** WORKING **GROUP**

### Dato' Jeffrey Ng Tiong Lip (Chairman)

Sarena Cheah Yean Tih, S.M.S. (Alternate:

Irene Sin May Lin

Wai Sow Fun)

Samantha Khoo May Lin

Chan Hoi Chov (Alternate: Kevin Tan Gar Peng)

Alex Castaldi

Cheng Jew Keng

### **OUR FRAMEWORK IS GOVERNED BY THE FOLLOWING CHARTERS, POLICIES AND PROCEDURES:**

- **Board Charter**
- Trust Deed ("Deed")
- Code of Conduct and Business Ethics Policy Sustainability Framework
- Remuneration Policy for Directors & Senior Management
- Insider Trading Policy
- Whistleblower Policy
- Terms of Reference ("TOR") of Board Committees
- Policy Manual
- Risk Management Framework

- Standard Operating Procedures
- Anti-Bribery & Corruption Policy - Anti-Money Laundering Policy
- Business Continuity Plan

### **WE'VE STRENGTHENED OUR GOVERNANCE STRUCTURES** THROUGH:

- Voluntary disclosure of the Corporate Governance Report FY2020
- Updated Policy Manual to reflect improved practices and an efficient system of procedures, and to the standards as required by the MCCG 2017, the Listed REITs Guidelines and the Listing Requirements
- Revision of the TOR of the RMC incorporating the requirements on the policies and procedures on anti-bribery and corruption as well as placing greater emphasis on corruption risk as part of annual risk assessment
- Development of an Anti-bribery and Corruption Policy
- Development of an Anti-Money Laundering Policy
- Development of the Business Continuity Plan
- The AC composition is made up of Independent Directors as required by Practice 8.4 (Step Up) of the MCCG 2017

### **NEW INITIATIVES FOR FY2021**

The Manager has commenced and is working on the following for financial year 2021:

- to implement additional good governance practices as required under the Guidelines on Listed REITs and the Listing Requirements from time to time;
- to continuously improve on disclosure practices and sharing of information to unitholders and investors;
- to provide training and education for employees, vendors and suppliers on the Anti-Bribery and Corruption Policy and the Anti-Money Laundering
- to implement a suitable and reliable system to facilitate voting in absentia and remote participation by unitholders at the unitholders' meetings.

### THE EFFECTIVENESS OF OUR BOARD AND LEADERSHIP

### CORPORATE GOVERNANCE OVERVIEW STATEMENT

### THE EFFECTIVENESS OF OUR BOARD AND LEADERSHIP

### A RESPONSIBLE BOARD

The Board bears the ultimate responsibility for Sunway REIT's performances and core values. It is committed to implement sound corporate governance practices at all times and views this as a fundamental part of discharging its roles and responsibilities.

The Board assumes, amongst others, the following principal roles and responsibilities in discharging its stewardship role, and fiduciary and leadership functions:

Setting the vision, mission, objectives, goals and long-term strategic plans for the Manager and for Sunway REIT.
---

Supervising the Management in managing the assets and liabilities of Sunway REIT for the benefit of unitholders.

Optimisation of asset utilisation through asset enhancement initiatives and cost control measures.

Monitoring and evaluating the quarterly performance of Sunway REIT's assets against budgets as well as the progress of implementation of the strategic initiatives.

Monitoring

and keeping

up to date

with the

Establishing proper and effective internal controls to identify and assess business and operational risks as well as ensuring the implementation of appropriate internal controls and risk mitigation measures.

Overseeing the

and establishing

management.

Management's performance

Management succession

the Manager, including

plan for key positions within

appointing, training, fixing the

compensation of and, where

appropriate, replacing senior

Reviewing the adequacy and integrity of the management information systems.

Reviewing

the financial

and capital

strategies

proposed

by the

management

Management.

Compliance with the terms of the Trust Deed and all applicable guidelines and rules prescribed by the SC and Bursa Malaysia or other relevant authorities, and applicable laws.

changes to regulations, policies, guidelines and accounting policies. Overseeing the Ensuring growth in

development and implementation of the investor relations and unitholder communications policy for Sunway REIT. unitholders.

sustainable sustainable long-term for Sunway REIT's

order to create value creation

Notes: Chairman/Chairperson Member

The composition of the Board and its Committees and the attendance of the Directors at the meetings of the Board and its Committees are set out below:

	MEMBER:	MEMBERSHIP/MEETING ATTENDANCE FY2020 (ATTENDED/HELD)		
	BOARD	AC	NRC	RMC
Chairman/Independent Non-Executive Director				
Tan Sri Ahmad Bin Mohd Don	7/7	6/6	4/4	3/3
Senior Independent Non-Executive Director				
Elvin A/L Berty Luke Fernandez	7/7	6/6	4/4	3/3
Independent Non-Executive Directors				
Tengku Nurul Azian Binti Tengku Shahriman	7/7	6/6	4/4	3/3
Yeo Kar Peng	7/7	6/6	4/4	3/3
Non-Independent Non-Executive Directors				
Sarena Cheah Yean Tih, <sub>s.m.s.</sub>	7/7	-	3/4	-
Ng Sing Hwa <sup>(1)</sup>	7/7	1/1	-	3/3
CEO/Non-Independent Executive Director				
Dato' Jeffrey Ng Tiong Lip	7/7	-	-	-

(1) Ceased as a member of the AC on 3 October 2019.

### **BOARD SUPPORT**

The Board is supported by 2 Company Secretaries. The Company Secretaries attend to corporate secretarial matters and advise on corporate governance matters of the Manager and Sunway REIT. They attend the Board and Board Committee meetings and assist the Chairman in ensuring the Board procedures are followed.

All Directors have full and unrestricted access to the advice and services of the professionally qualified Company Secretaries at all times to enable them to discharge their duties effectively. The Company Secretaries provide dedicated support to the Board, in particular the Non-Executive Directors.

The Directors are also assisted by a Compliance Officer, who reports directly to the Board. The designated Compliance Officer is to ensure compliance with the Deed, the Listing Requirements and all applicable SC guidelines and securities laws relating to Sunway REIT.

### THE ROLE OF:

#### **Company Secretaries**

- Provide advice and services to the Board to enable it to discharge its 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
- Ensure 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.

#### **Compliance Officer**

Monitors and ensures compliance with the Deed, the Listing Requirements and all applicable SC quidelines and securities laws relating to Sunway REIT.

The role and responsibilities of the Company Secretaries and Compliance Officer have been clearly defined in the Board Charter of the Manager.

The Board has authority to approve the following matters:

- approving the Management's recommendations on key issues such as material acquisitions, investment and divestments;
- selecting optimal funding options;
- approving asset enhancement initiatives, property development activities and significant capital expenditures;
- issuing of new units in Sunway REIT;
- income distributions and other returns to unitholders; and
- matters relating to conflict of interest of a controlling unitholder or a Director or Management.

The Board places emphasis on sustainability issues, including environmental and social factors, as part of its responsibilities.

For more information, please refer to Sustainability Statement section.

**CLEAR SEPARATION POWER** 

The positions of Chairman and CEO of the Manager are held by 2 different individuals. This is to ensure that an appropriate balance of power and authority, with clear division of responsibilities and accountability, can be attained. The Chairman and CEO are not related to each other, nor is there any other business relationship between them.

### **CHAIRMAN**

- Responsible for the leadership, effectiveness, conduct and governance of the Board.
- Collectively with the Board, holds the CEO and Management Team accountable towards meeting strategic objectives of Sunway REIT.

#### **CEO**

- Responsible for the day-to-day management of the operations of Sunway REIT as well as the implementation of the Board's policies, directives, strategies and decisions.
- Accountable to the Board by ensuring the Management Team perform based on approved strategic and operational plans and key performance indicators.

**BOARD** 

**MANAGEMENT** 

THE EFFECTIVENESS OF OUR BOARD AND LEADERSHIP

### THE EFFECTIVENESS OF OUR BOARD AND LEADERSHIP

### **BOARD CULTURE AND VALUES**

The Chairman sets and fosters the culture and values of the Board which cascades down to the wider organisation. He supports a balanced approach to business and a willingness to take calculated risks to achieve strategic goals.

When running Board meetings, the Chairman maintains a collaborative atmosphere in which all Directors are able to voice their opinions and contribute to the debate. The Chairman also meets individual Directors, both Executive and Non-Executive, outside of formal Board Meetings to keep abreast of individual views and to foster an open and two way debate about Board, Committee and individual members' effectiveness.

Any Director who has a direct and/or indirect interest in the subject matter to be deliberated will abstain from deliberation and voting on the same during the meeting. All deliberations at the meetings of the Board and its Committees in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

The Board has also appointed Mr Elvin A/L Berty Luke Fernandez as its Senior Independent Director. The main duties and responsibilities of the Senior Independent Director are to serve as the point of contact between the Independent Directors and the Chairman on sensitive issues and to act as a designated contact to whom unitholders' concerns or queries may be raised, as an alternative to the formal channel of communication with unitholders.

#### **CONNECTED TO ETHICAL BUSINESS**

GRI 102-16, 102-17, 102-33

The Board is also guided by the Code of Conduct and Business Ethics Policy ("Code") of the Manager which provides an ethical framework to guide and reinforce ethical, prudent and professional behaviours of all Directors and employees of the Manager to ensure compliance with applicable laws and ethical values in discharging their duties and responsibilities. The Board and all employees of the Manager are committed to adhering to best practices in corporate governance and observing the highest standards of integrity and behaviour in all activities conducted by the Manager, including the interaction with its customers, suppliers, employees and business partners, and within the community and environment in which the Manager and Sunway REIT operate.

The Board has approved an Anti-Bribery and Corruption Policy and Procedure for the Manager to be implemented in the workplace and in operations and transactions carried out by the Manager for Sunway REIT. The Manager has also rolled out its compliance programme by sending a strong message to all its business associates, lessees, tenants, service providers, consultants, contractors, suppliers, vendors and other stakeholders on the zero tolerance approach taken by the Manager against any corrupt acts and bribes. Training and education of staff, vendors, contractors and suppliers have commenced to ensure full understanding and compliance to the policy. This policy is further supported by the existing Whistleblowing Policy and Procedures to ensure a well-defined, accessible, trusted and secure channel for the reporting of such acts related to bribes, corruption, fraud, dishonest practices, inappropriate behaviour and misconduct or other improprieties in the workplace to enable proper independent investigation of any reported incidents and appropriate follow up action to be taken.

Any employee or member of the public who has knowledge or is aware of any corrupt act or improper conduct within the Manager is encouraged to report through the following channels:

### Whistleblowing hotline

Tel: +603 5639 8025

E-mail: whistleblowing@sunway.com.my

Fax: +603 5639 8027

**8** 

Both the Code and Whistleblowing Policy and Procedures are available on Sunway REIT's website at http://www.sunwayreit.com.

#### AN INDEPENDENT BOARD

The Board affirmed that all the Independent Directors continued to act objectively and independently based on the following justifications:

- they have fulfilled the criteria as set out in the definition of "Independent Director" in the Listing Requirements;
- they have provided confirmation in writing that he/ she is independent of the Management, the Board and major unitholders and is free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of Sunway REIT;
- their vast experiences and knowledge had enabled the Board to discharge its duties effectively and in a competent manner;
- they have at all times acted in the best interest of Sunway REIT, providing independent views to the deliberations and decision making of the Board and Board Committees. They had fully understood and provided critical oversight over Sunway REIT's objectives and strategies as well as the business operations; and
- they have proven to be reliable Independent Directors with their integrity, professionalism, aptitude and business outlook and perspectives. They had devoted sufficient time and attention to their professional obligations to achieve informed and balanced decision making and have also exercised due care and diligence during their tenure in the best interest of Sunway REIT and the unitholders.

### **ACCESS TO INFORMATION AND ADVICE**

Every Director has full, free and unrestricted access to information of the Manager and Sunway REIT.

All Directors have access at all times to the advice and services of the Company Secretaries, who are responsible for ensuring that Board procedures are followed and that governance regulations are complied with and high standards maintained. The Directors may, in the furtherance of their duties, take independent professional advice at the expense of the Manager.

The Board may also seek advice from the Management or request further explanation, information or update on any aspect of Sunway REIT's operations or business concerns.

#### **BOARD COMMITMENT**

The Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles and diligently discharge their duties. Directors are required to notify the Chairman of the Board before accepting any new directorship in public listed companies. The notification shall include an indication of time that will be spent on the new appointment. None of the Board members hold more than 5 directorships in public listed companies which is complied with the Paragraph 15.06 of the Listing Requirements. Their directorships in public companies are set out in the Board of Directors' profile in the 2020 Annual Report of Sunway REIT.

### **PROFESSIONAL DEVELOPMENT**

Oversight of the training needs of individual Directors is the responsibility of the Chairman. However, Directors are also expected to identify and develop their own individual training needs, skills and knowledge and ensure they are adequately informed about Sunway REIT's strategy, business and responsibilities. They are encouraged to attend relevant seminars and conferences and receive technical update material from advisors and are offered training and guidance at the Manager's expense.

During the FY2020, all members of the Board attended various training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies which were relevant to Sunway REIT's operations. The Company Secretary maintains a record of training and professional development courses attended by all directors.



Please refer to the Board of Directors section of the Manager on Sunway REIT's website at http://www.sunwayreit.com for the detailed of the continuing education programme that the Directors have attended for FY2020.

### **EVALUATING OUR BOARD**

### INTERNALLY FACILITATED QUESTIONNAIRES

ASSESSMENT BY INDEPENDENT REVIEWER

RESULTS +
RECOMMENDATIONS

**ACTION PLAN** 

The Board, through the NRC undertakes an annual assessment of the Board as a whole and each individual Directors' performance by way of self and peer evaluation. This includes a review of the desirable mix of competencies, qualification, knowledge, skills, expertise and personal characteristics of Directors and any gaps that exist in the optimum mix of skills required for the Board.

The evaluation process was assessed internally and facilitated by the Company Secretaries. As part of the process, questionnaires were sent to the Directors, and the results were aggregated and reported to the NRC. All assessments carried out by the NRC were properly documented, summarised and reported to the Board. The results of the survey and recommendations of the NRC were considered by the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities.

The Directors were fully satisfied with the effectiveness of the Board as a whole. The Director's peer review showed that all the Directors were of the view that each of them had performed their respective roles and functions effectively and responsibly. Each member was satisfied with each other's contribution and value add in sharing their insights. All directors were involved in active participation in Board and Board Committees' discussions. All the Board Committees were assessed to be effective in discharging their roles and responsibilities in accordance to the approved TOR.

During the financial year under review, a 360-degree assessment of the Directors' performance appraisal has been added to the evaluation process. Dr Yap Lang Ling, a Senior General Manager of HR department ("Independent Reviewer") was engaged to independently evaluate the performance of each individual Director. The Independent Reviewer would provide an unbiased perspective on Directors' performance and their ability to contribute effectively to the Board. The Independent Reviewer has been invited to attend all the Board and Board Committee meetings held during the FY2020 in order for her to observe and assess the Board's dynamics, contribution of the Directors as well as the communication between the Board members during the meetings. The evaluation report prepared separately by the Independent Reviewer would be presented to the NRC and Board at their future meetings.

THE EFFECTIVENESS OF OUR BOARD AND LEADERSHIP

### CORPORATE GOVERNANCE OVERVIEW STATEMENT

### THE EFFECTIVENESS OF OUR BOARD AND LEADERSHIP

### NOMINATION AND REMUNERATION COMMITTEE

GRI 102-24, 102-28, 102-35, 102-36, 102-37

Members, all of whom are Non-Executive Directors

Senior Independent Non-Executive Director Independent Non-Executive Directors Non-Independent Non-Executive Director

8

The duties and responsibilities of the NRC are set out in the TOR of the NRC which is available at Sunway REIT's website at http://www.sunwayreit.com.

The NRC, with the assistance of Group Human Resource, evaluate the performances of the CEO and CFO twice a year using a balance scorecard methodology. Based on the performance appraisals, the NRC determines the performance bonus for the CEO and CFO. The NRC also reviews the remuneration packages of the CEO and CFO to ensure that it commensurate with their scope of responsibilities and performance achieved.

It also deliberates and recommends the renewal of the terms of employment contract for CEO.

The NRC is also responsible for overseeing the Director's selection process, annual Board and Board Committees' performance assessment, and any other nomination matters in relation to the Board.

#### **Activities of the NRC**

During the financial year under review, 4 NRC meetings were held to deliberate on the following matters before recommending the same to the Board for approval:

On 8 August 2019, the NRC:

- evaluated the annual performance of each individual Director;
- confirmed the continued independence of each Independent Director;
- reviewed the skills, experiences and competencies of each individual Director and discussed the training needs of each individual Director;
- assessed the effectiveness of the Board, the AC and other Committees of the Board:
- scrutinised and endorsed the NRC report, as contained in the Corporate Governance Overview Statement, for inclusion in the 2019 Annual Report of Sunway REIT;

On 5 November 2019, the NRC:

- appraised mid-year performance of the CEO and CFO based on the 9-months performance indicators up to 30 September 2019 against the approved KPIs as well as the proposed interim bonuses for the CEO and CFO;
- reviewed and endorsed the terms of renewal of the employment contract for the CEO;

On 5 March 2020, the NRC:

- evaluated the CEO and CFO's performance scorecards for year 2019, and subsequently recommended the final bonuses and salary increments for the CEO and CFO;
- discussed the setting of KPIs and performance scorecards for the CEO for year 2020;

On 19 May 2020, the NRC:

- discussed and fine-tuned the KPIs and performance scorecards for the CEO for year 2020. Subsequently, the final scorecards for the CEO and the CFO for year 2020 were recommended to the Board for approval;
- deliberated on the succession plan and development programme for Senior Management;
- endorsed the retirement and re-election of the Directors pursuant to the Articles of Association of the Manager; and
- reviewed the Board and Board Committee's evaluation methodology FY2020 and the performance evaluation forms and questionnaires for FY2020.

### **NRC Review**

The Board was satisfied that the NRC has effectively and efficiently discharged its roles and responsibilities with respect to its nomination and remuneration functions.

### REMUNERATION

The remuneration of Directors and Senior Management are paid by the Manager and not by Sunway REIT.

The Board recognises that in order to attract, retain and motivate Directors and Senior Management of good calibre to drive and pursue the long-term growth objective of Sunway REIT, it is important to have a fair and competitive remuneration package that commensurate with their experiences, skills, responsibilities, performances, contributions as well as benchmarking against the remuneration practices and trends by other similar players in the market. In view of this, a framework and guidelines provided by external independent consultant and market data on the remuneration practices of comparable peers are taken into consideration in determining the remuneration package.



The Manager has in place a policy to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Manager as well as skills set and relevant experiences required. The Board is assisted by the NRC in reviewing suitable remuneration for the Non-Executive Directors, Executive Director and Senior Management whereupon recommendations are submitted to the Board for approval.



The Remuneration Policy for Directors and Senior Management is available on Sunway REIT's website at http://www.sunwayreit.com.

For Independent Non-Executive Directors, the level of remuneration reflects their experiences, level of responsibilities and industry's benchmark as well as complexity of the Manager's businesses. The remuneration of Independent Non-Executive Directors consists of fixed annual board fees, committee fees, and meeting attendance allowances for each Board or Board Committee meeting attended. The Non-Executive Directors are reimbursed for all their travelling, hotel and other expenses necessarily expended by them in carrying out their duties and responsibilities as Directors. The remuneration structure of the Non-Executive Directors is as set out below:

	CHAIRMAN (RM'000)	MEMBER (RM'000)
Annual Director's fee:		
Board	100	80
AC	6	3
Meeting allowance per meet	ing:	
For each Board or Board Committee meeting	1	1

The remuneration for Executive Director and Senior Management comprises:

- fixed components, e.g. fixed monthly salary and allowances;
- variable cash components, e.g. performance-based remuneration, such as bonus and employee share options;
- benefits components, e.g. annual leave, compulsory employer contribution to Employee Provident Fund, medical, personal accident and term life insurances, staff purchase discounts as well as benefits-in-kind.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT ACCOUNTABILITY

### CORPORATE GOVERNANCE OVERVIEW STATEMENT ACCOUNTABILITY

### RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

GRI 102-30

The Board remains committed towards maintaining a sound risk management and internal control systems to safeguard unitholders' interest. The Manager maintains an adequate and effective system of risk management and internal controls addressing material financial, operational, regulatory, compliance and information technology risks to safeguard unitholders' interests and the properties of Sunway REIT.

The Board recognises that the risk management and internal control systems established can provide only reasonable assurance that Sunway REIT will not be significantly affected by any event that can be reasonably foreseen or anticipated. There are no systems of risk management and internal controls that can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

The Board has overall responsibility for the governance of risk and oversees the Management in the design, implementation and monitoring of the risk management and internal controls systems. The RMC assists the Board in carrying out the Board's responsibility of overseeing the adequacy and effectiveness of the risk management framework, internal controls system and policies.

The Board has received assurances from the CEO and the CFO that the risk management framework and internal controls system are operating adequately and effectively, in all material aspects. To supplement the risk management framework and internal controls, the Manager also has an effective compliance review process comprising the Compliance Officer, the Company Secretaries, the IAD and Group Legal Department. These gatekeepers of compliance work closely together to monitor and troubleshoot any compliance related issues within their own scope and roles.

Regular assessments on the adequacy and integrity of the internal controls and monitoring of compliance with policies and procedures are also carried out through internal audit exercises. The risk-based internal audit plan that includes internal audit coverage and scope of work were presented to the AC for its consideration and approval annually. Internal audit reports encompassing the audit findings together with recommendations are presented to the AC on a quarterly basis. The internal auditors and Management are tasked to ensure management action plans are carried out effectively and regular follow-up audits are performed to monitor the continued compliance.



Details of the Risk Management Framework and internal controls system of Sunway REIT, in additional to the RMC Report are as set out in the Statement on Risk Management and Internal Control section.

# AUDIT COMMITTEE REPORT AUDIT COMMITTEE

Members, all of whom are
Independent Non-Executive Directors

Senior Independent Non-Executive Director Independent
Non-Executive Directors

The AC is led by Mr Elvin A/L Berty Luke Fernandez, the Senior Independent Non-Executive Director who is not the Chairman of the Board.

During the financial year under review, the AC comprised 4 members, all of whom are Independent Non-Executive Directors, who satisfied the test of independence under the Listing Requirements. The members bring with them invaluable recent and relevant professional expertise and knowledge in accounting and related financial management domains. The AC does not comprise members who have any financial interest in the incumbent external auditors, BDO PLT ("BDO") and were not previously partners of BDO.

During the year, the Board, through its NRC, had on 8 August 2019 reviewed the performances of the AC for FY2019 and the qualifications, skills, experiences and competencies of the members of the AC through an annual AC effectiveness assessment. The members of the AC have sufficient financial management expertise and experiences to fulfill the AC's functions. The Board was satisfied with the performance of

the AC and its members in which, they have discharged their functions and carried out their duties and responsibilities in accordance with the TOR of the AC.

The AC has explicit authority to investigate any matter within its TOR. Management provides their fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors have unrestricted access to the AC.

In FY2020, the AC met the internal and external auditors separately twice, without the presence of the Management. The AC discussed with them, the reasonableness of the financial reporting process, the system of internal controls, management co-operation in the audit process and significant comments and recommendations by both the internal and external auditors.

### TERMS OF REFERENCE ("TOR")

The authority and duties of the AC are clearly set out in its TOR on Sunway REIT's website at http://www.sunwayreit.com under Investor Relations section.

#### **COMPOSITION**

The AC assists the Board to review, assess and make recommendation on proposals relating to financial and accounting reporting, internal controls systems, RPT and conflict of interest.

The AC is chaired by a Senior Independent Non-Executive Director, who is not the Chairman of the Board, and comprises 4 members, all of whom are Independent Non-Executive Directors, namely:

Elvin A/L Berty Luke Fernandez - Chairman	Tengku Nurul Azian Binti Tengku Shahriman
(Senior Independent Non-Executive Director)	(Independent Non-Executive Director)
Tan Sri Ahmad Bin Mohd Don	Yeo Kar Peng
(Independent Non-Executive Director)	(Independent Non-Executive Director)

### **MEETINGS AND ATTENDANCE**

A total of 6 AC meetings were held during the financial year under review. The members of the AC and their respective attendance can be found on pages 180 - 181 of this Corporate Governance Overview Statement.

The following parties were invited to attend the AC meetings:

Invitees	Frequency of attendance	Purpose
CEO and CFO	All AC meetings	To facilitate direct communication and provide clarification on the audit issues as well as Sunway REIT financial and business operations.
Head of IAD	All AC meetings	To present the annual risk-based internal audit plan, quarterly internal audit reports and respective investigation reports.
External Auditors	3 meetings	To present to the AC the audit plan, the audit findings, the independent auditors' report as well as discuss key audit matters and fair value hierarchy measurement in respect of Sunway REIT.
Business Unit Management Team members having charge over the relevant auditees	As and when necessary	To brief the AC on specific issues involving their respective areas of responsibility arising from the internal audit reports or on any matters of interest.
Compliance Officer	All AC meetings	To report any non-compliance of the Deed and/or other securities laws relating to Sunway REIT.

Minutes of each AC meeting were recorded and tabled for confirmation at the subsequent meetings. All the AC minutes were subsequently presented to the Board for discussion and decision. The Chairman reported the AC's recommendations for the Board's consideration and implementation.

The Chairman of the AC and the Head of IAD monitored the implementation of the Whistleblowing Policy and Procedures, whilst duties relating to the day-to-day administration of the policy are performed by the Head of IAD. During the financial year under review, there were no cases reported through this channel.

**ACCOUNTABILITY** 

### CORPORATE GOVERNANCE OVERVIEW STATEMENT

### ACCOUNTABILITY

#### **SUMMARY OF ACTIVITIES**

The AC carried out the following activities during the FY2020:

### 1. Financial Reporting

GRI 102-45

(a) Annual Audited Financial Statements

On 8 August 2019, the AC reviewed the financial results for the fourth quarter and the annual audited financial statements of Sunway REIT for the financial year ended 30 June 2019 ("FY2019"). The Management and external auditors at the meeting confirmed that financial statements were prepared in accordance with the applicable Malaysian Financial Reporting Standards ("MFRS"), the International Financial Reporting Standards, the Guidelines on Listed Real Estate Investment Trusts ("Listed REIT Guidelines") issued by the Securities Commission Malaysia ("SC"), the provisions of the Deed dated 20 May 2010, the Supplemental Deed dated 10 June 2010 and the Amended and Restated Deed dated 18 September 2019 ("Deed") entered into between the Manager and RHB Trustees Berhad ("Trustee") and the Listing Requirements. The AC subsequently, recommended the same to the Board for approval on 8 August 2019.

During the meeting, the AC had reviewed and discussed the following matters with the external auditors:

- (a) audit report;
- (b) significant audit findings;
- (c) the key audit matters;
- (d) the impact assessment on adoption of new accounting standards; and
- (e) the disclosures required in the Independent Auditors' Report.

The AC also sought clarification on the Management's representations on a range of financial reporting matters to ensure accuracy of the financial reporting.

(b) Quarterly Financial Results

The AC had reviewed and discussed with the Management the quarterly financial report and the unaudited result. The AC also focused on all RPTs and enquired on potential management conflict of interest. There were no unusual transactions and accounting treatment highlighted. The

AC also ensured all disclosures required for compliance with regulatory requirements and accounting standards were adhered to.

At each of the quarterly meeting held on 8 August 2019, 5 November 2019, 13 February 2020 and 19 May 2020, the AC deliberated and confirmed with the CFO that:

- (i) the relevant accounting policies and methods of computation adopted by Sunway REIT were consistent with those adopted in the previous audited financial statements;
- (ii) The new MFRS which have financial impact on Sunway REIT were also adopted;
- (iii) there were no significant and unusual issues other than those reported in the unaudited financial results;
- (iv) Sunway REIT continues to operate as a going concern; and
- (v) the relevant regulatory and legal requirements had been complied with for the preparation of the unaudited financial results.

The AC had satisfied itself that the quarterly unaudited financial results of Sunway REIT had been prepared in accordance with the relevant financial reporting standards, the Listing Requirements, the Listed REIT Guidelines and the provisions of the Deed.

The AC's recommendations were presented to the Board for approval at each subsequent Board meetings.

(c) Accounting standards and other relevant regulatory requirements

On 5 November 2019, the AC had been briefed on the following new financial reporting standards:

- (i) on the adoption of the following MFRSs effective from 1 January 2019:
  - MFRS 16 Leases;
  - IC Interpretation 23 Uncertainty over Income Tax Treatments;
  - Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures;
  - Amendments to MFRS 9 Prepayment Features with Negative Compensation;
  - Annual Improvements to MFRS Standards 2015
     2017 Cycle:
    - Amendments to MFRS 3 Business Combinations;

- Amendments to MFRS 11 Joint Arrangements;
- Amendments to MFRS 112 Income Taxes;
- Amendments to MFRS 123 Borrowing Costs;
- Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement;
- (ii) on the following new MFRSs to be adopted by Sunway REIT:
  - Amendments to References to the Conceptual Framework in MFRS Standards;
  - Amendments to MFRS 3 Definition of a Business;
  - Amendments to MFRS 101 and MFRS 108 Definition of Material:
  - MFRS 17 Insurance Contracts; and
  - Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- (d) Change of income distribution policy

On the recommendation of Management, the AC had on 19 May 2020 deliberated on the proposed change of the income distribution frequency from quarterly to semi annually and payout ratio of 90% of distributable income from third quarter FY2020. The proposal was submitted to the Board for consideration and endorsement at its meeting held on the same day.

### 2. External Audit

- (a) On 8 August 2019, the AC, together with the Management reviewed the external auditors' report on the status of the audit for FY2019. The AC focused its attention on:
  - (i) key audit matters;
  - (ii) accounting issues that arose during the course of the audit;
  - (iii) compliance with laws and regulations;
  - (iv) review of material litigation and claims;
  - (v) internal control and fraud related matters;
  - (vi) key accounting and audit adjustments; and
  - (vii) the Management's responses to audit queries.

The AC also reviewed and recommended to the Board the proposed non-audit services relating to the annual review of the Statement on Risk Management and Internal Control. The AC also endorsed the increase in non-audit fee which was due to:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- (i) the appointment of BDO PLT as reporting accountant for the acquisition of Sunway university & college campus; and
- (ii) as adviser on the appropriateness of accounting treatment for the perpetual note in the financial statements. The external auditors had confirmed that their independence would not be impaired by the provision of the non-audit services.

At the same meeting, the AC had reviewed and recommended to the Board the total audit and non-audit fees for FY2019 amounting to RM141,500 and RM30,500 respectively.

(b) The AC undertook an annual assessment of the performance and effectiveness of the external auditors in respect to their statutory audit services and non-audit services.

The AC was satisfied with the scope of audit work, adequacy of audit resources and quality of audit services rendered as well as the leadership of the audit engagement partner and fieldwork leaders. Potential issues were brought to Management's attention in sufficient time for them to be addressed without delaying the audit process.

The independence and objectivity of the external auditors were evaluated in accordance with the Policy on Selection of External Auditors. The audit engagement partner confirmed that pursuant to the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accounts, BDO PLT were, and have been, independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements and were not aware of any matters that might impair their professional independence.

Based on the assessment, the AC then recommended to the Trustee the re-appointment of BDO PLT as the external auditors of Sunway REIT for FY2020;

**ACCOUNTABILITY** 

### CORPORATE GOVERNANCE OVERVIEW STATEMENT

- (c) On 5 November 2019, the AC reviewed and discussed with the Management and external auditors, the Audit Planning Memorandum for FY2020. The Audit Plan outlined the following:
  - (i) nature and scope of the audit plan;
  - (ii) areas of audit emphasis;
  - (iii) key audit matters;
  - (iv) audit approach and methodology;
  - (v) engagement team and its reporting responsibilities;
  - (vi) audit materiality;
  - (vii) audit reporting timelines and deliverables;
  - (viii) new MFRS adopted or to be adopted;
  - (ix) non-audit services covering the review of the Statement on Risk Management and Internal Control; and
  - (x) proposed audit and non-audit fees for FY2020.

The external auditors confirmed at the meeting that they had complied with the relevant ethical standards, including those pertaining to the auditors' independence.

The AC then recommended for the Board's approval, the Audit Planning Memorandum for FY2020;

- (d) The AC conducted 2 private meetings with the external auditors on 8 August 2019 and 5 November 2019, without the presence of Management. The external auditors did not raise any major concerns which would hinder their audit work. The external auditors confirmed that they had been receiving full cooperation from the Management and were given unrestricted access to the Manager and Sunway REIT's records; and
- (e) On 13 February 2020, the AC discussed with the external auditors on the fair value hierarchy measurement in accordance with the MFRS 13: Fair Value Measurement for investment properties of Sunway REIT. The external auditors clarified that the type of "inputs" to valuation techniques used to measure fair value of assets would determine the fair value hierarchy level.

### 3. Internal Audit

(a) On 8 August 2019, the AC reviewed and approved the annual risk-based internal audit plan and scope of work for FY2020 ("IA Plan FY2020"). The IA Plan FY2020 was prepared in accordance with the best practices of the International Standards for the Professional Practice

of Internal Auditing issued by the Institute of Internal Auditors ("IIA"). The IAD assured the AC of the adequacy of resources and their competencies to carry out the internal audit function effectively and independently. The planned assignments were selected based on identification and evaluation of the respective risks and control environment. The internal auditors planned its internal audit schedules in consultation with, but independent of the Management.

A total of 14 audit assignments were planned to carry out during the FY2020. The key emphasis areas covered under the IA Plan FY2020 were as follows:

- (i) review the internal control processes of the significant properties:
  - retail properties internal control review of key operational processes focusing on billing, collection and credit management (including tenant sales verification), procurement (including property enhancement/upgrade expenses), and car park operations & collections processes;
  - hospitality properties internal control review of key operational processes focusing on areas assessed to be weaker in controls or susceptible to fraud which included procurement, front office, food & beverage, income audit function, inventory management, and regular mystery shopping audits to detect and prevent risk of fraud and irregularities;
  - office properties yearly audit on office properties, focusing on procurement, billing and collection processes;
- (ii) review the tender and award exercise on major asset enhancement initiatives; and
- (iii) review the internal controls over financial reporting processes and compliance framework of the Manager and Sunway REIT;
- (b) The AC on a quarterly basis also monitored and reviewed the IA Plan FY2020 to ensure adequate audit coverage of the key risk areas taking into account developments which had an impact on the audit coverage;
- (c) The AC reviewed on a quarterly basis the internal audit reports presented by the IAD comprising audit findings, IAD's recommendations and the Management responses and corrective actions taken. The AC also deliberated on the audit findings of unplanned assignments or ad-hoc investigations, progress status of the IA Plan FY2020 as well as man hours utilisation to carry out the audit assignments;

(d) The AC had on 8 August 2019 assessed the annual performance of the IAD for FY2019 and reviewed its independence and effectiveness in terms of scope and compliance with relevant regulatory standards as well as its level of collaboration with the external auditors. The AC also assessed the adequacy of resources and core skills and competencies of staff within the IAD.

From its evaluation, the AC was satisfied with the performance of the IAD and was of the opinion that the size of the internal audit team was appropriate to its function, the nature and scope of its activities. The AC concluded that the IAD was effective and was able to function independently. The IAD was able to provide the Board and the Management with pertinent information on potential weaknesses in the system of internal controls as well as constructive input and ideas for remedial action; and

(e) The AC had on 13 February 2020 met up with the internal auditors, without the presence of Management, to facilitate discussion of any matter in relation to audit issues and internal control weaknesses noted in the course of its audit. There were no major shortcomings or impediments highlighted by the IAD in relation to the execution of their audit assignments.

### 4. Reviewing RPTs and Conflict of Interest Situations

- (a) During the financial year under review, the AC reviewed and deliberated on the following transactions entered into by Sunway REIT with related parties to ensure that the transactions were undertaken on an arm's length basis, on normal commercial terms and were not detrimental to the interests of the minority unitholders:
  - (i) variations to the hotel master lease agreement ("HML") relating to Sunway Resort Hotel ("SRH") to exclude the SRH Annexe, link bridge from SRH Annexe to Sunway Pyramid Hotel ("SPYH") and Level 19 of SRH from the HML;
  - (ii) appointment of the existing office management team, Sunway PFM Sdn Bhd as consultant in managing and marketing the SRH Annexe and Level 19 of SRH;
  - (iii) acquisition of The Pinnacle Sunway from Sunway Integrated Properties Sdn Bhd and Sunway Pinnacle Sdn Bhd;
  - (iv) renewal of the HML relating to SRH & SPYH and Sunway Hotel Seberang Jaya; and

(v) provision of the rental rebate to the tenants or lessees (including related parties) of investment properties of Sunway REIT;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- (b) On 26 June 2020, the AC met up with the independent valuer, principal adviser, legal adviser and independent adviser on the proposed acquisition of an office property known as The Pinnacle Sunway. The AC deliberated at length on the valuation of the subject property, the terms and conditions of the proposal, and the evaluation of the proposal by the independent adviser. The Manager would be seeking the approval of unitholders for the proposed acquisition of The Pinnacle Sunway at the coming unitholders' meeting of Sunway REIT to be held at later date;
- (c) The AC on quarterly basis also reviewed the reports relating to the RPTs and recurrent RPTs entered into by Sunway REIT at its meetings held on 8 August 2019, 5 November 2019, 13 February 2020 and 19 May 2020. This is to ensure that relevant approvals have been obtained and review procedures for such transactions were adhered to;
- (d) At the quarterly AC meetings held on 8 August 2019, 5 November 2019, 13 February 2020 and 19 May 2020, no management conflict of interest was reported to the AC;
- (e) On 8 August 2019, the AC reviewed the circular to unitholders in relation to the proposed renewal of unitholders' mandate for recurrent RPTs of a revenue or trading nature before recommending the same to the Board for approval. On 2 October 2019, the renewal of unitholders' mandate for recurrent RPTs was approved at Sunway REIT's 7th Annual General Meeting ("7th AGM").

The AC was satisfied that the monitoring processes and procedures to ensure that all recurrent RPTs would be undertaken in a fair and on an arm's length basis, and on normal commercial terms which would not be more favourable to the related parties than those generally available to the public, and in the best interest of unitholders.

### 5. Internal Controls System

- (a) The AC had reviewed Sunway REIT's internal controls system and was reasonably assured that the same were operating adequately and effectively;
- (b) On 8 August 2019, the external auditors reported to the AC that based on the audit work performed, there were no significant weaknesses in the Manager's internal controls system; and

**ACCOUNTABILITY** 

### CORPORATE GOVERNANCE OVERVIEW STATEMENT

ACCOUNTABILITY

(c) The AC had also received assurances from the CEO and the CFO that the Manager's risk management and internal controls system were operating adequately and effectively, in all material aspects.

### 6. Other Matters

- (a) The AC had regularly assessed regulatory and legal compliance of the Manager and Sunway REIT with the Listing Requirements, Companies Act 2016, Listed REIT Guidelines, Capital Markets and Services Act 2007 as well as with the Deed. Consequently, the AC was pleased that there were no non-compliances with the applicable laws as reported by the Compliance Officer at the guarterly meetings during the financial year.
  - The AC was advised by the Company Secretary that there were no breaches of the Listing Requirements at each quarterly meetings held during the financial year;
- (b) The AC members had undertaken a self and peer evaluation exercise on their respective competencies and contribution. This is in addition to the annual assessment of the performance and effectiveness of the AC as a whole undertaken by the Board. The AC members were satisfied with the Committee's effectiveness and the members confirmed that they have the necessary competencies, skills and experiences;
- (c) On 12 July 2019, the AC met with Sunway REIT's valuers, C H Williams Talhar & Wong Sdn Bhd, Savills (Malaysia) Sdn Bhd and Knight Frank Malaysia Sdn Bhd, to review the valuation reports in relation to the revaluation exercise carried out on the investment properties for FY2019. The AC had focused its attention on the valuation methodology and approach adopted by the Valuers;
- (d) On 8 August 2019, the AC reviewed and recommended for the Board's approval, the Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control and AC Report for inclusion in the 2019 Annual Report of Sunway REIT.
  - The AC had also reviewed and recommended for the Board's approval, the 2019 Annual Report of Sunway REIT;
- (e) On 8 August 2019, 13 February 2020 and 19 May 2020, the AC was updated by the Company Secretary on the following developments in regulations and laws:

- (i) key amendments made to the Listed REIT Guidelines which took effect on 18 June 2019;
- (ii) amendments made to the Listing Requirements in relation to anti-corruption measures effective from 1 June 2020;
- (iii) the Annual General Meeting Corporate Governance Checklist for Shareholders published by the SC on 5 February 2020;
- (iv) amendments made to the Listing Requirements in relation to application of corporate exercises via electronic means. These amendments would take effect for the corporate exercises announced on or after 2 February 2021;
- (v) the introduction of anti-corruption requirements in the Licensing Handbook by the SC on 16 April 2020;
- (vi) the flexibilities granted to licensed intermediaries, registered persons and listed issuers in complying with certain requirements by the SC and Bursa Securities during the implementation of the Movement Control Order ("MCO") followed by a Conditional MCO ("CMCO") between the period from 18 March 2020 until 8 May 2020;
- (vii) the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the SC on 18 April 2020 (revised on 14 May 2020) to guide all listed issuers on the conduct of general meetings during and after the MCO/CMCO period; and
- (viii) the 7 initiatives announced by the Companies Commission of Malaysia on 10 April 2020 to ease the burden of corporate sector during the MCO;
- (f) On 13 February 2020 and 19 May 2020, the AC reviewed with Management the Anti-Money Laundering policy and Anti-Bribery and Corruption policy for the Board's approval;
- (g) The AC had also reviewed and recommended to the Board for approval, the amendment to the triggering threshold of non-audit fees under clause 18.2 of the Policy on Selection of External Auditor at its meeting held on 19 May 2020; and
- (h) During the year, the AC members attended various training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies.

Please refer to the Board of Directors section of the Manager on Sunway REIT's website at http://www.sunwayreit.com for the details of the continuing education programme that the Directors have attended for FY2020.

### **INTERNAL AUDIT FUNCTION**

The internal audit function is performed in-house and undertaken by the IAD of the Manager. 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, risk management and governance framework of the Manager. The IAD undertakes regular and systematic reviews of the risk management and internal controls system so as to provide reasonable assurance that risk management and internal control systems continues to operate adequately and effectively.

In order to achieve appropriate degree of independence and objectivity, the IAD reports functionally to the AC and administratively to the CEO. The AC has explicit authority to communicate directly with the IAD and vice versa. The IAD also has direct, unrestricted access to the AC to highlight any issues of concern at any time. The IAD has unfettered access to the Manager and Sunway REIT's documents, records, properties and personnel.

IAD is a member of the Malaysian Chapter of the IIA and adopts the International Standards for the Professional Practices of Internal Auditing ("IIA Standards") laid down in the International Professional Practices Framework issued by the IIA and Internal Audit Charter. IAD successfully completed its External Quality Assessment Review ("EQAR") in 2015 and continues to meet or exceed the IIA Standards in all key aspects. In order to ensure that the responsibilities of the IAD and the internal audit activity are fully discharged, the AC reviews the annual internal audit plan for the Manager and the adequacy of the scope and resources of the internal audit function as well as the performance of the IAD in undertaking its internal audit function The next EQAR is scheduled to be carried out in coming financial year 2021.

The IAD is led by Ms Khong Shiyi who has 15 years of audit experience and reports directly to the AC to ensure impartiality and independence. She holds a Bachelors of Commerce Degree in Accounting and Marketing, and is a member of the CPA Australia, and a Chartered Accountant registered with the MIA.

The IAD consists of 4 internal auditors with relevant qualifications ranging from bachelor's degrees to professional accounting qualifications. They provide independent and objective assessment on the adequacy and effectiveness of the internal controls, risk management and governance framework of the Manager.

The IAD carries out Conflict of Interest Declaration yearly to ensure that its internal auditors are independent and objective in performing their work. All internal auditors confirmed that they were free from any relationships or conflict of interest, which would impair their objectivity and independence in their audit assignments.

The internal audit activities undertaken by the IAD during the financial year under review are as follows:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- prepared and presented the risk-based internal audit plan for FY2020 which sets out, audit strategy, risk-based audit approach, scope of work, key areas of audit emphasis and resource requirements to the AC for deliberation and approval;
- 2. update the AC on the progress in executing the internal audit plan for FY2020 and any major internal control gaps and lapses;
- 3. performed planned audit engagements which covered reviews of internal control systems, accounting and management information systems, risk management and governance practices;
- 4. briefed the Chairman of the AC in advance of the internal audit reports prior to presentation of the same to the AC;
- 5. presented the internal audit reports to the AC and the Management which covered the results of the assessments of internal controls, identifying key areas of concerns, highlighting recommendations for improvements and agreed management action plans;
- 6. carried out follow-up audits to monitor the timely and proper implementation of the required corrective actions undertaken by Management to address audit findings highlighted by the IAD;
- 7. acted on suggestions made by the AC and/or Management on concerns over operations and internal controls pertinent to the assets of Sunway REIT;
- 8. performed investigative audits on allegations of mismanagement or improper acts reported through the whistleblowing procedures and other channels;
- ascertained the level of operational compliance with established policies, procedures and statutory requirements;
- 10. provided the Board, through the AC, reasonable assurance of the effectiveness of the Manager's risk management, internal controls and governance framework; and
- 11. reviewed the AC Report and the Statement on Risk Management and Internal Control to be published in the 2019 Annual Report of Sunway REIT.

The total costs incurred by IAD for the internal audit function of Sunway REIT for FY2020 amounted to RM573,709 as compared to RM606.321 in FY2019.

This AC Report was approved by the Board on 11 August 2020.

authorities in managing our

195

Building a conducive regulatory regime to drive economic prosperity

properties

#### **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

#### STAKEHOLDER ENGAGEMENT

GRI 102-21, 102-40, 102-42

Sunway REIT has developed dynamic stakeholders' management platforms to have robust engagement with our diverse spectrum of stakeholders. We encourage inclusive and interactive regular engagements with our stakeholders through multi-faceted platforms in aligning Sunway REIT's strategic objectives/priorities to stakeholders' expectations. The dynamic and robust engagement facilitates and guide Sunway REIT in rethinking our strategies to deliver financial performance whilst enriching the long-term value to our stakeholders. These engagements are undertaken at both the Manager and property levels, entailing extensive discussion scopes on business strategies, financial performance, capital management strategies, sustainability and ESG.

This year has indeed been a challenging period where the world was adversely impacted by the health-led COVID-19 crisis. We continued to engage with our stakeholders such as tenants, investors and community because we believe it is crucial to address their concerns in times of heightened uncertainties.



The Asset Corporate Award 2019

**Best Investor Relations Team** 

Analyst Coverage

15

(FY2019:14)

Number Of Meetings<sup>1</sup>

42

(FY2019:48)

#### **Analysts Recommendation (as at 30 June 2020)**



Source: Bloomberg

# CORPORATE GOVERNANCE OVERVIEW STATEMENT STAKEHOLDER ENGAGEMENT

#### **STAKEHOLDERS HOW WE** STAKEHOLDERS' **OUR APPROACH ENGAGE PRIORITY** Investment - Statutory - Financial performance - Letter to unitholders and DPU Guidance on segmental Community announcement (Unitholders, - Annual General - Strategic direction and performance and earnings Analysts, Meeting business strategies outlook - Unitholders meeting Update on progress of **Fund Managers**) - Integrity and strategic direction and - Investors and analysts governance briefing - Prudent risk Level of engagement: business strategies Earnings release virtual Briefing on material corporate management 80 80 80 80 meeting - Sustainability practices development - Conferences and nonand impact on ESG Embrace sustainability with conscious effort to contribute deal roadshow to nation building and - Corporate website - Retail investors community enrichment. workshop Retail investors workshop to enhance investor education - Group and one-on-one meeting - Integrated report Instill investors' confidence - Social media and trust Media - Media conference - Financial performance, Leverage on media - Media interview business outlook, communication to reach out to - Media release strategic direction and the public audience Level of engagement: - Sunway REIT website Issuance of media release for strategies - Social media - Industry thought financial earnings release and leader's contribution corporate development - Prompt dissemination Hosting of media conference if of information necessary **Enhance brand equity and** public confidence - Compliance with - Engagement meeting - Adherence and compliance to Government. all policies and regulations and workshop Government policies, local authorities, Spearhead M-REITs initiatives - Consultation paper laws and regulations regulators and Contribution to nation and policies through MRMA industry affiliations - Maintain a rapport with local authorities building, industry Collaboration with local

and capital market

development

194 **SUNWAY REIT** INTEGRATED REPORT 2020

Level of engagement:

<sup>1</sup> Meetings include management meeting, conference calls, virtual meetings, Property tour, AGM/unitholders' meeting and investors & analyst briefing

#### CORPORATE GOVERNANCE OVERVIEW STATEMENT

STAKEHOLDER ENGAGEMENT

# CORPORATE GOVERNANCE OVERVIEW STATEMENT STAKEHOLDER ENGAGEMENT

#### **STAKEHOLDERS HOW WE** STAKEHOLDERS' **OUR APPROACH ENGAGE PRIORITY Employees** - Townhall by C-suites - Career development - Strategic direction and - Teambuilding and progression financial performance are - Employees - Skill and capability Level of engagement: communicated during engagement dialogues enhancement townhall - Employees - Work-life-balance Remuneration and benefits packages are designed in line engagement survey - Safe and conducive with industry benchmarks. - Focus group workplace Deliberation of career - Performance review - Remuneration and - Recreational activities benefits package progression plans and action - Festive celebration Capability enhancement programmes via training, workshops, job rotation, special project assignments Flexible work arrangement such as flexible hours and work from home Culture which promote inclusiveness, diversity and equal opportunities To be the employer of choice - Periodic meeting - Landlord support Established a rental support **Business partners** - Announcement and - Stringent safety and programme to affected tenants (Tenants and marketing updates security practices due to COVID-19 crisis Lessees) - Business opportunity - Customer service Marketing support and Level of engagement: networking - Business ethics and promotional activities Business partner survey integrity High standard of operational and feedback - Efficient buildings health and safety practices Conscious effort to improve building efficiency to improve operational cost and minimise impact on climate change impact Foster a loyal and mutually beneficial business relationship - Professional - Request for proposal Transparent procurement **Suppliers and** - Meetings and transparent policies and practices Contractors - Tender interview procurement processes Anti-bribery and corruption - Suppliers briefing - Fair competition and policy Level of engagement: - Supplier evaluation and Provide fair opportunities to uncorrupt practices audit - Safe project site and eligible suppliers via tender health standard. Adherence to occupational safety and health practices **Building sustainable supply** chain processes and practices to deliver effective project

#### **STAKEHOLDERS HOW WE** STAKEHOLDERS' **OUR APPROACH ENGAGE PRIORITY Comunities** - Surveys, customers' - Excellent products and - Refresh tenancy mix to cater to feedback, customer services offerings evolving market trends Level of engagement: service channels - Safety, security and - Enhance the facilities and hygiene of the premise amenities (eg. Junior restroom, - Loyalty programme - Social media - Innovation and wifi) trendsetting offerings - Community - Stringent operational and safety engagement - Contribution to the requirements community especially - Adherence to SOPs during the campaigns and CSR programme to the underserved various phases of MCOs Embarking on refurbishment for promote sustainability community - Stewardship in Sunway Resort Hotel awareness. Embrace innovation and environmental and social responsibilities digitalization to improve product and services offerings Community enrichment and CSR projects Innovative, trendsetting and sustainable brand

Sunway REIT also maintains a corporate website, http://www.sunwayreit.com to disseminate information and enhance its investor relations practices. All disclosures, material information and announcements made to Bursa Securities via Bursa LINK are published on the website shortly after the same is released by the news wire service or the relevant authorities. Supplemental, non-material information will be posted on the website as soon as practicable after it is available. The Investor Relations section on the website provides the Manager's investor relations efforts as well as all relevant information about Sunway REIT, such as financial information, announcements released to Bursa Securities, general meetings materials, investor presentations, corporate governance matters, distribution information, press releases to the media and investor centre. The information is easily accessible by the public. Annual reports and circulars to unitholders are also made available at this website for review.

In addition, the Manager also announces the targeted date for release of the financial results of Sunway REIT at least 2 weeks in advance prior to each Board meeting in order to keep the unitholders of Sunway REIT or investing public aware of the timing of the release of the financial results.

The Manager recognises the need for due diligence in maintaining, updating and clearly identify the accuracy, veracity and relevance of information on the website. All timely disclosure and material information will be clearly

date-identified. The Manager has ongoing responsibility for ensuring that information in Sunway REIT's website is up to date.

While the Manager endeavours to provide as much information as possible to the unitholders and stakeholders of Sunway REIT, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Manager has also in place an insider trading policy to safeguard confidentiality of the material and price-sensitive information of Sunway REIT.

The Manager has in place an Investor Relations team to facilitate effective communication with unitholders, analysts, fund managers and the media. In addition, the Manager also listed in Sunway REIT's website the email address, name and contact number of the Manager's designated person to enable the public to forward queries relating to Sunway REIT to the Manager. For any concerns or queries regarding Sunway REIT, the unitholders may convey to the Senior Independent Director of the Manager.

The Board continues to maintain active engagement and is committed to transparent communication with unitholders and investors. The Manager regularly organises briefings and dialogues with fund managers, institutional investors and financial analysts as well as the media, not only to promote the dissemination of the financial results of Sunway REIT but also to keep them updated on the progress and development of Sunway REIT's business and prospect.

196 **SUNWAY REIT** INTEGRATED REPORT 2020

execution

#### CORPORATE GOVERNANCE OVERVIEW STATEMENT

STAKEHOLDER ENGAGEMENT

#### **CONDUCT OF GENERAL MEETING**

A copy each of the 2019 Annual Report of Sunway REIT and the relevant Circular to unitholders, including the notice of meeting, are made available to unitholders before the 7<sup>th</sup> AGM held on 2 October 2019. The notice of the meeting was also advertised in the local national language and English daily newspapers and announced to Bursa Securities via Bursa LINK. This was to enable sufficient time for unitholders to review the matters to be deliberated before decision making during the meetings as well to keep the unitholders abreast of all information relating to Sunway REIT and/or proposals to be undertaken.

An Administrative Guide, which furnished useful information regarding the conduct of the 7<sup>th</sup> AGM, together with the explanatory guide to the use of the electronic polling device were given to the unitholders.

Unitholders are encouraged to attend the AGM and any unitholders' meetings of Sunway REIT, which is the principal forum for dialogue between the Board and the unitholders. It provides unitholders the opportunity to engage the Board, gain insights on Sunway REIT's assets performance and financial position, raise questions or concerns with regards to Sunway REIT as well as to discuss any other important matters with the Management and the Board. Unitholders who are not able to attend the meeting are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his or her stead at all the general meetings.

All Directors of the Manager were present in person at the 7<sup>th</sup> AGM to engage directly with unitholders. The Chair of the AC, the RMC and the NRC were present to respond to any queries and clarifications addressed to them, if any. Besides that, the Trustee, the Management Team, both internal and external auditors and the advisers were in attendance to address questions or concerns raised by unitholders, if any.

The Board supports and encourages greater unitholders participation at the 7<sup>th</sup> AGM. The Chairman of the meetings invited the unitholders to raise questions relating to the resolutions tabled, before putting them to vote as well as allowing the unitholders the opportunity to communicate their views and discuss with the Board and Management matters affecting Sunway REIT.

All resolutions, set out in the notice of the 7<sup>th</sup> AGM, were voted by poll, and an independent scrutineer was appointed to validate the votes cast at each of the meetings. This was in line with paragraph 8.29A of the Listing Requirements. Sunway REIT had appointed its Share Registrar, Sunway Management Sdn Bhd as Polling Administrator to conduct the polling process, and BDO Consulting Sdn Bhd as Independent Scrutineer to validate the poll results of 7<sup>th</sup> AGM.

In order to promote greater transparency and to allow for a more efficient and accurate voting system, Sunway REIT has leveraged on technology to facilitate electronic poll voting with real-time polling results updated live for all unitholders' viewing. Sunway REIT has conducted electronic polling at its 7th AGM. This allows all the unitholders and proxies present at the meetings to vote on "one unit, one vote" basis. The poll results were instantaneously displayed on-screen which could be seen by everyone in the meeting room, confirmed by the Chairman and subsequently announced to Bursa Securities in a timely manner after the meetings.

The Manager will use new technology to facilitate voting in absentia and remote unitholders' participation at Sunway REIT's future general meetings.



The Minutes of the 7th AGM was made available on Sunway REIT's website at http://www.sunwayreit.com for the information of all unitholders.

This Corporate Governance Overview Statement was approved by the Board on 11 August 2020.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT FINANCIAL CALENDAR

#### **ANNOUNCEMENT OF QUARTERLY RESULTS**

#### **5 NOVEMBER 2019**

Announcement of the unaudited results for the first quarter ended 30 September 2019

#### **13 FEBRUARY 2020**

Announcement of the unaudited results for the second quarter ended 31 December 2019

#### 19 MAY 2020

Announcement of the unaudited results for the third quarter ended 31 March 2020

#### 3 AUGUST 2020

Announcement of the unaudited results for the fourth quarter ended 30 June 2020

#### **INCOME DISTRIBUTION**

#### For the first quarter ended 30 September 2019

2.50 sen per unit (of which 2.04 sen per unit was taxable and 0.42 sen per unit was non-taxable and 0.04 sen per unit was tax exempt)

- Announcement of the notice of entitlement and payment: 5 November 2019
- Date of entitlement: 20 November 2019
- Date of payment: 4 December 2019

#### For the second quarter ended 31 December 2019

2.45 sen per unit (of which 1.94 sen per unit was taxable and 0.45 sen per unit was non-taxable and 0.06 sen per unit was tax exempt)

- Announcement of the notice of entitlement and payment: 13 February 2020
- Date of entitlement: 28 February 2020
- Date of payment: 12 March 2020

#### For the semi-annual period ended 30 June 2020

2.38 sen per unit (of which 1.95 sen per unit is taxable and 0.35 sen per unit is non-taxable and 0.08 sen per unit is tax exempt)

- Announcement of the notice of entitlement and payment: 3 August 2020
- Date of entitlement: 18 August 2020
- Date of payment: 28 August 2020

#### **ANNUAL REPORT & ANNUAL GENERAL MEETING**

#### 28 AUGUST 2020

Date of Notice of 8<sup>th</sup> Annual General Meeting Date of Issuance of Integrated Report 2020

#### **2 OCTOBER 2020**

Date of 8th Annual General Meeting

#### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

# 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(B) 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 half-yearly 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, Board Committees and management represent the main platform by which the Manager's performance and conduct are monitored. The daily running of the business is entrusted to the CEO and his respective management teams. Under the purview of the Non-Executive Chairman and CEO, the Business Unit Management Teams of the respective properties of Sunway REIT are empowered with the responsibility of managing their respective operations.

The CEO actively communicates the Board's expectations to management at the management meetings. At these meetings, risks relating to strategy, operational, financial and external environment are discussed and dealt with action plans.

The Board is responsible for setting the business direction and for overseeing the conduct of the Manager's operations through its various Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to governance, risks, internal controls and regulatory compliance.

#### **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. Risks identified are systematically evaluated with proper mitigating action in place, developed to manage the risks to an acceptable level and monitored on continuous basis.



The key risk areas are discussed under the Understanding Our Risks section.

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:
- determines and assesses corruption and bribery risk; and
- ensures appropriate skills and resources are applied to risk management.

#### **Risk Management Committee**

The RMC has oversight on Sunway REIT's risk management framework and policies. It comprised 5 members, all of whom are Non-Executive Directors; 1 being Senior Independent Non-Executive Director, 3 being Independent Non-Executive Directors and 1 being Non-Independent Non-Executive Director.

Sunway REIT's overall risk management process is the responsibility of the Board conducted through the RMC. The RMC supports the Board and management in setting the tone from the top so as to embed and maintain appropriate risk culture. It guides the development of and recommends for the Board's approval the risk appetite for various types of risk and exercises, oversight on how this is operationalised into individual risk appetite limits.

The RMC, with the assistance of the Risk Management Working Group and Risk Officer:

- evaluates and determines the nature and extent of the risks the Board is ready to endorse in pursuit of Sunway REIT's strategic objectives;
- ensures an appropriate and effective risk management framework is established and maintained;
- monitors the design and implementation of the risk management framework; and
- oversees management of risk identification, reporting and mitigation efforts. The risk management review is reported to the RMC on a half-yearly basis for review and discussion.

#### **RISK MANAGEMENT COMMITTEE**

Members. all of whom are Non-Executive Directors

Senior Independent Non-Executive Director

Independent Non-Executive Directors

Non-Independent Non-Executive Director

#### Ng Sing Hwa - Chairman

(Non-Independent Non-Executive Director)

#### **Tan Sri Ahmad Bin Mohd Don**

(Independent Non-Executive Chairman)

#### **Elvin A/L Berty Luke Fernandez**

(Senior Independent Non-Executive Director)

#### Tengku Nurul Azian Binti Tengku Shahriman

(Independent Non-Executive Director)

#### **Yeo Kar Peng**

(Independent Non-Executive Director)

The scope of responsibilities of the RMC is outlined in its terms of reference, as approved by the Board of the Manager on even date. The RMC reports to the AC.

Please refer to Sunway REIT's website at http://www.sunwayreit.com for terms of reference of the RMC.

During the financial year, three (3) meetings were held to deliberate on the following matters:

- (i) reviewed and deliberated the half-yearly risk management reports which covered identified principal risks at Sunway REIT and operational levels, the corresponding rating for each risk as well as the control and mitigating action plans
- (ii) endorsed the Statement on Risk Management and Internal Control to be included in Sunway REIT's Annual Report 2019:

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

#### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- (iii) reviewed the RMC's TOR to ensure that it is updated with the Listing Requirements; and
- (iv) assessed the operational and financial impact of COVID-19 pandemic as well as the mitigating measures undertaken or to be undertaken by the Manager. Business Continuity Plan was immediately activated during the COVID-19 pandemic and the announcement of movement control order by the Government.

Sunway REIT's risk focus areas are from the following aspects:

- 1. External
- 2. Financial
- 3. Operations
- 4. Suppliers
- 5. Regulatory



For more details on our principle risks, please refer to the Understanding Our Risks section.

#### **Business Continuity Management Framework**

The Board and the Manager are collectively responsible in ensuring sound and effective business continuity that is tailored to the nature, scale and complexity of Sunway REIT's diversified assets portfolio. In line with the requirements of the SC Licensing Handbook, the SC Guiding Principles on Business Continuity guidelines, and under the recommendation of RMC, the Board established the Business Continuity Management ("BCM") framework of the Manager which comprises the strategies, systems, policies, standards and procedures as well as notification and communication process for business operations to be maintained or recovered in a timely fashion in the event of an emergency or crisis. BCM framework is complemented by a Business Continuity Plan (BCP), which is a comprehensive written plan of actions that provide guidance in terms of the procedures and systems necessary to restore the key business functions in the event of crisis or disruption that has a severe impact on business in terms of financial and operation. The BCP will be annually reviewed and tested, and such results will be reported to the Board. As a matter of fact, the BCP was implemented immediately during the COVID-19 pandemic.

#### **Whistleblowing Policy**

The Audit Committee (AC) has implemented the whistleblowing policy and procedures. This whistleblowing policy has been established to promote fraud awareness and complements to the Anti-Bribery and Corruption Policy and Procedures.

The objective of whistleblowing 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 and appropriate follow-up actions.



The detailed BCP activities are discussed under the Understanding Our Risks

#### **Anti-Bribery & Corruption Policy**

The Board has formally established and adopted the Anti-Bribery & Corruption (ABC) Policy on 19 May 2020 in line with the corporate liability provision of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and Guidelines on Adequate Procedures issued by the Prime Minister's Office on 4 December 2018. The ABC Policy has been developed based on the guiding principles laid out in Guidelines on Adequate Procedures and a copy of the ABC policy is published on the Sunway REIT website. The oversight of this policy has been delegated to the AC, which monitors the effectiveness of and compliance with the ABC programme and policy. The Board, the CEO and the Business Unit Management Team set the tone at the top providing leadership and support for the policy and take responsibility for its effectiveness within their Business Units.



Please refer to Sunway REIT's website at http://www.sunwayreit.com for the ABC Policy.

As a policy statement, the Manager has adopted a ZERO TOLERANCE policy against all forms of bribery and corruption and is committed to conducting its business in accordance with all applicable laws, rules and regulations and the highest ethical standards. Risk in relation to bribery and corruption is included for assessment within the risk management review process by the RMWG before tabling to the RMC.

As part of a systematic review and monitoring, a review of antibribery and corruption program shall be included in IAD's Audit Plan on a yearly basis. The scope of review shall include evaluation of the design, effectiveness and compliance and provide recommendations for improvements, where required to ensure that the program and policy remain relevant and adequate.

#### **Key Elements of the Manager's System of Internal Control**

The current system of internal control has within it, the following key elements:

- Clear vision, mission, corporate philosophy and strategic direction which are communicated to employees at all levels.
- The Board with appropriate management reporting mechanisms which enable the Board to review the performance of Sunway
- The Board approves annual budgets and business plans prepared by each property during the Business Plan exercise to consider the challenges and strategies, relevant strengths, weaknesses, opportunities and threats including competitor, market and broader environmental analysis.
- Investment strategies and criteria which are agreed and formulated by the Investment Appraisal Working Group and recommendation on any acquisition or divestment would be presented to the Board for approval before escalating to the
- The AC with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- The internal audit function which carries out internal audits based on an annual risk-based audit plan approved by the AC.
- Comprehensive policies and procedures manuals that provide quidelines on, and authority limits over various operating, financial, human resources and health and safety matters.
- The use of the intranet as an effective means of communication and knowledge sharing.
- Regular management meetings involving the review of the operations and financial performance of each property.
- Communication of policies and guidelines in relation to human resources matters to all employees through a staff handbook which is also available on the intranet.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to personnel across all functions to maintain a high level of competency and capability.

#### **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 controls. 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 Listed REIT Guidelines, SC Licensing Handbook, the Capital Markets and Services Act 2007 and the Main Market Listing Requirements.

This is further strengthened with the establishment of the RMC, assisted by a Risk Management Working Group, inclusive of a designated Risk Officer, who 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

#### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

#### **BUSINESS UNIT MANAGEMENT TEAM/REIT MANAGER**

#### Role:

Identifies, evaluates, monitors and manages key risks through suitable internal controls and mitigating measures/actions

#### Timing:

Embed into daily business processes/activities

INTERNAL AUDITOR	AUDIT COMMITTEE
<b>Role:</b> Independent and objective evaluation of the adequacy and effectiveness of the system of internal controls, risk management and governance framework	Role: Review and monitor effectiveness of system of internal controls  Timing:
Timing:	Quarterly
Periodic	
RISK OFFICER	RISK MANAGEMENT WORKING GROUP & RISK MANAGEMENT COMMITTEE
Role:	
Ensures compliance with the risk management framework	Role:
	Oversees risk management framework and policies, and
Timing:	approved appropriate risk management procedures
Half-yearly	Timina.
	Timing: Half-yearly
	Tian yearry

#### **COMPLIANCE OFFICER**

#### Role:

Ensures compliance with the Deed, all applicable SC guidelines and securities laws at the fund level

#### Timing

As required & quarterly

#### **BOARD OF DIRECTORS**

#### Role:

Set strategic business directions, reviews risk management process, adequacy and integrity of internal control systems

#### Timing:

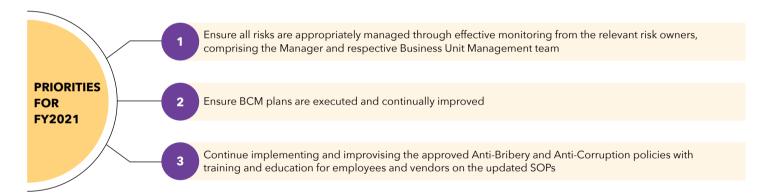
Quarterly

### 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 the Audit and Assurance Practice Guide 3 ("AAPG 3") 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 practices. There was no material control failure or weakness that would have material adverse effect on the results of Sunway REIT for the period under review.

This Statement on Risk Management and Internal Control was approved by the Board on 11 August 2020.

# **ADDITIONAL COMPLIANCE INFORMATION**

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Securities Commission's Guidelines on Listed Real Estate Investment Trusts:

#### 1. SANCTIONS OR PENALTIES

There was no public sanction or penalty imposed on the Manager by the relevant regulatory bodies during the financial year.

#### 2. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Group raised funds during the financial year ended 30 June 2020 through the issuance of commercial papers under the CP Programme established in 2019 and the issuance of unrated medium term notes under the MTN Programme established in 2012. The proceeds raised were utilised to pay the deposit for the proposed acquisition of The Pinnacle Sunway and to fund the capital expenditure of Sunway REIT.

On 29 June 2020, RHB Investment Bank Berhad announced that the Trustee, on the recommendation of the Manager, proposed a private placement for Sunway REIT to raise gross proceeds of up to RM710.0 million to be undertaken under a new general mandate for the allotment and issuance of new units in Sunway REIT to be sought at the forthcoming 8th AGM of Sunway REIT. The proposed private placement is expected to complete by the 2<sup>nd</sup> quarter of financial year ending 30 June 2021.

Further details on CP Programme, MTN Programme and Multiple Corporate Proposals are disclosed in Notes 24 and 34 of the Notes to the Financial Statements.

#### 3. AUDIT AND NON-AUDIT FEES

Total audit and non-audit fees paid and payable to the external auditors, BDO PLT, for services rendered to the Group for the financial year ended 30 June 2020 were RM126,000 and RM2,500 respectively. The non-audit service was in respect of the review of the Statement on Risk Management and Internal Control for Sunway REIT and would not compromise the independence and objectivity of the external auditors.

#### 4. RECURRENT RELATED PARTY TRANSACTIONS

The details of significant recurrent related party transactions are disclosed in Note 33 of the Notes to the Financial Statements.



For more information, please refer to the Financial Statements section



# PAGE 208-282

#### **FINANCIALS**

#### ADDITIONAL **INFORMATION**

**FINANCIALS** 

# DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

REIT") are responsible for the preparation of the financial statements of Sunway ReIT and its subsidiaries (the "Group") for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the provisions of the deed dated 20 May 2010, a supplemental deed dated 10 June 2010 and an amended and restated deed dated 18 September 2018 entered into between the Manager and RHB Trustees Berhad, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and to present it before the unitholders of Sunway REIT at its annual general meeting.

The Directors are responsible to ensure that the financial statements give a true and fair view of the financial position of the Group and of Sunway REIT as at 30 June 2020, and of the financial performance and cash flows of the Group and of Sunway REIT for the financial year ended 30 June 2020.

In preparing the financial statements, the Directors have:

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

The Directors are responsible to ensure that the Group and Sunway REIT keep accounting records which disclose the financial position of the Group and of Sunway REIT with reasonable accuracy, enabling them to ensure that the financial statements comply with the relevant statutory requirements.

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of Sunway REIT and to detect and prevent fraud and other irregularities.

### **MANAGER'S REPORT**

Sunway REIT Management Sdn. Bhd., the Manager for Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund"), 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 2020.

Sunway REIT is a Malaysia-domiciled real estate investment trust constituted pursuant to a deed dated 20 May 2010, a supplemental deed dated 10 June 2010 and an amended and restated deed dated 18 September 2018 (collectively referred to as the "Deed") between 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;
- (c) capital and risk management strategy; and
- (d) asset enhancement initiatives, including property development activities.

The Manager is of the view that it has achieved the investment objective for the financial year ended 30 June 2020. There was no change in the strategies and policies employed during the financial year.

#### **DIRECTORS**

The Directors of the Manager who have held office during the financial year until the date of this report are as follows:

Tan Sri Ahmad Bin Mohd Don Dato' Ng Tiong Lip Elvin A/L Berty Luke Fernandez Sarena Cheah Yean Tih, <sub>S.M.S.</sub> Ng Sing Hwa Tengku Nurul Azian Binti Tengku Shahriman Yeo Kar Peng

#### **DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager was a party, whereby the Directors of the Manager might acquire benefits by means of the acquisition of units in or debentures of Sunway REIT.

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit, by reason of a contract made by the Manager or a related corporation with any Director of the Manager or with a firm of which the Director of the Manager has substantial financial interest.

### MANAGER'S REPORT

#### **DIRECTORS' INTERESTS**

According to the register of depository of Sunway Real Estate Investment Trust, the unitholdings of the Directors of the Manager in office at the end of the financial year in units in Sunway REIT during the financial year were as follows:

	NUMBER OF UNITS					
	AS AT 1.7.2019	ACQUIRED	SOLD	AS AT 30.6.2020		
	UNIT '000	UNIT '000	UNIT '000	UNIT '000		
<b>Direct interest:</b> Elvin A/L Berty Luke Fernandez	90	-	-	90		
Indirect interest:						
Sarena Cheah Yean Tih, <sub>S.M.S.</sub> *	1,204,081	-	-	1,204,081		

\* 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 spouse.

The other Directors of the Manager in office at the end of the financial year did not have any interests in units in Sunway REIT during the financial year.

#### **SOFT COMMISSION**

There was no soft commission received by the Manager during the financial year from any broker or dealer by virtue of transactions conducted for Sunway REIT.

#### OTHER INFORMATION

- (a) Before the financial statements of the Group and of the Fund were made out, the Manager took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had 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:
  - (i) render the amounts 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) render 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 which would render any amount stated in the financial statements of the Group and of the Fund misleading.

#### OTHER INFORMATION (CONT'D.)

- (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; and
  - (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) the results of the operations of the Group and of the Fund during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, except for the impact arising from the COVID-19 pandemic as disclosed in Note 34 to the financial statements;
  - (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; and
  - (iii) 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.

#### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 34 to the financial statements.

#### **MATERIAL LITIGATIONS**

Material litigations are disclosed in Note 35 to the financial statements.

#### **AUDITORS**

The auditors, BDO PLT (LLP0018825-LCA & AF0206), have expressed their willingness to continue in office.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 11 August 2020.

Dato' Ng Tiong Lip

**FINANCIALS** 

#### **FINANCIALS**

## **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 217 to 282 are drawn up in accordance with the provisions of the trust deed dated 20 May 2010, a supplemental deed dated 10 June 2010 and an amended and restated deed dated 18 September 2018 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Listed 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 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 11 August 2020.

Dato' Ng Tiong Lip

### STATUTORY DECLARATION

I, Irene Sin May Lin (CA 15332), 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 217 to 282 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 Irene Sin May Lin at Petaling Jaya in the State of Selangor Darul Ehsan on 11 August 2020

Before me.



Irene Sin May Lin

# 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 2020. 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 217 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, a supplemental deed dated 10 June 2010 and an amended and restated deed dated 18 September 2018 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Listed 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 2020 are in line with and are reflective of the objective of Sunway REIT.

For and on behalf of the Trustee, **RHB Trustees Berhad** 

Tony Chiena Siona Una Chief Executive Officer

Head, Trustees Operations

Kuala Lumpur, Malaysia 11 August 2020

FINANCIALS

# 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 2020 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 217 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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Listed 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' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("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 measured at RM8,020,233,000 as at 30 June 2020.

There were significant judgements and estimates involved in relation to the valuation of the Group's and 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) Discussed with management their process for reviewing the work of the independent valuers.
- (b) Assessed the competency, independence and integrity of the independent valuers.
- (c) Obtained the valuation reports and discussed with the independent valuers the results of their work.
- (d) Tested the integrity of the data provided to the independent valuers to underlying lease agreements.
- (e) Benchmarked and assessed 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

#### 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.

#### RESPONSIBILITIES 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 that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Listed 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.

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST

#### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

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: (cont'd.)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (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, actions taken to eliminate threats or safeguards applied.

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 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.

BEPPUT

BDO PLT LLP0018825-LCA & AF0206 Chartered Accountants

Kuala Lumpur 11 August 2020 Tan Yeong Tat 03315/07/2021 J Chartered Accountant

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		GRC	)UP	FU	ND
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Gross revenue	6				
- Realised		539,945	580,299	539,945	580,299
- Unrealised (in relation to unbilled lease income					
receivable)		16,930	-	16,930	-
		556,875	580,299	556,875	580,299
Property operating expenses	7	(140,066)	(140,604)	(140,066)	(140,604)
Net property income		416,809	439,695	416,809	439,695
Interest income	8	5,392	5,165	5,392	5,165
Other income		224	135	224	135
Changes in fair value of investment properties	14				
- As per valuation reports		(41,283)	107,730	(41,283)	107,730
- Unbilled lease income receivable		(16,930)	-	(16,930)	-
Net investment income		364,212	552,725	364,212	552,725
Manager's fees	9	(36,989)	(36,260)	(36,989)	(36,260)
Trustee's fees		(722)	(728)	(672)	(658)
Auditors' remuneration:		(, ==)	(, 20)	(3, 2)	(000)
- Statutory audits		(126)	(142)	(122)	(138)
- Other services		(3)	(30)	(3)	(30)
Tax agent's fee		(37)	(35)	(32)	(30)
Valuation fees		(626)	(912)	(626)	(912)
Other trust expenses		(2,010)	(2,636)	(2,141)	(2,983)
Finance costs	10	(116,392)	(117,664)	(136,264)	(121,537)
Total expenses		(156,905)	(158,407)	(176,849)	(162,548)
Profit before tax		207 207	394,318	187,363	200 177
	11	207,307 900	(7,945)	900	390,177 (7,945)
Income tax expense  Profit for the financial year	11	208,207	386,373	188,263	382,232
		200,207	300,373	100,203	302,232
Profit for the financial year comprises the following:					
Realised					
- Unitholders		228,449	282,336	228,449	282,336
- Perpetual note holders		19,944	4,141	-	-
		248,393	286,477	228,449	282,336
Unrealised		(40,186)	99,896	(40,186)	99,896
		208,207	386,373	188,263	382,232
Basic earnings per unit attributable to unitholders (sen):	12				
Realised		7.76	9.59	7.76	9.59
Unrealised		(1.36)	3.39	(1.36)	3.39
		6.40	12.98	6.40	12.98
District to the second					
Distribution per unit (sen)	13	7.33	9.59	7.33	9.59

The accompanying notes form an integral part of the financial statements.

#### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	GROUP		FU	ND
	2020	2019	2020	2019
	RM′000	RM′000	RM′000	RM′000
Profit for the financial year	208,207	386,373	188,263	382,232
Other comprehensive income to be reclassified to profit or loss in subsequent periods*:				
Cash flow hedge - fair value gain/(loss) on derivative	9,184	(6,513)	9,184	(6,513)
Cash flow hedge reserve recycled to profit or loss	(11,300)	6,488	(11,300)	6,488
Total comprehensive income for the financial year	206,091	386,348	186,147	382,207
Realised profit for the financial year is arrived at as follows:				
Profit for the financial year	208,207	386,373	188,263	382,232
Add/(Less): Changes in fair value of investment properties	58,213	(107,730)	58,213	(107,730)
Less: Unbilled lease income receivable	(16,930)	-	(16,930)	-
(Less)/Add: Deferred tax expense on fair value (loss)/gain of investment properties	(900)	7,945	(900)	7,945
Less: Net changes in fair value of derivative financial instrument	-	(28)	-	(28)
Add/(Less): Unrealised foreign exchange loss/(gain) (hedged item)	11,300	(6,488)	11,300	(6,488)
(Less)/Add: Cash flow hedge reserve recycled to profit or loss	(11,300)	6,488	(11,300)	6,488
Less: Others	(197)	(83)	(197)	(83)
Realised profit for the financial year	248,393	286,477	228,449	282,336
Less: Amount reserved for distribution to perpetual note holders	(19,944)	(4,141)	-	-
Realised profit attributable to unitholders	228,449	282,336	228,449	282,336

<sup>\*</sup> 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

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### INCOME DISTRIBUTION TO UNITHOLDERS

	GROUI	P/FUND
	2020	2019
	RM′000	RM′000
Realised profit for the financial year, representing income available for distribution for the financial year	228,449	282,336
Brought forward undistributed income available for distribution	453	550
Total income available for distribution	228,902	282,886
Distribution to unitholders during the year:		
Distribution of 2.48 sen per unit for period from 1 July 2018 to 30 September 2018	-	(73,038)
Distribution of 2.25 sen per unit for period from 1 October 2018 to 31 December 2018	-	(66,264)
Distribution of 2.58 sen per unit for period from 1 January 2019 to 31 March 2019	-	(75,983)
Final income distribution of 2.28 sen per unit for period from 1 April 2019 to 30 June 2019	-	(67,148)
Distribution of 2.50 sen per unit for period from 1 July 2019 to 30 September 2019	(73,627)	-
Distribution of 2.45 sen per unit for period from 1 October 2019 to 31 December 2019	(72,154)	-
Proposed final income distribution of 2.38 sen per unit for period from 1 January 2020 to 30 June 2020¹	(70,093)	-
Balance undistributed income	13,028	453

<sup>1</sup> The proposed final income distribution will be recognised and paid in the financial year ending 30 June 2021.

# **STATEMENTS OF FINANCIAL POSITION**

AS AT 30 JUNE 2020

	GROUP	
	2020	2019
Note	RM'000	RM′000
Assets		
Non-current assets		
Investment properties 14	8,020,233	8,047,410
Investment properties - accrued lease income	16,930	-
Plant and equipment 15	12,902	12,517
	8,050,065	8,059,927
Current assets		
Trade receivables 17	53,266	19,380
Other receivables 18	55,349	11,473
Derivatives 21	20,039	-
Short term investment 19	179,710	_
Cash and bank balances 20	101,816	67,258
	410,180	98,111
Total assets	8,460,245	8,158,038
Equity and liabilities		
Equity		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,702,228	1,729,010
Total Unitholders' funds	4,430,057	4,456,839
Perpetual note holders' funds	339,717	339,717
Total equity	4,769,774	4,796,556
	.,. 0 . ,	1,110,100
Non-current liabilities	200.000	
Borrowings 24	200,000	77.010
Long term liabilities 26	78,524	77,018
Deferred tax liability 27	13,941 292,465	14,841 91,859
	292,403	71,037
Current liabilities		
Borrowings 24	3,245,418	3,090,793
Trade payables 28	1,698	3,057
Other payables 29	150,890	174,640
Derivatives 21	-	1,133
	3,398,006	3,269,623
Total liabilities	3,690,471	3,361,482
Total equity and liabilities	8,460,245	8,158,038

<b>STATEM</b>	<b>FNTS OF</b>	FINANCIA	<b>L POSITION</b>
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AS AT 30 JUNE 2020

	GR	OUP
	2020	2019
Note	RM′000	RM′000
Units in circulation ('000) 22	2,945,078	2,945,078
Net asset value ("NAV") attributable to unitholders:		
Before income distribution	4,430,057	4,456,839
After income distribution	4,359,964	4,389,691
NAV per unit attributable to unitholders (RM):		
Before income distribution <sup>1</sup>	1.5042	1.5133
After income distribution <sup>2</sup>	1.4804	1.4905

Before the proposed final income distribution of 2.38 sen per unit (2019: 2.28 sen per unit)
After the proposed final income distribution of 2.38 sen per unit (2019: 2.28 sen per unit)

The accompanying notes form an integral part of the financial statements.

The accompanying notes form an integral part of the financial statements.

#### STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

FUND 2020 2019 RM'000 RM'000 Assets Non-current assets Investment properties 14 8,020,233 8,047,410 Investment properties - accrued lease income 16.930 18 12,902 12,517 Plant and equipment 15 Investments in subsidiaries 8,050,065 8,059,927 **Current assets** Trade receivables 53,266 19,380 17 Other receivables 55,349 11,473 18 Derivatives 21 20,039 179,710 Short term investment 19 Cash and bank balances 67,196 101,755 20 410,119 98,049 **Total assets** 8,460,184 8,157,976 **Equity and liabilities** Equity Unitholders' capital 22 2,727,829 2,727,829 1,702,231 Undistributed income 1,729,013 Total Unitholders' funds 4,430,060 4,456,842 Non-current liabilities 539,582 339,509 Amount due to subsidiaries 25 Long term liabilities 78,524 77,018 26 Deferred tax liability 13.941 14.841 27 632,047 431,368 **Current liabilities** 1,995,941 1,891,284 Borrowings 24 3,057 Trade payables 1,698 28 Other payables 138,966 162,311 29 Amounts due to subsidiaries 1,261,472 1,211,981 25 Derivatives 21 1,133 3,398,077 3,269,766 **Total liabilities** 4,030,124 3,701,134 Total equity and liabilities 8,460,184 8,157,976

The accompanying notes form an integral part of the financial statements.

#### STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		FU	ND
		2020	2019
	Note	RM′000	RM'000
Units in circulation ('000)	22	2,945,078	2,945,078
Net asset value ("NAV") attributable to unitholders:			
Before income distribution		4,430,060	4,456,842
After income distribution		4,359,967	4,389,694
NAV per unit attributable to unitholders (RM):			
Before income distribution <sup>1</sup>		1.5042	1.5133
After income distribution <sup>2</sup>		1.4804	1.4905

Before the proposed final income distribution of 2.38 sen per unit (2019: 2.28 sen per unit) After the proposed final income distribution of 2.38 sen per unit (2019: 2.28 sen per unit)

The accompanying notes form an integral part of the financial statements.

Value less than RM1,000

# **STATEMENTS OF CHANGES IN NET ASSET VALUE**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

STATEMENTS OF CHANGES IN NET ASSET VALUE

#### **GROUP**

		< UNDISTRIBUTED INCOME >		TOTAL	PERPETUAL	
	UNITHOLDERS' CAPITAL	REALISED	UNREALISED	UNITHOLDERS' FUNDS	NOTE HOLDERS' FUND	TOTAL EQUITY
	RM'000	RM′000	RM′000	RM'000	RM'000	RM'000
At 1 July 2019	2,727,829	(11)	1 ,729,021	4,456,839	339,717	4,796,556
Total comprehensive income						
Profit for the financial year	-	248,393	(40,186)	208,207	-	208,207
Other comprehensive income:						
- Cash flow hedge - fair value gain on derivative	-	-	9,184	9,184	-	9,184
- Cash flow hedge reserve recycled to profit or loss	-	-	(11,300)	(11,300)	-	(11,300)
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	248,382	1,686,719	4,662,930	339,717	5,002,647
Unitholders' transactions						
Distribution to unitholders:						
- Income distribution declared and paid in current year (Note 13)	-	(145,781)	-	(145,781)	-	(145,781)
- Income distribution proposed in prior year but paid in current year	-	(67,148)	-	(67,148)	-	(67,148)
Decrease in net assets resulting from unitholders' transactions	-	(212,929)	-	(212,929)	-	(212,929)
Perpetual Note Holders' transactions						
Amount reserved for distribution to perpetual note holders	-	(19,944)	-	(19,944)	-	(19,944)
Decrease in net assets resulting from perpetual note holders' transactions	-	(19,944)	-	(19,944)	-	(19,944)
At 30 June 2020	2,727,829	15,509	1,686,719	4,430,057	339,717	4,769,774

#### GROUP (CONT'D.)

		< UNDISTRIBUTED INCOME >		TOTAL	PERPETUAL	
	UNITHOLDERS' CAPITAL	REALISED	UNREALISED	UNITHOLDERS' FUNDS	NOTE HOLDERS'	TOTAL EQUITY
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2018	2,727,829	(3,743)	1,629,150	4,353,236	-	4,353,236
Total comprehensive income						
Profit for the financial year	-	286,477	99,896	386,373	-	386,373
Other comprehensive income:						
- Cash flow hedge - fair value loss on derivative	-	-	(6,513)	(6,513)	-	(6,513)
- Cash flow hedge reserve recycled to profit or loss	-	-	6,488	6,488	-	6,488
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	282,734	1,729,021	4,739,584	_	4,739,584
Unitholders' transactions						
Distribution to unitholders:						
Income distribution declared and paid in current year (Note 13)	-	(215,285)	-	(215,285)	-	(215,285)
<ul> <li>Income distribution proposed in prior year but paid in current year</li> </ul>	-	(63,319)	-	(63,319)	-	(63,319)
Decrease in net assets resulting from unitholders' transactions	-	(278,604)	-	(278,604)	-	(278,604)
Perpetual Note Holders' transactions						
Issuance of perpetual note (net of transaction costs)	-	-	-	-	339,717	339,717
Amount reserved for distribution to perpetual note holders	_	(4,141)	_	(4,141)	_	(4,141)
Increase in net assets resulting from perpetual note holders' transactions	-	(4,141)	-	(4,141)	339,717	335,576
At 30 June 2019	2,727,829	(11)	1,729,021	4,456,839	339,717	4,796,556

#### STATEMENTS OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### STATEMENTS OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### FUND

		< UNDISTRIBUT	TED INCOME >	TOTAL
	UNITHOLDERS' CAPITAL	REALISED	UNREALISED	UNITHOLDERS' FUNDS
	RM′000	RM′000	RM′000	RM′000
At 1 July 2019	2,727,829	(8)	1,729,021	4,456,842
Total comprehensive income				
Profit for the financial year	-	228,449	(40,186)	188,263
Other comprehensive income:				
- Cash flow hedge - fair value gain on derivative	-	-	9,184	9,184
- Cash flow hedge reserve recycled to profit or loss	-	-	(11,300)	(11,300)
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	228,441	1,686,719	4,642,989
Unitholders' transactions				
Distribution to unitholders:				
<ul> <li>Income distribution declared and paid in current year (Note 13)</li> </ul>	-	(145,781)	-	(145,781)
<ul> <li>Income distribution proposed in prior year but paid in current year</li> </ul>	-	(67,148)	-	(67,148)
Decrease in net assets resulting from unitholders' transactions	-	(212,929)	-	(212,929)
At 30 June 2020	2,727,829	15,512	1,686,719	4,430,060

#### FUND (CONT'D.)

		< UNDISTRIBUT	ED INCOME >	TOTAL
	UNITHOLDERS' CAPITAL	REALISED	UNREALISED	UNITHOLDERS' FUNDS
	RM'000	RM'000	RM′000	RM′000
At 1 July 2018	2,727,829	(3,740)	1,629,150	4,353,239
Total comprehensive income				
Profit for the financial year	-	282,336	99,896	382,232
Other comprehensive income:				
- Cash flow hedge - fair value loss on derivative	-	-	(6,513)	(6,513)
- Cash flow hedge reserve recycled to profit or loss	-	-	6,488	6,488
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	278,596	1,729,021	4,735,446
Unitholders' transactions				
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 13)	-	(215,285)	-	(215,285)
- Income distribution proposed in prior year but paid in current year	-	(63,319)	-	(63,319)
Decrease in net assets resulting from unitholders' transactions	-	(278,604)	-	(278,604)
At 30 June 2019	2,727,829	(8)	1,729,021	4,456,842

# **STATEMENTS OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		GR	OUP	FU	ND
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM′000	RM'000
Cash flows from operating activities					
Cash receipts from customers		562,005	623,639	562,005	623,639
Refundable security deposits from customers		821	11,335	821	11,335
Cash paid for operating expenses		(217,919)	(235,537)	(217,919)	(235,537)
Net cash from operating activities		344,907	399,437	344,907	399,437
Cash flows from investing activities					
Acquisition of plant and equipment	Note a	(2,290)	(3,126)	(2,290)	(3,126)
Deposit for acquisition of an investment property		(45,000)	-	(45,000)	-
Acquisition of investment properties	14	-	(550,000)	-	(550,000)
Incidental costs on acquisition of investment properties	14	-	(5,885)	-	(5,885)
Subsequent expenditure of investment properties	Note b	(72,358)	(111,687)	(72,358)	(111,687)
Investment in short term money market instrument		(1,020,000)	(455,000)	(1,020,000)	(455,000)
Redemption of short term money market instrument		840,000	585,000	840,000	585,000
Net cash flows from licensed financial institutions with					
maturity of over 3 months		20,000	(20,000)	20,000	(20,000)
Interest received		6,041	4,503	6,041	4,503
Net cash used in investing activities		(273,607)	(556,195)	(273,607)	(556,195)
Cash flows from financing activities					
Proceeds from issuance of commercial papers		1,010,000	1,801,000	-	-
Proceeds from issuance of unrated medium term notes		1,400,000	1,200,000	-	-
Drawdown of revolving loan - USD		373,680	1,207,910	373,680	1,207,910
Drawdown of revolving loan		18,410,000	14,398,000	18,410,000	12,899,500
Repayment of unrated medium term notes		(1,200,000)	(1,300,000)	-	-
Repayment of commercial papers		(960,000)	(1,801,000)	-	-
Repayment of revolving loan - USD		(392,310)	(1,208,500)	(392,310)	(1,208,500)
Repayment of revolving loan		(18,310,000)	(14,097,000)	(18,310,000)	(12,597,000)
Interest paid		(115,239)	(115,066)	(115,239)	(115,066)
Net change in inter-company balances		-	-	250,001	(101,532)
Distribution paid to unitholders		(212,929)	(278,604)	(212,929)	(278,604)
Distribution paid to perpetual note holders		(19,944)	-	(19,944)	-
Net proceed from issuance of perpetual note		-	339,717	-	339,717
Net cash (used in)/from financing activities		(16,742)	146,457	(16,741)	146,425

		GRO	DUP	FU	ND
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents		54,558	(10,301)	54,559	(10,333)
Cash and cash equivalents at beginning of financial year		47,258	57,559	47,196	57,529
Cash and cash equivalents at end of financial year (Note 20(b))		101,816	47,258	101,755	47,196
Note a:					
Additions of plant and equipment	15	2 ,805	3,583	2 ,805	3,583
Additions via deferred payment		(637)	(508)	(637)	(508)
Payment of plant and equipment purchased via deferred payment in prior years		122	51	122	51
Cash outflow for acquisition of plant and equipment		2,290	3,126	2,290	3,126
Note b:					
Subsequent expenditure of investment properties	14	69,646	101,199	69,646	101,199
Interest capitalised		(2,339)	(1,256)	(2,339)	(1,256)
Additions via deferred payment		(4,812)	(4,260)	(4,812)	(4,260)
Payment of subsequent expenditure of investment properties incurred via deferred payment in prior					
years		9,863	16,004	9,863	16,004
Cash outflow for subsequent expenditure of investment properties		72,358	111,687	72,358	111,687

FINANCIALS

#### FINANCIALS

#### STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note c: Reconciliation of liabilities arising from financing activities

	COMMERCI (NOT		UNRATED MEDIUM TERM NOTES (NOTE 24)		REVOLVING (NOT		REVOLVING LOAN (NOTE 24)		
	GROUP	FUND	GROUP	FUND	GROUP	FUND	GROUP	FUND	
	RM'000	RM'000	RM′000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2019	(491)	-	1,200,000	-	391,284	391,284	1,500,000	1,500,000	
Cash flows	50,000	-	200,000	-	(18,630)	(18,630)	100,000	100,000	
Non-cash flows:									
- Effect of foreign exchange	-	-	-	-	23,287	23,287	-	-	
- Discount on commercial									
papers	(105)	-	-	-	-	-	-	-	
- Unamortised transaction costs	73	-	-	-	-	-	-	-	
At 30 June 2020	49,477	-	1,400,000	-	395,941	395,941	1,600,000	1,600,000	

	COMMERCIA (NOTE		UNRATED MEDIUM TERM NOTES (NOTE 24)		REVOLVING I (NOTE		REVOLVING LOAN (NOTE 24)		
	GROUP	FUND	GROUP	FUND	GROUP	FUND	GROUP	FUND	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM′000	RM'000	RM'000	
At 1 July 2018	-	-	1,299,750	-	403,750	403,750	1,199,000	1,199,000	
Cash flows	-	-	(100,000)	-	(590)	(590)	301,000	301,000	
Non-cash flows:									
- Effect of foreign exchange	-	-	-	-	(11,876)	(11,876)	-	-	
- Unamortised transaction costs	(491)	-	250	-	-	-	-	-	
At 30 June 2019	(491)	_	1,200,000	_	391,284	391,284	1,500,000	1,500,000	

#### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 1. FUND INFORMATION

Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to a deed dated 20 May 2010, a supplemental deed dated 10 June 2010 and an amended and restated deed dated 18 September 2018 (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 Securities Commission's Guidelines on Listed Real Estate Investment Trusts ("Listed REIT Guidelines"). The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

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 2020 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager on 11 August 2020.

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 asset 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 Asset of Sunway REIT being Real Estate or a Special Purpose Vehicle acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest in Real Estate or Special Purpose Vehicle purchased by the Trustee for Sunway REIT); and
- (d) Divestment fee of 0.5% of the sale price of any Asset of Sunway REIT being Real Estate or a Special Purpose Vehicle sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the Asset of Sunway REIT sold).

The Manager's fee shall be net of all applicable taxes, 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 monthly in arrears.

The accompanying notes form an integral part of the financial statements.

FINANCIALS

#### FINANCIALS

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

# FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 1. FUND INFORMATION (CONT'D.)

#### 1.2 Property management fees

The Property Manager, Zerin Properties Urus Harta ("Zerin"), is entitled to receive a fixed fee for managing the retail and office properties owned by Sunway REIT. Zerin 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 Zerin and/or its service providers as provided in the Property Management Agreement dated 1 July 2019. 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.

For calendar year 2018 and onwards, the fee has been revised from 0.03% to 0.015% per annum of net asset value of Sunway REIT and the fee is subject to a maximum of RM700,000 per annum.

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.

The trustee of SUNREIT Perpetual Bond Berhad, Pacific 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 Listed REIT Guidelines in Malaysia, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

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 accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 36(a) to the financial statements.

The Group and the Fund applied MFRS 16 Leases for the first time during the current financial year, using the cumulative effect method as at 1 July 2019 and consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

#### 3. BASIS OF ACCOUNTING

The Group and the Fund have net current liabilities (excluding derivatives at fair value) of RM3,007,865,000 and RM3,007,997,000 respectively as at 30 June 2020.

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 and of the Fund:

- (a) RM9,248,000 relates to accrual for subsequent expenditure of investment properties of which will be funded by the existing debt facilities of the Group and of the Fund. The Group (held through its subsidiaries) has sufficient debt facilities limit available to be utilised within the gearing allowed under the Listed REIT Guidelines for the next twelve months;
- (b) RM3,445,418,000 relates to borrowings of the Group, of which RM1,845,418,000 are secured by the investment properties as mentioned in Note 14 to the financial statements and borrowings as at 30 June 2020 (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 and the Fund generated net operating cash inflows of RM344,907,000 for the financial year ended 30 June 2020. The Manager projects continued profitability and operating cash inflows for the Group and the Fund 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.

#### (b) Business segments

The Group comprises the following main 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) Services - leasing of services related premises on long term leases

(v) Industrial & Others - leasing of industrial and other types of premises on long term leases

#### (c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. The Group's five main business segments operate in four main geographical areas:

- the operations in this area are principally renting of retail and office premises, leasing of hotel premises to a hotel operator, leasing of a medical premises to a hospital operator, leasing of an industrial premises to a lessee and leasing of a purpose-built campus to lessees.
- (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.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 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**

			202	0		
	RETAIL	HOTEL	OFFICE	SERVICES	INDUSTRIAL & OTHERS	TOTAL
	RM'000	RM′000	RM'000	RM′000	RM'000	RM'000
Revenue						
Rental income	333,661	3,888	40,304	-	-	377,853
Master lease income	-	52,274	-	58,925	6,158	117,357
Car park rental income	19,771	3,351	1,373	-	-	24,495
Other operating income	11,221	9,017	2	-	-	20,240
Segment revenue	364,653	68,530	41,679	58,925	6,158	539,945
Unbilled lease income receivable	-	-	-	16,930	-	16,930
	364,653	68,530	41,679	75,855	6,158	556,875
Segment net property income	248,538	62,257	24,001	75,855	6,158	416,809
Interest income						5,392
Other income						224
Changes in fair value of investment properties						
- As per valuation reports	13,066	(69,180)	(169)	14,000	1,000	(41,283)
- Unbilled lease income receivable	-	-	-	(16,930)	-	(16,930)
	13,066	(69,180)	(169)	(2,930)	1,000	(58,213)
Total expenses (excluding finance costs)						(40,513)
Finance costs						(116,392)
Profit before tax						207,307
Income tax expense						900
Profit for the financial year						208,207

#### 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.)

			202	0			
	RETAIL	HOTEL	OFFICE	SERVICES	INDUSTRIAL & OTHERS	TOTAL	
	RM′000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets							
Segment assets	4,997,765	1,625,718	486,257	910,057	96,000	8,115,797	
Unallocated assets						344,448	
Total assets						8,460,245	
Liabilities							
Segment liabilities	180,036	10,567	11,230	-	-	201,833	
Unallocated liabilities						3,488,638	
Total liabilities						3,690,471	
Other segment information							
Capital expenditure	30,992	(320)*	3,169	-	-	33,841	
Depreciation	2,331	8	49	-	-	2,388	
Other significant non-cash							
income/(expenses)	9,709	(68,289)	(173)	(2,930)	1,000	(60,683)	
Unallocated						197	
						(60,486)	

<sup>\*</sup> Overaccrual in prior years.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 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.)

			20	)19		
	RETAIL	HOTEL	OFFICE	SERVICES	INDUSTRIAL & OTHERS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
Rental income	388,718	4,825	37,203	-	-	430,746
Master lease income	-	60,502	-	30,664	5,878	97,044
Car park rental income	23,837	4,294	1,223	-	-	29,354
Other operating income	14,166	8,988	1	-	-	23,155
Segment revenue	426,721	78,609	38,427	30,664	5,878	580,299
Segment net property income	310,453	71,316	21,384	30,664	5,878	439,695
Interest income						5,165
Other income						135
Changes in fair value of investment properties	178,251	(77,049)	5,413	(1,885)	3,000	107,730
Total expenses (excluding finance costs)						(40,743)
Finance costs						(117,664)
Profit before tax						394,318
Income tax expense						(7,945)
Profit for the financial year						386,373

#### 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.)

			201	9			
	RETAIL	HOTEL	OFFICE	SERVICES	INDUSTRIAL & OTHERS	TOTAL	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets							
Segment assets	4,927,477	1,698,471	487,652	895,987	95,000	8,104,587	
Unallocated assets						53,451	
Total assets						8,158,038	
Liabilities							
Segment liabilities	190,107	25,389	11,604	-		227,100	
Unallocated liabilities						3,134,382	
Total liabilities						3,361,482	
Other segment information							
Capital expenditure	45,644	56,550	2,588	-	-	104,782	
Depreciation	2,218	8	53	-	-	2,279	
Other significant non-cash							
income/(expenses)	173,288	(80,269)	4,376	(1,885)	3,000	98,510	
Unallocated						111	
						98,621	

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 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

	2020							
	SELANGOR	KUALA LUMPUR	PENANG	PERAK	TOTAL			
	RM'000	RM'000	RM'000	RM'000	RM'000			
Gross revenue	439,343	68,690	45,097	3,745	556,875			
Segment net property income	351,572	34,548	27,266	3,423	416,809			
Capital expenditure	29,865	(35,921)*	39,897	-	33,841			
Segment assets	6,270,644	1,145,857	646,168	53,128	8,115,797			
Unallocated assets					344,448			
					8,460,245			

<sup>\*</sup> Overaccrual in prior years.

	2019								
	SELANGOR	KUALA LUMPUR	PENANG	PERAK	TOTAL				
	RM'000	RM'000	RM'000	RM'000	RM'000				
Gross revenue	448,035	72,724	55,140	4,400	580,299				
Segment net property income	361,974	38,374	35,463	3,884	439,695				
Capital expenditure	64,263	951	39,568	-	104,782				
Segment assets	6,246,784	1,181,929	614,823	61,051	8,104,587				
Unallocated assets					53,451				
					8,158,038				

#### 4. SEGMENT INFORMATION (CONT'D.)

**Note** Nature of eliminations to arrive at amounts reported in the consolidated financial statements.

#### A Capital expenditures consist of:

	GROUF	P/FUND
	2020	2019
	RM'000	RM'000
Investment properties (Note 14)	(7,217)	62,514
Investment property under construction (Note 14)	38,253	38,685
Plant and equipment (Note 15)	2,805	3,583
	33,841	104,782

#### Other significant non-cash income/(expenses) consist of the following items as presented in the respective notes:

	GROUP/FUND	
	2020	2019
	RM'000	RM′000
Fair value (loss)/gain on investment properties (Note 14)	(58,213)	107,730
Deferred tax expense on fair value gain on investment properties (Note 27)	900	(7,945)
Net changes in fair value of derivative financial instrument	-	28
Unrealised foreign exchange gain (hedged item)	(11,300)	6,488
Cash flow hedge reserve recycled to profit or loss	11,300	(6,488)
Allowance of impairment on trade receivables (Note 7)	(3,370)	(1,275)
Other income	197	83
	(60,486)	98,621

FINANCIALS

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 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 2020.

The Manager monitors capital using a gearing ratio, which is total gross borrowings divided by total asset value of the Group pursuant to Securities Commission's Guidelines on Listed 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.

	GROUP	
	2020	2019
	RM′000	RM′000
Non-current assets	8,050,065	8,059,927
Current assets	410,180	98,111
Total asset value	8,460,245	8,158,038
Total gross borrowings (Note 24)	3,445,941	3,091,284
Gearing ratio	40.7%	37.9%

The Group is not subject to any other externally imposed capital requirement.

#### (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 and the Fund'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. At the reporting date, the Group's and the Fund's cross currency swap contracts are not affected by any interest rate benchmarks reforms. Approximately 43% (2019: 45%) of the Group's and 20% (2019: 21%) of the Fund'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, 20 and 24 to the financial statements.

#### 5. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D.)

#### (b) Financial risk management objectives and policies (cont'd.)

#### 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 24(c) to the financial statements.

The USD100 million Loan Facility drawn in AUD is hedged with cross currency swap contract. As such, fluctuation in AUD 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, RM3,245,941,000 (2019: RM3,091,284,000) of the Group's borrowings 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 facilities given that the CP Programme of RM3.0 billion may be partly or fully underwritten on the drawn amount by a financial institution for the entire duration of the programme and a commitment has been received from a financial institution for refinancing of RM1.5 billion in nominal value of the unrated medium term notes for 5 years with maturity date of any subscription no later than April 2023.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 24, 25, 26, 28 and 29 to the financial statements.

#### 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 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.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 6. REVENUE

	GROUP/FUND	
	2020	2019
	RM'000	RM′000
Realised		
Rental income	377,853	430,746
Master lease income	117,357	97,044
Car park rental income	24,495	29,354
Other operating income	20,240	23,155
	539,945	580,299
Unrealised		
Unbilled lease income receivable	16,930	-
	556,875	580,299

#### (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.

The hotel master lease agreement for Sunway Resort Hotel ("SRH"), Sunway Pyramid Hotel ("SPRH") and Sunway Hotel Seberang Jaya ("SHSJ") has been renewed on 7 July 2020 for another term of 10 years with the rent formula of 90% of hotel's gross operating profit.

#### 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) Industrial master lease income

Industrial master lease income is derived from leasing of an industrial premises to a lessee with initial term of approximately 17 years expiring on 31 December 2034 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 industrial 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 lessee.

#### (e) Education master lease income

Education master lease income is derived from leasing of an education premises to lessees with initial term of 30 years expiring on 30 November 2048 at a predetermined annual rental with a 2.3% 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.

#### (f) 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.

#### (g) 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.

#### (h) Unbilled lease income receivable

Unbilled lease income receivable recognised pursuant to the requirements of MFRS 16 Leases recognised on a straight-line basis.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 7. PROPERTY OPERATING EXPENSES

	GROUP/FUND	
	2020	2019
	RM'000	RM'000
Quit rent, assessment and insurance	14,703	13,774
Property management fees and reimbursements	41,560	43,673
Utilities	24,517	27,759
Service contracts and maintenance	27,825	28,180
Advertising and promotion	16,645	15,454
Allowance of impairment on trade receivables (Note 17)	3,370	1,275
Depreciation of plant and equipment (Note 15)	2,388	2,279
Administrative and other operating expenses	9,058	8,210
	140,066	140,604

#### 8. INTEREST INCOME

	GROUP/FUND	
	2020	2019
	RM'000	RM′000
Interest income from deposits with licensed financial institutions	2,836	3,309
Interest income from short term investment	2,556	1,856
	5,392	5,165

Interest income 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.

#### 9. MANAGER'S FEES

	GRO	GROUP/FUND	
	2020	2020 2019	
	RM'000	RM'000	
Base fee	24,989	23,064	
Performance fee	12,000	13,196	
	36,989	36,260	
		5 500	
Acquisition fee	-	5,500	

The acquisition fee was capitalised as part of the acquisition cost of investment properties.

#### 10. FINANCE COSTS

	GROUP		FU	FUND	
	2020	2019	2020	2019	
	RM'000	RM'000	RM'000	RM'000	
Interest paid/payable:					
- subsidiaries	-	-	69,041	53,369	
- revolving loans and interest rate swap	66,404	65,953	66,404	65,953	
- commercial papers	2,642	5,438	-	-	
- unrated medium term notes	46,455	43,790	-	-	
Amortisation of transaction costs	3,222	3,694	3,150	3,426	
Others	8	45	8	45	
	118,731	118,920	138,603	122,793	
Less: Interest expense capitalised in investment					
properties (Note 14)	(2,339)	(1,256)	(2,339)	(1,256)	
	116,392	117,664	136,264	121,537	

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 11. INCOME TAX EXPENSE

	GROUP/FUND	
	2020	2019
	RM'000	RM'000
Deferred tax (Note 27):		
Relating to origination or reversal of temporary differences	(900)	7,945

#### 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 at least 90% of its total taxable income for the financial year ended 30 June 2020.

Reconciliation of the tax expense is as follows:

	GROUP		FUND	
	2020	2019	2020	2019
	RM'000	RM'000	RM′000	RM′000
Profit before tax	207,307	394,318	187,363	390,177
Income tax at Malaysian statutory tax rate of 24% (2019: 24%)	49,754	94,636	44,967	93,642
Fair value loss/(gain) on investment properties not subject to tax	9,908	(25,855)	9,908	(25,855)
Income not subject to tax	(63,507)	(62,515)	(58,720)	(61,521)
Expenses not deductible for tax purposes	2,945	1,679	2,945	1,679
Income tax expense	(900)	7,945	(900)	7,945

#### **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 ATTRIBUTABLE TO UNITHOLDERS

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	
	2020	2019
	UNIT '000	UNIT '000
Weighted average number of units in issue	2,945,078	2,945,078

	GROUP/FUND	
	2020	2019
	RM′000	RM'000
Realised		
Total realised profit for the year attributable to unitholders of the Fund	228,449	282,336
Realised basic earnings per unit (sen)	7.76	9.59
Unrealised		
Total unrealised profit for the year attributable to unitholders of the Fund	(40,186)	99,896
Unrealised basic earnings per unit (sen)	(1.36)	3.39

Diluted earnings per unit equals basic earnings per unit as there were no potential dilutive unit in issue as at 30 June 2020 and 30 June 2019.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 13. DISTRIBUTION PER UNIT

Distribution to unitholders is from the following sources:

	GROUP	/FUND
	2020	2019
	RM'000	RM′000
Net property income	416,809	439,695
Interest income	5,392	5,165
Other income	224	135
Changes in fair value of investment properties (Note 14)	(58,213)	107,730
Net investment income	364,212	552,725
Less: Expenses	(156,905)	(158,407)
Less: Income tax expense	900	(7,945)
Profit for the financial year	208,207	386,373
Less: Unrealised loss/(income)	40,186	(99,896)
Less: Amount reserved for distribution to perpetual note holders	(19,944)	(4,141)
Add: Brought forward undistributed income available for distribution	453	550
Total income available for distribution	228,902	282,886
Less: Income distributed	(145,781)	(215,285)
Less: Proposed final income distribution (Note 30)	(70,093)	(67,148)
Balance undistributed income	13,028	453
Distribution per unit (sen)	7.33	9.59

#### 14. INVESTMENT PROPERTIES

	GROUF	P/FUND
	2020	2019
	RM′000	RM′000
Investment properties		
- As per valuation reports	7,933,000	7,981,500
- Accrued lease income (Note 18)	(16,930)	-
	7,916,070	7,981,500
Investment property under construction	104,163	65,910
	8,020,233	8,047,410

#### 14. INVESTMENT PROPERTIES (CONT'D.)

	GROUF	P/FUND
	2020	2019
	RM'000	RM'000
At valuation		
At beginning of financial year	7,981,500	7,253,000
Additions from acquisition	-	550,000
Incidental costs on acquisition	-	5,885
Additions from subsequent expenditure (Note 4)	31,393	62,514
Reversal of subsequent expenditure (Note 4)	(38,610)	-
Reclassification from plant and equipment (Note 15)	-	2,371
Changes in fair value (Note 4)		
- As per valuation reports, net of subsequent expenditure	(41,283)	107,730
- Unbilled lease income receivable	(16,930)	-
At end of financial year	7,916,070	7,981,500

In the previous financial year, Sunway REIT acquired an investment property namely Sunway university & college campus for a purchase consideration of RM550,000,000, which was financed through proceeds from drawdown of borrowings and issuance of perpetual note.

During the financial year, Sunway REIT has a reversal of subsequent expenditure arising from over accrual in prior years.

Investment properties of the Group and of the Fund amounting to RM7,853,000,000 (2019: RM7,349,000,000) are pledged as securities for borrowings as disclosed in Note 24 to the financial statements.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 14. INVESTMENT PROPERTIES (CONT'D.)

DESCRIPTION OF PROPERTY	LOCATION	DATE OF ACQUISITION	TENURE TO OF LAND	TERM OF LEASE	REMAINING TERM OF LEASE	COST OF INVESTMENT 1 AS AT 30.6.2020	CARRYING VALUE AS AT 30.6.2020	FAIR VALUE AS AT 30.6.2020	NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS AS AT 30.6.2020
						RM'000	RM'000	RM′000	%
Sunway Pyramid Shopping Mall	Selangor	8 Jul 2010	Leasehold 9	99 years	77/82/85 years	2,242,386	3,830,000	* 000'08'8	86.5
Sunway Carnival Shopping Mall	Penang	8 Jul 2010	Leasehold 9	99 years	72 years	235,411	393,000	393,000 **	8.9
SunCity Ipoh Hypermarket	Perak	8 Jul 2010	Leasehold 9	99 years	80 years	46,348	53,000	** 000'89	1.2
Sunway Putra Mall	Kuala Lumpur	19 Apr 2011	Freehold -		1	476,445	545,000	545,000 *	12.3
Total Retail						3,000,590	4,821,000	4,821,000	108.9
Sunway Resort Hotel	Selangor	8 Jul 2010	Leasehold 9	99 years	77 years	580,109	200,000	* 000'009	11.3
Sunway Pyramid Hotel	Selangor	8 Jul 2010	Leasehold 9	99 years	82 years	334,130	342,000	342,000 *	7.7
Sunway Hotel Seberang Jaya	Penang	8 Jul 2010	Leasehold 9	99 years	72 years	65,653	000'09	** 000'09	1.4
Sunway Putra Hotel	Kuala Lumpur	19 Apr 2011	Freehold -		1	336,453	334,000	334,000 *	7.5
Sunway Hotel Georgetown	Penang	28 Jan 2015	Freehold -		1	76,870	80,000	** 000'08	1.8
Sunway Clio Property	Selangor	9 Feb 2018	Leasehold 9	99 years	88 years	343,966	307,000	307,000 **	6.9
Total Hotel						1,737,181	1,623,000	1,623,000	36.6
Menara Sunway	Selangor	8 Jul 2010	Leasehold 99 years	99 years	77 years	150,427	172,000	172,000 *	3.9
Sunway Tower	Kuala Lumpur	8 Jul 2010	Freehold -		ı	175,396	120,000	120,000 *	2.7
Sunway Putra Tower	Kuala Lumpur	19 Apr 2011	Freehold -			102,627	133,000	133,000 *	3.0
Wisma Sunway	Selangor	23 Mar 2015	Leasehold 9	99 years	74 years	62,934	900'09	* 000'09	1.4
Total Office						491,384	485,000	485,000	11.0
Sunway Medical Centre	Selangor	31 Dec 2012	Leasehold 9	99 years	77 years	319,887	348,000	348,000 *	7.9
Sunway university & college campus	Selangor	15 Apr 2019	Leasehold 9	99 years	77 years	555,885	543,070 2	* 000'095	12.6
Total Services						875,772	891,070	908,000	20.5
Sunway REIT Industrial - Shah Alam 1	Selangor	1 Aug 2017	Leasehold 9	99 years	78 years	92,499	000'96	*** 000'96	2.2
Total Industrial & Others						92,499	000'96	000'96	2.2
Total Investment Properties						6,197,426	7,916,070	7,933,000	179.2

#### 14. INVESTMENT PROPERTIES (CONT'D.)

DESCRIPTION OF PROPERTY	LOCATION	DATE OF ACQUISITION	TENURE OF LAND	TERM OF LEASE	REMAINING TERM OF LEASE	COST OF INVESTMENT 1 AS AT 30.6.2019	CARRYING VALUE AS AT 30.6.2019	FAIR VALUE AS AT 30.6.2019	NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS AS AT 30.6.2019
						RM'000	RM′000	RM'000	%
Sunway Pyramid Shopping Mall	Selangor	8 Jul 2010	Leasehold	99 years	78/83/86 years	2,216,804	3,774,000	3,774,000 ^	84.7
Sunway Carnival Shopping Mall	Penang	8 Jul 2010	Leasehold	99 years	73 years	235,411	400,000	400,000	9.0
SunCity Ipoh Hypermarket	Perak	8 Jul 2010	Leasehold	99 years	81 years	46,348	61,000	61,000 **	1.4
Sunway Putra Mall	Kuala Lumpur	19 Apr 2011	Freehold	1	1	512,092	583,000	583,000 ^	13.1
Total Retail						3,010,655	4,818,000	4,818,000	108.2
Sunway Resort Hotel	Selangor	8 Jul 2010	Leasehold	99 years	78 years	580,357	525,000	525,000 ^	11.8
Sunway Pyramid Hotel	Selangor	8 Jul 2010	Leasehold	99 years	83 years	334,130	350,000	350,000 ^	7.9
Sunway Hotel Seberang Jaya	Penang	8 Jul 2010	Leasehold	99 years	73 years	65,653	000'09	·· 000′09	1.3
Sunway Putra Hotel	Kuala Lumpur	19 Apr 2011	Freehold	1	1	339,436	335,000	335,000 ^	7.5
Sunway Hotel Georgetown	Penang	28 Jan 2015	Freehold	1	1	75,742	82,500	82,500 **	1.9
Sunway Clio Property	Selangor	9 Feb 2018	Leasehold	99 years	89 years	343,640	340,000	340,000 ^	7.6
Total Hotel						1,738,958	1,692,500	1,692,500	38.0
Menara Sunway	Selangor	8 Jul 2010	Leasehold 99 years	99 years	78 years	150,078	172,000	172,000 ^	3.9
Sunway Tower	Kuala Lumpur	8 Jul 2010	Freehold	1	1	172,935	120,000	120,000 ^	2.7
Sunway Putra Tower	Kuala Lumpur	19 Apr 2011	Freehold	ı	1	102,495	130,000	130,000 ^	2.9
Wisma Sunway	Selangor	23 Mar 2015	Leasehold	99 years	75 years	62,708	900'09	° 000'09	1.3
Total Office						488,216	482,000	482,000	10.8
Sunway Medical Centre	Selangor	31 Dec 2012	Leasehold	99 years	78 years	319,887	344,000	344,000 ^	7.7
Sunway university & college campus	Selangor	15 Apr 2019	Leasehold	99 years	78 years	555,885	550,000	~ 000'099	12.3
Total Services						875,772	894,000	894,000	20.0
Sunway REIT Industrial - Shah Alam 1	Selangor	1 Aug 2017	Leasehold	99 years	79 years	92,499	95,000	% 000′56	2.1
Total Industrial & Others						92,499	95,000	95,000	2.1
Total land and and and and and and and and and						001/00/	7 004 500	7 007	4 7 7 7

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 14. INVESTMENT PROPERTIES (CONT'D.)

The following are recognised in profit or loss in respect of investment properties:

	GROUE	P/FUND
	2020	2019
	RM'000	RM'000
Revenue (Note 6)	556,875	580,299
Property operating expenses (Note 7)	(140,066)	(140,604)
Net property income	416,809	439,695

#### Investment property under construction

	GROUI	P/FUND
	2020	2019
	RM'000	RM'000
At cost		
At beginning of financial year	65,910	27,225
Additions from subsequent expenditure (Note 4)	38,253	38,685
At end of financial year	104,163	65,910

The investment property under construction consists of the following:

	GROUI	P/FUND
	2020	2019
	RM'000	RM′000
Long term leasehold land	17,200	17,200
Building	86,963	48,710
	104,163	65,910

Included in the subsequent expenditure of investment property under construction is the borrowing costs capitalised for certain capital work-in-progress which satisfied the recognition criteria of MFRS 123: *Borrowing Costs* amounting to RM2,339,000 (2019: RM1,256,000) as disclosed in Note 10 to the financial statements.

- (a) Long term leasehold land represent right-of-use assets arising from lease arrangements that meet the definition of investment property.
- (b) 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. 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.

If the Group and the Fund determine that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group and the Fund shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Once the Group and the Fund are able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, the Group and the Fund shall measure that property at its fair value.

#### 14. INVESTMENT PROPERTIES (CONT'D.)

- (c) Fair value is determined in accordance with the Deed, the Listed 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, having appropriate recognised professional qualifications and recent experience in the location and category of investment properties being valued, on annual basis. 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.
- (d) The Group and the Fund measure fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. 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. Changes in Level 3 fair value are assessed by the Manager annually after obtaining the valuation reports from the independent professional valuers. There is no transfer between levels in the fair value hierarchy during the financial year.

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

	GROUF	P/FUND
	2020	2019
	RM′000	RM′000
At beginning of financial year	7,981,500	7,253,000
Additions	31,393	618,399
Reversal	(38,610)	-
Reclassification from plant and equipment	-	2,371
Changes in fair value		
- As per valuation reports, net of subsequent expenditure	(41,283)	107,730
- Unbilled lease income receivable	(16,930)	-
At end of financial year	7,916,070	7,981,500

(e) 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
Income approach by Investment Method (refer below)	- Allowance for void of 2.50% to 10.00% (2019: 3.00% to 10.00%)	Higher allowance for void, lower fair value
	<ul><li>Term yield rates ranging from 5.75% to 9.25% (2019: 5.75% to 7.25%)</li></ul>	Higher term yield rates, lower fair value
	<ul> <li>Reversionary yield rates ranging from 6.25% to 7.25% (2019: 6.50% to 7.00%)</li> </ul>	Higher reversionary yield rates, lower fair value

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 14. INVESTMENT PROPERTIES (CONT'D.)

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

VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN SIGNIFICANT UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
Income approach by Discounted Cash Flow (DCF) (refer below)	- Average room rates during holding period ranging from RM165 per room to RM405 per room (2019: RM170 per room to RM560 per room)	Higher average room rates, higher fair value
	<ul> <li>Average occupancy rates during holding period ranging from 8.40% to 100.00% (2019: from 62.00% to 100.00%)</li> </ul>	Higher average occupancy rates, higher fair value
	<ul> <li>Capitalisation rate ranging from 6.25% to 7.50% (2019: 6.75% to 7.50%)</li> </ul>	Higher capitalisation rate, lower fair value
	- Discount rate of 8.00% to 8.50% over 10 years holding period (2019: 8.50% to 9.00%)	Higher discount rate, lower fair value

#### (f) Methods of valuation

The income approach by 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 income approach by DCF method incorporates the estimation of future annual cash flows over an investment horizon (10 years) from the valuation date by reference to expected revenue growth rates, operating expenses and terminal value. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of the property as at the valuation date. It is assumed that the property is sold at the commencement of the terminal year of the cash flow at the expected rate of return of similar asset classes.

In undertaking the analysis, the valuers have used a wide range of assumptions for the properties including the growth of average room rates (for hotels)/gross rental revenue (for malls and offices) and other potential revenues during the holding period, projected occupancy, expense ratios/expected property expenses and other related expenses.

As the investment properties are commercial and income generating properties, the valuers have adopted the market value as derived from the Income Approach as a more appropriate method supported by the market value as derived from the Comparison Approach and/or Cost Approach.

#### 15. PLANT AND EQUIPMENT

#### At 30 June 2020

GROUP/FUND	OFFICE/ COMPUTER EQUIPMENT	FURNITURE AND FITTINGS	TOTAL
	RM'000	RM'000	RM′000
Cost			
At beginning of financial year	13,190	7,750	20,940
Additions (Note 4)	1,570	1,235	2,805
Disposal	(1,664)	-	(1,664)
At end of financial year	13,096	8,985	22,081
Accumulated depreciation			
At beginning of financial year	6,451	1,972	8,423
Depreciation charge for the year (Note 7)	1,522	866	2,388
Disposal	(1,632)	-	(1,632)
At end of financial year	6,341	2,838	9,179
Net carrying amount	6,755	6,147	12,902

#### At 30 June 2019

GROUP/FUND	OFFICE/ COMPUTER EQUIPMENT	FURNITURE AND FITTINGS	TOTAL
	RM'000	RM'000	RM′000
Cost			
At beginning of financial year	11,375	8,363	19,738
Additions (Note 4)	1,825	1,758	3,583
Reclassification to investment properties (Note 14)	-	(2,371)	(2,371)
Disposal	(10)	-	(10)
At end of financial year	13,190	7,750	20,940
Accumulated depreciation			
At beginning of financial year	4,928	1,219	6,147
Depreciation charge for the year (Note 7)	1,526	753	2,279
Disposal	(3)	-	(3)
At end of financial year	6,451	1,972	8,423
Net carrying amount	6,739	5,778	12,517

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 15. PLANT AND EQUIPMENT (CONT'D.)

(a) All items of plant and equipment are initially recorded at cost.

Subsequent to initial 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

256 **SUNWAY REIT** INTEGRATED REPORT 2020

	FUND	
	2020	2019
	RM	RM
At cost		
Unquoted ordinary shares	6	6

Details of the subsidiaries are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	2020 %	2019 %
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
SUNREIT Perpetual Bond Berhad	Malaysia	To undertake the issuance of unrated perpetual bond under an unrated perpetual programme and all matters pertaining to the unrated perpetual bond under the unrated perpetual programme	100	100

The subsidiaries are intended as Special Purpose Vehicle ("SPV") to undertake the issuance of the commercial papers, unrated medium term notes and unrated perpetual bond for Sunway REIT.

#### 17. TRADE RECEIVABLES

	GROUI	P/FUND
	2020	2019
	RM′000	RM′000
Third parties	55,505	15,232
Amounts due from parties related to the Manager	3,808	6,840
	59,313	22,072
Less: Allowance for impairment	(6,047)	(2,692)
Total trade receivables	53,266	19,380

- (a) Total trade receivables are classified as financial assets measured at amortised cost.
- (b) Included in trade receivables is the following amounts due from parties related to the Manager:

	GROUP/FUND	
	2020	2019
	RM′000	RM′000
unway Berhad Group	3,808	6,840

The amounts due from parties related to the Manager are unsecured and bear fixed interest rates ranging from 8% to 18% per annum (2019: 8% to 18% per annum) and the credit period is generally for a period of 7 days to 30 days (2019: 7 days to 30 days). The relationship with the parties related to the Manager is as disclosed in Note 33 to the financial statements.

(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 (2019: 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 that exceed credit terms will bear fixed interest rates ranging from 8% to 18% per annum (2019: 8% to 18% per annum).

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 17. TRADE RECEIVABLES (CONT'D.)

(d) Impairment for trade receivables are recognised based on the simplified approach using the lifetime expected credit losses.

The Group and the Fund consider credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group and of the Fund as identified in Note 4 to the financial statements to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. The Group and the Fund has identified the Gross Domestic Product, unemployment rate, inflation rate, labour force participation rate and consumer price index as the key macroeconomic factors of the forward looking information. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within the statements of profit or loss and other comprehensive income. On confirmation that the probability of collections is adversely affected, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

The reconciliation of movements in allowance for impairment accounts in trade receivables is as follows:

	GROUP/FUND
	CREDIT IMPAIRED
	RM'000
At 1 July 2019	2,692
Charge for the year (Note 7)	3,370
Written off	(15)
At 30 June 2020	6,047

	GROUP/FUND CREDIT IMPAIRED RM'000
At 1 July 2018	2,271
Charge for the year (Note 7)	1,275
Written off	(854)
At 30 June 2019	2,692

Trade receivables that are individually determined to be credit impaired at the financial year end relate to trade receivables who are in significant financial difficulties and have defaulted on payments.

#### 17. TRADE RECEIVABLES (CONT'D.)

#### (d) (cont'd.)

As at the end of each reporting period, the credit risks exposures relating to trade receivables of the Group and of the Fund are RM53,266,000 (2019: RM19,380,000) and they are collateralised with cash deposits received from tenants amounting to RM103,288,000 (2019: RM43,031,000). Hence, there is no exposure to credit risk.

(e) Ageing analysis of the trade receivables is as follows:

	GROUP/FUND 2020		
	GROSS	TOTAL	
	RM'000	RM'000	RM'000
Current	9,730	34	9,696
1 to 30 days	15,642	160	15,482
31 to 60 days	15,706	378	15,328
61 to 90 days	6,523	346	6,177
91 to 120 days	591	78	513
More than 120 days	11,121	5,051	6,070
	49,583	6,013	43,570
	59,313	6,047	53,266

		GROUP/FUND 2019		
	GROSS	IMPAIRED	TOTAL	
	RM'000	RM'000	RM'000	
Current	8,032	25	8,007	
1 to 30 days	5,763	199	5,564	
31 to 60 days	2,637	136	2,501	
61 to 90 days	1,405	82	1,323	
91 to 120 days	258	31	227	
More than 120 days	3,977	2,219	1,758	
	14,040	2,667	11,373	
	22,072	2,692	19,380	

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 17. TRADE RECEIVABLES (CONT'D.)

(f) 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				
	2020		2019		
	RM′000	%	RM'000	%	
Retail	49,092	92.2	11,956	61.7	
Hotel	1,406	2.6	4,901	25.3	
Office	712	1.3	536	2.8	
Services	2,056	3.9	1,987	10.2	
Industrial & Others	-	0.0	-	0.0	
	53,266	100.0	19,380	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.

(g) At the end of the reporting period, the interest rate profile of the interest-bearing trade receivables was:

	GROUP/FUND	
	2020	2019
	RM'000	RM′000
Fixed rate	49,583	14,040

Sensitivity analysis for fixed rate trade receivables at the end of the reporting period is not presented as it is not affected by changes in interest rates.

#### 18. OTHER RECEIVABLES

	GROU	P/FUND
	2020	2019
	RM'000	RM'000
Non-current		
Investment properties - accrued lease income (Note 14)	16,930	-
Current		
Deposits	45,778	505
Prepayments	5,009	7,023
Sundry receivables	4,562	3,945
Total other receivables	55,349	11,473

(a) Included in other receivables is the following amounts due from parties related to the Manager:

	GROUP/FUND 2020 2019	
	RM'000	RM′000
Sunway Berhad Group	2,238	724

The amounts due from parties related to the Manager are unsecured, non-interest bearing and are repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 33 to the financial statements.

- (b) Total other receivables, net of prepayments are classified as financial assets measured at amortised cost.
- (c) 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.
- (d) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Fund assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group and the Fund defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment trends and past due information.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 18. OTHER RECEIVABLES (CONT'D.)

#### (d) (cont'd.)

The probability of non-payment other receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for the other receivables. The Group and the Fund has identified the Gross Domestic Product, unemployment rate, inflation rate, labour force participation rate and consumer price index as the key macroeconomic factors of the forward looking information.

It requires management to exercise significant judgement in determining the probability of default by other receivables, appropriate forward looking information and significant increase in credit risk.

Upon assessment on the estimated impact, no expected credit loss from other receivables is recognised during the year as it is not material.

- (e) Included in deposits is 10% earnest deposit paid for the proposed acquisition of The Pinnacle Sunway. Details of the proposed acquisition are disclosed in Note 34 to the financial statements.
- (f) Accrued lease income recognised pursuant to requirements of MFRS 16 *Leases*, recognised on a straight-line basis over the lease term.

#### 19. SHORT TERM INVESTMENT

	GROU	GROUP/FUND	
	2020	2019	
	RM'000	RM′000	
Commercial paper	180,000	-	
Less: Discount on commercial paper	(290)	-	
	179,710	-	

During the financial year, Sunway REIT had invested in a 1-month commercial paper issued by Sunway Berhad, a substantial unitholder of Sunway REIT. The investment earned fixed interest rate ranging from 2.90% to 3.55% per annum.

Short term investment with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity is classified as financial assets measured at amortised cost.

Sensitivity analysis for fixed rate short term investment at the end of the reporting date is not presented as change in interest rates would not have impact to the profit or loss.

#### 20. CASH AND BANK BALANCES

	GROUP		FUND	
	2020	2019	2020	2019
	RM′000	RM'000	RM'000	RM′000
Cash on hand and at banks	31,816	25,258	31,755	25,196
Deposits with licensed financial institutions	70,000	42,000	70,000	42,000
	101,816	67,258	101,755	67,196

(a) Cash at banks earn interest rates ranging from 1.80% to 2.98% per annum (2019: 2.80% to 3.25% 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 3.23% per annum (2019: 3.68% per annum) and between 21 to 123 days (2019: 76 to 123 days) respectively.

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	GROUP		FUND	
	2020 2019		2020	2019
	RM'000	RM'000	RM′000	RM'000
Cash and bank balances	101,816	67,258	101,755	67,196
Deposits with licensed financial institutions with maturity of over 3 months	-	(20,000)	-	(20,000)
Total cash and cash equivalents	101,816	47,258	101,755	47,196

(c) At the reporting date, the interest rate profile of the cash and bank balances was:

	GROUP		FUND	
	2020 2019		2020	2019
	RM′000	RM'000	RM'000	RM'000
Fixed rate	70,000	42,000	70,000	42,000
Variable rate	31,748	25,219	31,687	25,156

Sensitivity analysis for fixed and variable rate cash and bank balances at the end of the reporting date is not presented as change in interest rates would not have material impact to the profit or loss.

- (d) Cash and bank balances are classified as financial assets measured at amortised cost.
- (e) No expected credit losses were recognised arising from cash at banks and deposits with licensed financial institutions because the probability of default by these financial institutions is unlikely.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 21. DERIVATIVES

		GROUP/FUND		
		CONTRACT/ NOTIONAL AMOUNT	ASSET	LIABILITY
	Note	RM'000	RM′000	RM′000
At 30 June 2020				
Current				
Cross currency swap	(b)(i)	373,680	20,039	-
		373,680	20,039	-
At 30 June 2019				
Current				
Cross currency swap	(b)(i)	392,900	-	(1,133)
		392,900	_	(1,133)

- (a) Derivatives are classified at fair value through profit or loss and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss except for derivatives that are designated as effective hedging instruments.
- (b) The Group has derivative contracts as follows:
  - (i) Cross currency swap

During the financial year, Sunway REIT has entered into cross currency swap contract to manage its exposure to foreign currency risk arising from foreign currency borrowings, which was entered into to minimise the interest cost. 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 in the cash flow hedge reserve 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 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 gain 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.

The fair value of the cross currency swap contract is determined by using the mark to market values at the end of the reporting period and changes in the fair value is recognised in equity due to the application of hedge accounting.

#### 21. DERIVATIVES (CONT'D.)

- (c) Cross currency 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.
- (d) 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.

#### 22. UNITHOLDERS' CAPITAL

	GROUP/FUND			
	2020	2019	2020	2019
	UNIT '000	UNIT '000	RM′000	RM'000
Issued and fully paid				
At beginning of financial year	2,945,078	2,945,078	2,795,372	2,795,372
Manager's fees paid in units	-	-	-	-
Total issued and fully paid	2,945,078	2,945,078	2,795,372	2,795,372
Less: Unit issuance expenses	-	-	(67,543)	(67,543)
At end of financial year	2,945,078	2,945,078	2,727,829	2,727,829

As at 30 June 2020, the Manager did not hold any units in Sunway REIT. However, the parties related to the Manager held units in Sunway REIT as follows:

	GROUP/FUND			
	NUMBER OF UNITS		MARKET VALUE	
	2020 2019		2020	2019
	UNIT '000	UNIT '000	RM′000	RM′000
<b>Direct unitholdings of parties related to the Manager:</b> Sunway REIT Holdings Sdn. Bhd.	1,204,078	1,204,078	1,950,606	2,251,626
Indirect unitholdings of parties related to the Manager:				
Sunway Berhad ^	1,204,078	1,204,078	1,950,606	2,251,626

<sup>^</sup> Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Sunway REIT Holdings Sdn. Bhd..

**FINANCIALS** 

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 23. PERPETUAL NOTE HOLDERS' FUNDS

SUNREIT Perpetual Bond Berhad, a wholly-owned subsidiary of Sunway REIT had, on 21 March 2019, established a Perpetual Note Programme of RM10.0 billion in nominal value.

In the previous financial year, SUNREIT Perpetual Bond Berhad made its first issuance of RM340,000,000 perpetual note pursuant to the RM10.0 billion Perpetual Note Programme ("Perpetual Note").

The sums raised from the Perpetual Note, which are moneys raised from the subscribers are used as advances given to the Fund in the course of the Fund's business for the purpose of financing investment activities.

This Perpetual Note is a financial instrument which has the following features:

- (i) A perpetual non-call 5 years at a fixed coupon rate of 5.85% per annum, payable semi-annually and are redeemable at the option of SUNREIT Perpetual Bond Berhad subject to the terms of the Perpetual Note;
- (ii) Direct, unsecured and subordinated obligations of SUNREIT Perpetual Bond Berhad and shall rank pari passu without any preference amongst themselves and the Perpetual Note will be issued with a perpetual tenure that does not have a fixed maturity date;
- (iii) The Perpetual Note is unrated and shall be transferable and tradable; and
- (iv) Deferred coupon payments, if any, are non-cumulative and SUNREIT Perpetual Bond Berhad is not under any obligation to pay that or any other distributions that have been paid in whole or in part.

Solely to be in compliance with Paragraph 16 of MFRS 132 *Financial instruments: Presentation*, the Perpetual Note is classified as equity because the payment of any distribution or redemption is at the discretion of SUNREIT Perpetual Bond Berhad.

#### 24. BORROWINGS

		GROUP		FU	ND
		2020	2019	2020	2019
	Note	RM'000	RM′000	RM′000	RM'000
Short term borrowings					
Secured:					
Commercial papers	(a)	50,000	-	-	-
Revolving loan - USD	(c)	395,941	391,284	395,941	391,284
Unrated medium term notes	(d)	1,200,000	1,200,000	-	-
		1,645,941	1,591,284	395,941	391,284
Unsecured:					
Revolving loan	(b)	1,600,000	1,500,000	1,600,000	1,500,000
		3,245,941	3,091,284	1,995,941	1,891,284
Less: Unamortised transaction costs	(a)	(418)	(491)	-	-
Discount on commercial papers	(a)	(105)	-	-	-
		3,245,418	3,090,793	1,995,941	1,891,284
Long term borrowings					
Secured:					
Unrated medium term notes	(d)	200,000	-	-	-
Total borrowings		3,445,418	3,090,793	1,995,941	1,891,284

#### (a) Commercial papers

SUNREIT Capital Berhad ("SUNREIT Capital" or the "Issuer"), a wholly-owned subsidiary of Sunway REIT had, on 1 April 2019, issued its first commercial papers ("CPs") amounting to RM1.5 billion in nominal value at a discount to face value under a new 7-year commercial paper programme of up to RM3.0 billion in nominal value ("CP Programme"). The CP Programme has been accorded a rating of P1(s) by RAM Rating Services Berhad and may be partly or fully underwritten by underwriter(s) (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 will classify 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 maybe partly or fully underwritten by the Underwriter for the entire duration of the CP Programme.

The unamortised transaction costs in relation to the establishment of the CP Programme of RM418,000 (2019: RM491,000) will be amortised throughout the duration of the CP Programme.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 24. BORROWINGS (CONT'D.)

#### (a) Commercial papers (cont'd.)

#### (i) Details 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.

Any increase or decrease in the total commitment by the Underwriter ("Prevailing Underwriting Commitment") is subject to the terms of the relevant agreement between the Issuer and the relevant Underwriter. At all times, the amount underwritten shall not exceed the programme limit of the CP Programme. The Underwriter reserves the right to sell down all or part of its 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 to repay the existing borrowings granted by the Underwriter, as working capital requirements of Sunway REIT and to defray expenses incurred in relation to the CP Programme, for financing including repayment of cash utilised by Sunway REIT to part finance the investment activities (including capital expenditure and the related acquisition and financing expenses) of Sunway REIT and/or refinancing of existing/future borrowings undertaken by Sunway REIT for its investment activities (including capital expenditure and the related acquisition and financing expenses). The proceeds shall also be utilised to refinance maturing CPs on their respective maturity dates subsequent to the first issuance of the CPs and to refinance debt and/or hybrid securities that has been issued or may be issued by any other special purpose vehicle established by Sunway REIT.

#### (b) Revolving loan

Sunway REIT had, on 26 April 2019, obtained a revolving loan facility of RM1.5 billion ("RL Facility") from a financial institution. The purpose of the RL Facility is to partly or fully repay the outstanding CPs by SUNREIT Capital under the CP Programme during the tenure of the RL Facility. The limit of the RL Facility ("RL Limit") shall correspond with the underwriting commitment availed by the financial institution to SUNREIT Capital. The aggregate of the principal outstanding under the RL Facility and the nominal value of the CPs underwritten and/or subscribed by the financial institution shall not exceed the RL Limit.

During the financial year, Sunway REIT had obtained an additional revolving loan facility of RM0.25 billion ("Additional RL Facility") from the same institution in view of the full utilisation of the limit under RL Facility. With the Additional RL Facility, the total limit shall be RM1.75 billion. This facility is not underwritten and its aggregate limit shall be the same as per above, which is limited to the CP Programme up to the nominal value of RM3.0 billion.

#### 24. BORROWINGS (CONT'D.)

#### (c) Revolving loan - USD

Sunway REIT had, in December 2018, renewed a revolving financing-i facility of USD100 million ("USD100 million Loan Facility") from a financial institution with the option for drawdown in multicurrency. The USD100 million revolving loan was drawn in AUD (approximates AUD135 million and equivalent to RM411.1 million) and was hedged with a cross currency swap ("CCS") contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the loan tenure. Upon the expiry of the previous CCS in May 2020, the CCS was re-hedged at a rate equivalent to RM373.68 million for a period of 9 months. The USD100 million Loan Facility can be renewed for up to another twelve (12) months, subject to annual review of the financial institution. The USD100 million Loan Facility is to be repaid by way of bullet repayment at maturity.

#### (d) Unrated medium term notes

SUNREIT Unrated Bond Berhad ("SUNREIT Unrated Bond"), a wholly-owned subsidiary of Sunway REIT had, on 9 October 2012, issued its first unrated medium term notes under a 15-year medium term note programme of up to RM1.0 billion in nominal value. On 30 June 2017, SUNREIT Unrated Bond extended and upsized the existing 15-year RM1.0 billion medium term note programme to a 35-year RM10.0 billion medium term note programme ("MTN Programme").

- (e) 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 RM7,853,000,000 (2019: RM7,349,000,000) as disclosed in Note 14 to the financial statements.
- (f) The weighted average interest rates per annum of borrowings that were effective as at the end of the reporting period were as follows:

	GROUP		FUND	
	2020	2019	2020	2019
	%	%	%	%
Commercial papers	2.86	-	-	-
Revolving loans	2.93	3.84	2.93	3.84
Unrated medium term notes	3.45	4.00	-	-

(g) At the reporting date, the interest rate profile of the gross borrowings was:

	GROUP		FUND	
	2020	2019	2020	2019
	RM′000	RM'000	RM'000	RM'000
Fixed rate	1,495,941	1,391,284	395,941	391,284
Variable rate	1,950,000	1,700,000	1,600,000	1,500,000

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.

In the current financial year, an increase/(decrease) of 25 basis points in interest rates for the unhedged variable rate instruments, assuming all other variables remained constant, at the reporting date would result in the profit for the financial year of the Group and of the Fund to be higher/(lower) by RM4,875,000 and RM4,000,000 respectively.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 24. BORROWINGS (CONT'D.)

(g) (cont'd.)

In the previous financial year, an increase/(decrease) of 25 basis points in interest rates for the unhedged variable rate instruments, assuming all other variables remained constant, at the reporting date would result in the profit for the financial year of the Group and of the Fund to be higher/(lower) by RM4,250,000 and RM3,750,000 respectively.

(h) Maturity of the gross borrowings is as follows:

	GROUP		FU	ND
	2020	2019	2020	2019
	RM′000	RM′000	RM′000	RM'000
Not later than 1 year	3,245,941	3,091,284	1,995,941	1,891,284
Later than 1 year and not later than 2 years	200,000	-	-	-
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	-	-	-	-
	3,445,941	3,091,284	1,995,941	1,891,284

(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 2020	3,281,170	212,945	-	3,494,115
As at 30 June 2019	3,137,508	_	-	3,137,508
Fund				
As at 30 June 2020	2,006,977	_	-	2,006,977
As at 30 June 2019	1,908,979	-	-	1,908,979

#### 24. BORROWINGS (CONT'D.)

(j) The carrying amounts of the borrowings of the Group and of the Fund as at reporting date were as follows:

	GRO	GROUP		FUND	
	CARRYING AMOUNT	FAIR VALUE AT LEVEL 3	CARRYING AMOUNT	FAIR VALUE AT LEVEL 3	
	RM'000	RM'000	RM'000	RM'000	
Borrowings					
As at 30 June 2020	3,445,941	3,447,879	1,995,941	1,993,992	
As at 30 June 2019	3,091,284	3,092,468	1,891,284	1,891,321	

(k) There is no transfer between levels in the hierarchy during the financial year.

#### 25. AMOUNTS DUE TO SUBSIDIARIES

- (a) The amounts due to subsidiaries (non-current) are as per below:
  - (i) Unsecured, bears interest rate of 5.85% (2019: 5.85%) per annum and has no fixed term of repayment.
  - (ii) Unsecured, bears an average interest rate of 3.37% (2019: Nil) and is repayable within 2 years.
- (b) The amounts due to subsidiaries (current) are unsecured, non-interest bearing and are repayable on demand, except for an amount of RM1,200,000,000 (2019: RM1,200,000,000) which is unsecured, bears an average interest rate of 3.46% (2019: 4.00%) per annum and is repayable within 1 year.

#### **26. LONG TERM LIABILITIES**

- (a) Long term liabilities are in respect of refundable deposits received from tenants for tenancy contracts with tenure of two to thirty 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:

	GROUI	P/FUND
	CARRYING AMOUNT	FAIR VALUE AT LEVEL 3
	RM'000	RM'000
Long term liabilities		
As at 30 June 2020	78,524	68,599
As at 30 June 2019	77,018	66,036

There is no transfer between levels in the hierarchy during the financial year.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 26. LONG TERM LIABILITIES (CONT'D.)

(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 summarised in the table below:

	ONE TO FIVE YEARS RM'000	OVER FIVE YEARS RM'000	TOTAL RM'000
Group/Fund			
As at 30 June 2020	71,553	6,971	78,524
As at 30 June 2019	69,993	7,025	77,018

#### 27. DEFERRED TAX LIABILITY

	GROUP/FUND	
	2020	2019
	RM'000	RM′000
At beginning of financial year	14,841	6,896
Recognised in profit or loss (Note 11)	(900)	7,945
At end of financial year	13,941	14,841

The deferred tax liability relates to fair value changes 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.

#### 28. TRADE PAYABLES

	GROUP/FUND	
	2020	2019
	RM'000	RM′000
Total trade payables	1,698	3,057

(a) Included in trade payables is the following amounts due to parties related to the Manager:

	GROUP/FUND	
	2020	2019
	RM'000	RM′000
Sunway Berhad Group	688	571

The amounts due to parties related to the Manager are unsecured, non-interest bearing and are repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 33 to the financial statements.

- (b) The normal trade credit terms granted to the Group and the Fund range from 1 day to 90 days (2019: 1 day to 90 days).
- (c) The maturity profile of the Group's and of the Fund's trade payables at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.
- (d) Trade payables are classified as financial liabilities measured at amortised cost.

#### 29. OTHER PAYABLES

	GROUP		FUND	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Sundry payables	9,405	10,468	9,405	10,468
Accruals	87,213	109,628	75,289	97,299
Deferred income	739	1,330	739	1,330
Refundable deposits	53,533	53,214	53,533	53,214
	150,890	174,640	138,966	162,311

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 29. OTHER PAYABLES (CONT'D.)

(a) Included in other payables is the following amounts due to parties related to the Manager:

	GROUP/FUND	
	2020	2019
	RM'000	RM′000
Sunway Berhad Group	6,112	15,261

The amounts due to parties related to the Manager are unsecured, non-interest bearing and are repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 33 to the financial statements.

- (b) The maturity profile of the Group's and of the Fund's other payables (excluding deferred income) at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.
- (c) Other payables are classified as financial liabilities measured at amortised cost.

#### 30. MANAGEMENT EXPENSE RATIO

	GROUP	
	2020	2019
	RM′000	RM′000
Total trust expenses	40,513	40,743
Net asset value at end of financial year	4,769,774	4,796,556
Less: Proposed final income distribution (Note 13)	(70,093)	(67,148)
Net asset value at end of financial year, after proposed final income distribution	4,699,681	4,729,408
Management Expense Ratio ("MER")	0.86%	0.86%

The calculation of MER is based on the total fees and expenses incurred by the Group in the financial 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/FUND	
	2020	2019
	RM'000	RM'000
Not later than 1 year	368,463	435,833
Later than 1 year and not later than 5 years	564,865	444,636
Later than 5 years	1,289,114	1,379,624
	2,222,442	2,260,093

#### 32. CAPITAL COMMITMENTS

	GROUP/FUND	
	2020	2019
	RM'000	RM'000
Capital expenditure		
Subsequent expenditure of investment properties:		
Approved and contracted for	329,682	297,408
Approved but not contracted for	304,114	202,730
	633,796	500,138

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 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	/FUND
RELATED TO THE MANAGER	NATURE OF TRANSACTIONS	2020	2019
		RM'000	RM'000
(a) Sunway Berhad	Rental income and utilities charges	141,657	143,909
Group *	Interest income from investment in money market instrument	2,411	1,857
	Property management and related services	(36,989)	(41,760)
	Construction and related services	(45,248)	(91,816)
	Acquisition of investment properties	(45,000)	(550,000)
	Subscription of commercial paper	(180,000)	-
	Others	(19,077)	(8,294)
(b) Sunway	Rental income and utilities charges	533	554
Technology Sdn. Bhd. Group ("STSB Group")#	Others	(665)	(2,652)

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 Sarena Cheah Yean Tih's interests in Sunway Berhad Group and the Group. Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling and Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the parents of Sarena Cheah Yean Tih, have interests in Sunway Berhad Group and the Group. Sarena Cheah Yean Tih, is a Director of Sunway Berhad, the Manager and the Group as well as Director and alternate Director in several subsidiaries of Sunway Berhad. Evan Cheah Yean Shin, the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a Director in several subsidiaries of Sunway Berhad Group and STSB Group. Adrian Cheah Yean Sun, the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a Director in several subsidiaries of Sunway Berhad Group. Evan Cheah Yean Shin and Adrian Cheah Yean Sun have interests in Sunway Berhad 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, also has deemed interests in STSB Group and the Group. Sarena Cheah Yean Tih, Evan Cheah Yean Shin and Adrian Cheah Yean Sun, being the children of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, have deemed interests in STSB Group and the Group. Evan Cheah Yean Shin is a Director of STSB Group.

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 2020 are disclosed in Notes 17, 18, 28 and 29 to the financial statements.

#### 34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

#### **COVID-19 Pandemic and Malaysia Movement Control Order**

On 11 March 2020, World Health Organisation declared COVID-19 outbreak as a pandemic. The Movement Control Order, commonly referred to as the "MCO", is implemented as a preventive measure by the Government of Malaysia in response to the COVID-19 pandemic in the country since 18 March 2020.

#### (i) Impact on financials

Following the impact of COVID-19 pandemic in 3Q2020, both retail and hotel sectors continued to be severely impacted by the COVID-19 pandemic and the imposition of MCO, Conditional MCO ("CMCO") and Recovery MCO ("RMCO"). Sunway REIT experienced a major drop in revenue from both retail and hotel segments. The significant decline in revenue from the retail segment was mainly due to rental support granted to assist tenants during this crucial period, especially those providing non-essential products and services. Besides the retail sector, the hotel sector had been affected adversely where many hotels in the market have ceased operations. Despite the master lease agreements we have entered into in respect of our hotels, the Manager has also evaluated the necessity to provide some rental support to the hotel lessees to ease their burden during the period of MCO and CMCO. Overall, Sunway REIT has provided significant rental support as part of its long-term business partnership sustainability, subject to case-to-case basis upon evaluation of conditions and fulfilment of the criteria set.

Besides the above rental support, the 15% electricity discount from April to September 2020 as announced by the Malaysian Government will also be passed on by Sunway REIT to eligible tenants upon similar receipt from Tenaga Nasional Berhad. Sunway REIT also provided other tenant support measures such as flexible operating hours, promotional space and marketing support.

#### (ii) Impact on liquidity

As at 30 June 2020, Sunway REIT's cash and short term investment stood at approximately RM280 million and has adequate working capital to sustain the business operations. Sunway REIT's balance sheet remains strong and its funding and liquidity needs are well supported by diversified pool of financiers. The gearing level is at 40.7% with interest service cover ratio remains healthy at 3.1 times, and based on current cashflows, Sunway REIT is able to meet its existing debt obligations.

#### (iii) Impact on occupancies

For the expiring tenancies due in FY2020, 92% have been renewed as at 30 June 2020 with positive low single-digit rental reversionary rate.

Retail segment registered average occupancy of 95%, a drop of 1% as compared to FY2019. As at 30 June 2020, more than 90% of our tenants have resumed business under the RMCO and following this resumption with further relaxation granted to other businesses thereafter, shoppers' traffic has also shown encouraging recovery.

Hotel segment registered average occupancy of 53%, a drop of 16% as compared to FY2019. With international travel restriction remains prevalent and restricted group meeting capacity, hotel pick-up pace remains challenging in the coming months with gradual recovery over the next 6 to 12 months.

Other segments remain relatively stable in terms of occupancy.

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D.)

#### COVID-19 Pandemic and Malaysia Movement Control Order (cont'd.)

(iv) Strategies and steps taken

The Manager have undertaken certain actions for implementation of the standard operating procedures during MCO, CMCO and RMCO, such as investment in thermal scanners, sanitising stations, frequent fogging disinfection at public areas and maintaining social distancing protocols. Despite the initial costs to implement these standard operating procedures, the necessity to build retail confidence is critical and paramount.

Aside from the above, the Manager also implemented certain cost containment initiatives from reducing, cancelling and/ or deferring non-essential operational and capital spending. These entails working closely with our lessees, operators and property manager to achieve operational cost savings, leaner cost structure as well as enhanced business efficiency and synergies.

From the liquidity management aspect, the Manager have incorporated proactive and pre-emptive measures to conserve cash such as varying income distribution frequency from quarterly to semi-annual basis, adjustment in income distribution payout ratio and proposed establishment of a distribution reinvestment scheme to provide flexibility to unitholders to receive future income distribution in cash, units or a combination of both. The Manager is also working towards strengthening the balance sheet by proposing a private placement exercise to fund acquisition and property development activities which will lead to achieving an optimal gearing level.

#### **Multiple Corporate Proposals**

- I Proposed acquisition of The Pinnacle Sunway for a cash consideration of RM450.0 million
- II Proposed private placement to raise gross proceeds of up to RM710.0 million
- III Proposed establishment of a distribution reinvestment scheme

On 29 June 2020, RHB Investment Bank Berhad announced on behalf of the Board of Directors of Sunway REIT Management Sdn. Bhd. ("Board"), being the Manager for Sunway REIT ("Manager"), that RHB Trustees Berhad, as the trustee of Sunway REIT ("Trustee"), entered into a conditional sale and purchase agreement with Sunway Integrated Properties Sdn. Bhd. ("Sunway Integrated Properties") and Sunway Pinnacle Sdn. Bhd. ("Sunway Pinnacle") (collectively, the "Vendors"), both of which are wholly-owned indirect subsidiaries of Sunway Berhad, for the acquisition of The Pinnacle Sunway for a cash consideration of RM450.0 million ("Proposed Acquisition").

The Proposed Acquisition entails the acquisition of:

- (i) a piece of leasehold land held under PN 17103, Lot No. 61759, Town of Sunway, District of Petaling, State of Selangor ("Land") from Sunway Integrated Properties; and
- (ii) a building comprising a 24-storey office building with three-storey mezzanine floors and six levels of basement car park, and all fixtures and fittings fixed to or located or used therein and services infrastructure and systems and facilities (including without limitation, safety, heating, lighting, plumbing, sanitation, air conditioning, ventilation, fire protection safety facilities, elevators, escalators and broadband computer facilities) (collectively, referred to as "Buildings") from Sunway Pinnacle.

The Land and Buildings, which are held as investment property by the Vendors, are collectively known as "The Pinnacle Sunway".

#### 34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D.)

#### Multiple Corporate Proposals (cont'd.)

Further, RHB Investment Bank also wishes to announce that the Trustee, on the recommendation of the Manager, is proposing to undertake the following transactions:

- (i) a proposed private placement to raise gross proceeds of up to RM710.0 million at an issue price to be determined later by the Board which is to be undertaken under a new general mandate for the allotment and issuance of new units in Sunway REIT to be sought at the forthcoming 8th Annual General Meeting ("8th AGM") of Sunway REIT ("New Mandate") ("Proposed Private Placement"); and
- (ii) the proposed establishment of a distribution reinvestment scheme that provides the unitholders of Sunway REIT with an option to elect to reinvest, in whole or in part, their cash income distribution in new units in Sunway REIT ("Proposed DRS").

The Proposed Acquisition, Proposed Private Placement and Proposed DRS are collectively referred to as the "Proposals".

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the new units in Sunway REIT ("Placement Units") on the Main Market of Bursa Securities;
- (ii) the approval of the unitholders for the Proposed Acquisition, Proposed DRS and for any proposed placement to major unitholders of Sunway REIT and/or persons connected to them ("Specific Allotment") at the unitholders' meeting;
- (iii) the approval of the unitholders for the New Mandate at the 8<sup>th</sup> AGM to be convened for the allotment and issuance of the Placement Units or if the New Mandate is not obtained, the approval of the unitholders at the unitholders' meeting for the Proposed Private Placement (which includes allotment and issuance of the Placement Units);
- (iv) the approval or no objection from the state authority for the transfer of the Land from Sunway Integrated Properties to the Trustee; and
- (v) any other relevant authority and/or party, if required.

The Proposed Acquisition is conditional upon the completion of the Proposed Private Placement.

The submissions to the relevant authorities for the Proposals are expected to be made within two months from 29 June 2020, being the date of announcement of the Proposals. Barring any unforeseen circumstances, the Proposals are expected to be completed in the 4th quarter of 2020.

FINANCIALS

#### FINANCIALS

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 35. MATERIAL LITIGATIONS

(a) Sunway Putra (formerly known as Putra Place) - Claims for chattels and movable items - Assessment of damages (Kuala Lumpur High Court Civil Suit No. 22NCVC-523-09/2015)

Metroplex Holdings Sdn. Bhd. ("Metroplex") had filed writ of summons and a statement of claim dated 28 September 2015 against the Trustee and the Manager, respectively, 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 Metroplex but not removed by Metroplex when the Manager took possession of the hotel at Sunway Putra on 27 September 2011. Metroplex has in its statement of claim alleged that the various chattels and movable items were worth in excess of RM80 million as at September 2011.

The trial for liability took place on 5 and 6 June 2017. The decision of the High Court of Malaya at Kuala Lumpur was delivered on 3 November 2017, in favour of Metroplex and costs of RM20,000 was awarded to Metroplex.

The Trustee and Manager had filed a stay application for the trial for assessment of damages which was dismissed by the Court on 21 May 2018 with no order as to costs.

On 30 January 2019, Metroplex's solicitors informed the learned Registrar that the Court of Appeal has reversed the High Court decision on 22 January 2019 and that they are awaiting instructions to file an application for leave to appeal to the Federal Court and to stay the Court of Appeal decision. The matter is fixed for further case management on 22 February 2019. On 22 February 2019, Metroplex has withdrawn the assessment with liberty to file afresh and with no order as to cost.

(b) Sunway Putra (formerly known as Putra Place) - Appeal to the Court of Appeal against the decision of 3 November 2017 above

Mahkamah Rayuan Sivil No. 1 - 02(NCVC)(W)-2284-11/2017 Federal Court Leave to Appeal No. 08-53-02/2019(W)

The Trustee and the Manager filed an appeal to the Court of Appeal on liability on 6 November 2017. The trial for the appeal was held on 29 June 2018 but was adjourned to 3 September 2018.

On 3 September 2018, both counsels submitted their verbal submissions before the learned Court of Appeal judges. The learned judges requested for further written submissions to be submitted by both parties, and these were submitted on 18 September 2018.

The Court of Appeal had, on 22 January 2019, allowed the appeal by the Trustee and Manager, with costs of RM50,000.00. The High Court's earlier decision allowing Metroplex's claim on liability was set aside. Therefore, Metroplex's claim on the chattels has been dismissed.

Metroplex served the counsel for the Trustee and the Manager with the Notice of Motion for leave to appeal on 21 February 2019. The hearing date for the leave to appeal was fixed on 28 August 2019 but was adjourned at the request of the Plaintiff. At case management on 30 August 2019, the Federal Court fixed the hearing date on 25 November 2019. The Federal Court granted leave to appeal on 1 out of the 4 proposed questions on which leave was sought. The case management and the hearing is fixed on 28 August 2020 and 7 September 2020 respectively.

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.

#### 36. 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 2019, the Group and the Fund adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2019.

TITLE	EFFECTIVE DATE
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020

Although the Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform* are mandatory for the financial periods beginning on or after 1 January 2020, the Group and the Fund early adopted these Amendments from the financial period beginning 1 July 2019.

These Amendments provide relief in applying the requirements of MFRS 9 to affected hedges, including allowing the Group and the Fund to assume that interest rate benchmarks on which hedged cash flows are based would not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform remain in place and no additional ineffective portion of the hedges would be recognised.

#### MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group and the Fund is the lessor.

The Group and the Fund applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated.

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Fund.

FINANCIALS

#### ADDITIONAL INFORMATION

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

#### 36. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (CONT'D.)

## (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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 References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
Amendment to MFRS 16 Covid-19-Related Rent Concessions	1 June 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
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.

# **ANALYSIS OF UNITHOLDINGS AS AT 20 JULY 2020**

Total number of units issued : 2,945,078,000 units

Voting rights : One vote per unit

Number of unitholders : 19,655

#### **DISTRIBUTION OF UNITHOLDINGS**

Holdings	No. of Holders	%	No. of Units Held	%
Less than 100	49	0.25	770	0.00
100 - 1,000	5,943	30.24	3,828,473	0.13
1,001 - 10,000	10,420	53.01	45,817,086	1.55
10,001 - 100,000	2,725	13.86	82,429,599	2.80
100,001 to less than 5% of the total number of units issued	513	2.61	1,483,103,972	50.36
5% and above of the total number of units issued	5	0.03	1,329,898,100	45.16
	19,655	100.00	2,945,078,000	100.00

#### THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS

No	Name of Unitholder	No. of Units Held	%
1.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	391,768,200	13.30
2.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sunway REIT Holdings Sdn Bhd (PJCAC)	322,000,000	10.93
3.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account-Sumitomo Mitsui Banking Corporation Malaysia Berhad for Sunway REIT Holdings Sdn Bhd	233,000,000	7.91
4.	RHB Nominees (Tempatan) Sdn Bhd - Malaysian Trustees Berhad Pledged Securities Account for Sunway REIT Holdings Sdn Bhd-T10	208,590,000	7.08
5.	Kumpulan Wang Persaraan (Diperbadankan)	174,539,900	5.93
6.	MUFG Bank (Malaysia) Berhad - Pledged Securities Account for Sunway REIT Holdings Sdn Bhd	138,364,780	4.70
7.	Sunway REIT Holdings Sdn Bhd	109,523,785	3.72
8.	Sunway REIT Holdings Sdn Bhd	84,500,000	2.87
9.	Sunway Education Group Sdn Bhd	80,000,000	2.72

**ANALYSIS OF UNITHOLDINGS AS AT 20 JULY 2020** 

#### **ANALYSIS OF UNITHOLDINGS AS AT 20 JULY 2020**

No	Name of Unitholder	No. of Units Held	%
10.	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	77,142,400	2.62
11.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for AIA Bhd	66,779,000	2.27
12.	RHB Nominees (Tempatan) Sdn Bhd - Malaysian Trustees Berhad Pledged Securities Account for Sunway REIT Holdings Sdn Bhd-T11	45,000,000	1.53
13.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	43,342,900	1.47
14.	Amanahraya Trustees Berhad - Amanah Saham Bumiputera	40,195,300	1.36
15.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	38,869,700	1.32
16.	RHB Nominees (Tempatan) Sdn Bhd - Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for Sunway REIT Holdings Sdn Bhd	38,100,000	1.29
17.	Amanahraya Trustees Berhad - Amanah Saham Malaysia	30,000,000	1.02
18.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	26,742,314	0.91
19.	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sunway REIT Holdings Sdn Bhd	25,000,000	0.85
20.	Permodalan Nasional Berhad	23,281,500	0.79
21.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	23,015,000	0.78
22.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (CIMB Prin)	22,676,800	0.77
23.	Amanahraya Trustees Berhad - Amanah Saham Malaysia 2 - Wawasan	22,000,000	0.75
24.	Cartaban Nominees (Asing) Sdn Bhd - Exempt An for State Street Bank & Trust Company (West CLT OD67)	21,994,300	0.75
25.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life Par)	20,819,100	0.71
26.	HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for SMAM Asia REIT Sub Trust	16,893,400	0.57
27.	Citigroup Nominees (Asing) Sdn Bhd - CBNY For DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc	16,762,000	0.57
28.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd For Zurich Life Insurance Malaysia Berhad (NP-Other-REITs)	16,543,700	0.56
29.	Amanahraya Trustees Berhad - Public Dividend Select Fund	12,558,100	0.43
30.	Pertubuhan Keselamatan Sosial	11,533,700	0.39

## SUBSTANTIAL UNITHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL UNITHOLDERS AS AT 20 JULY 2020

Name of Unitholder	Direct	Direct		
	No. of Units Held	%	No. of Units Held	%
Sunway REIT Holdings Sdn Bhd	1,204,078,565	40.88	-	-
Employees Provident Fund Board	465,473,000	15.81	-	-
Kumpulan Wang Persaraan (Diperbadankan)	174,880,900	5.94	26,478,300	0.90
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling AO	-	-	1,204,078,565(1)	40.88
Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng	-	-	1,204,078,565 <sup>(2)</sup>	40.88
Sarena Cheah Yean Tih, <sub>S.M.S.</sub>	-	-	1,204,081,565(3)	40.88
Evan Cheah Yean Shin	-	-	1,204,078,565(1)	40.88
Adrian Cheah Yean Sun	-	-	1,204,078,565(1)	40.88
Active Equity Sdn Bhd	-	-	1,204,078,565(4)	40.88
Sungei Way Corporation Sdn Bhd	-	-	1,204,078,565(5)	40.88
Sunway Berhad	-	-	1,204,078,565(6)	40.88

#### Notes:

- 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.
- Deemed interest held through spouse.
- 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 spouse.

  Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway
- 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.
- (5) Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Sunway Berhad and Sunway REIT Holdings Sdn Bhd.
- Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Sunway REIT Holdings Sdn Bhd.

#### **UNITHOLDING OF DIRECTORS**

Name of Unitholder	Direct	Direct Indirec		Direct		
	No. of Units Held	%	No. of Units Held	%		
Elvin A/L Berty Luke Fernandez	90,000	#	-	-		
Sarena Cheah Yean Tih	-	-	1,204,081,565 <sup>(a)</sup>	40.88		

#### Notes:

- # Negligible
- 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 spouse.

#### NOTICE OF 8<sup>TH</sup> ANNUAL GENERAL MEETING

# NOTICE OF 8<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Eighth Annual General Meeting ("8th AGM") of Sunway Real Estate Investment Trust ("Sunway REIT") will be held as a fully virtual meeting through live streaming and online remote voting from the Broadcast Venue at the Penthouse, Level 20, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Friday, 2 October 2020 at 3:30 pm, for the following purposes:

#### **AS ORDINARY BUSINESS:**

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 of Sunway REIT together with the Reports of Manager, Trustee and Auditors thereon.

#### **AS SPECIAL BUSINESS:**

To consider and if thought fit, to pass the following as Ordinary Resolutions:

2. Proposed Authority to Issue and Allot New Units of up to 20% of the Total Number of Issued Units of Sunway REIT (Ordinary Resolution 1)

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Deed dated 20 May 2010, the Supplemental Deed dated 10 June 2010 and the Amended and Restated Deed dated 18 September 2018 entered into between Sunway REIT Management Sdn Bhd (the "Manager") and RHB Trustees Berhad (the "Trustee") constituting Sunway REIT, and the approvals of the relevant regulatory authorities being obtained, authority be and is hereby given to the Directors of the Manager, to issue and allot units in Sunway REIT ("New Units"), at any time at such price to any such persons and upon such terms and conditions as the Directors of the Manager may in their absolute discretion, deem fit and expedient in the best interest of Sunway REIT, provided that the aggregate number of New Units to be issued, when aggregated with the total number of units issued during the preceding 12 months, does not exceed 20% of the total number of issued units of Sunway REIT for the time being comprising 2,945,078,000 units ("Proposed Authority");

**THAT** such authority shall continue to be in force until:

- (i) the conclusion of the next AGM of Sunway REIT at which time this Proposed Authority will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
- (ii) the expiration of the period within which the next AGM of Sunway REIT is required by law to be held; or
- (iii) the Proposed Authority is revoked or varied by a resolution passed by the unitholders in a general meeting of Sunway REIT,

whichever is the earlier;

**THAT** such New Units to be issued pursuant to the Proposed Authority shall, upon issue and allotment, 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 distributions, rights, benefits, entitlements and/or any other distributions that may be declared prior to the date of issue and allotment of such New Units;

**THAT** authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Sunway REIT, to give effect to the Proposed Authority including but not limited to the creation of the requisite New Units and with full powers to assent to any conditions, modifications, variations, arrangements and/or amendments as they may deem fit in the best interest of Sunway REIT and/or as may be imposed by the relevant authorities;

**AND 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 do all acts, deeds and things (including executing such documents as may be required) in relation to the Proposed Authority."

3. Proposed Renewal of Unitholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Ordinary Resolution 2)

"THAT approval be and is hereby given for Sunway REIT to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("Recurrent Related Party Transactions") as set out in Section 2.3 of the Circular to Unitholders dated 28 August 2020, subject to the following ("Proposed Mandate"):

- (a) the Recurrent Related Party Transactions are entered into in the ordinary course of business which are necessary for day-to-day operations and are on Sunway REIT's normal commercial terms which are not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on an arm's length basis which are not detrimental to the minority unitholders of Sunway REIT; and
- (b) the unitholders' mandate is subject to annual renewal and this unitholders' mandate shall only continue to be in force until:
  - (i) the conclusion of the next AGM of Sunway REIT at which time this Proposed Mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
  - (ii) the expiration of the period within which the next AGM of Sunway REIT is required by law to be held; or
  - (iii) the Proposed Mandate is revoked or varied by a resolution passed by the unitholders in a general meeting of Sunway REIT, whichever is the earlier;

**AND THAT** the Directors of the Manager and the Trustee be and are hereby authorised to do all acts, deeds and things and execute all necessary documents as they may consider necessary or expedient in the best interest of Sunway REIT with full power to assent to any conditions, variations, modifications, arrangements and/or amendments in any manner as may be required or permitted under relevant authorities and to deal with all matters in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Recurrent Related Party Transactions contemplated and/or authorised by this ordinary resolution."

4. Proposed Establishment of a Distribution Reinvestment Scheme that Provides the Unitholders of Sunway REIT with an Option to Elect to Reinvest their Cash Income Distribution in New Units in Sunway REIT ("DRS Units") ("Proposed DRS") (Ordinary Resolution 3)

"THAT subject to the approvals of all relevant authorities being obtained for the Proposed DRS:

- (i) the Proposed DRS be and is hereby approved and authorised;
- (ii) the Directors of the Manager ("Board"), acting for and on behalf of Sunway REIT, be and is hereby authorised:
  - (a) to establish and implement the Proposed DRS based on the terms and conditions in the Dividend Reinvestment Scheme Statement;
  - (b) to determine, in its sole and absolute discretion, whether the Proposed DRS will apply to any cash income distribution (whether interim, final, special or any other types of cash distribution) declared and/or approved by the Board;
  - (c) to allot and issue such number of DRS Units from time to time as may be required to be allotted and issued pursuant to the Proposed DRS; and
  - (d) to do all such acts and enter into such transactions, arrangements and agreements, and to execute, sign and deliver, for and on behalf of Sunway REIT, all such documents and impose such terms and conditions or delegate any part of its powers as may be necessary or expedient in order to give full effect to the Proposed DRS, with full powers to assent to any conditions, modifications, variations and/or amendments including amendment, modification, suspension and termination of the Proposed DRS as the Board may, in its absolute discretion, deem fit and in the best interest of Sunway REIT and/or as may be imposed or agreed to by any relevant authorities.

**AND THAT** the DRS Units will, upon allotment and issuance, rank equally in all respects with the then existing units in Sunway REIT, save and except that the DRS Units shall not be entitled to any distributable income, rights, benefits, entitlements and/or other distributions that may be effected before the date of allotment of the DRS Units."

ADDITIONAL INFORMATION

#### ADDITIONAL INFORMATION

NOTICE OF 8<sup>TH</sup> ANNUAL GENERAL MEETING

#### NOTICE OF 8<sup>TH</sup> ANNUAL GENERAL MEETING

#### 5. Issuance of DRS Units pursuant to the Proposed DRS ("Issuance of DRS Units") (Ordinary Resolution 4)

"THAT subject to the passing of Ordinary Resolution 3 and the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board to allot and issue such number of DRS Units from time to time as may be required to be allotted and issued pursuant to the Proposed DRS until the conclusion of Sunway REIT's next AGM, upon the terms and conditions and to such persons as the Board may, in its absolute discretion, deem fit or expedient and in the best interest of Sunway REIT;

The issue price of the DRS Units, which will be determined by the Board on the price-fixing date to be determined and announced ("**DRS Price-Fixing Date**"), shall be at an issue price of not more than a 10.0% discount to the 5-day volume weighted average market price of Sunway REIT before the DRS Price-Fixing Date.

**AND THAT** the Board be and is hereby authorised to do all such acts and enter into such transactions, arrangements and agreements and to execute, sign and deliver, for and on behalf of Sunway REIT, all such documents and impose such terms and conditions or delegate any part of its powers as may be necessary or expedient in order to give full effect to the Issuance of DRS Units, with full powers to assent to any conditions, modifications, variations and/or amendments including pursuant to any amendment, modification, suspension and termination of the Proposed DRS or the Issuance of DRS Units as the Board may, in its absolute discretion, deem fit and in the best interest of Sunway REIT and/or as may be imposed or agreed to by any relevant authorities."

# By Order of the Board of SUNWAY REIT MANAGEMENT SDN BHD

(Manager for Sunway REIT)

TAN KIM AUN (MAICSA 7002988) (SSM PC NO. 202008001249) ONG WEI LENG (MAICSA 7053539) (SSM PC NO. 202008001016)

**Company Secretaries** 

Bandar Sunway 28 August 2020

#### Notes:

- (1) As part of the safety measures to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of unitholders of Sunway REIT ("**Unitholders**") and the Manager, the 8<sup>th</sup> AGM of Sunway REIT will be held fully virtual and entirely through live streaming and online remote voting using the Remote Participation and Voting ("**RPV**") Facility. This is also in line with the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, as revised or amended from time to time.
- (2) **NO UNITHOLDERS/PROXIES/CORPORATE REPRESENTATIVES/ATTORNEYS** from the public shall be physically present nor admitted at the Broadcast Venue on the day of the 8<sup>th</sup> AGM.
- (3) Unitholders are to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the 8<sup>th</sup> AGM using RPV Facility provided by Sunway REIT's Share Registrar via its website at **www.sunwaymanagement.com.my**. Please follow the procedures for RPV Facility provided in the Administrative Details for the 8<sup>th</sup> AGM.
- (4) A Unitholder who is entitled to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the 8<sup>th</sup> AGM using the RPV Facility may appoint a proxy or proxies (not more than 2 proxies) to participate and vote on his/her behalf. A proxy may but need not be a Unitholder.
- (5) Unitholders may use the Q&A platform in Zoom Cloud Meetings App to submit questions in real time during the 8<sup>th</sup> AGM. Unitholders may also submit questions to the Manager prior to the 8<sup>th</sup> AGM by emailing to **irsunreit@sunway.com.my** no later than 3:30 pm on 1 October 2020 or via the Q&A platform in **www.sunwaymanagement.com.my** from 12:00 pm on 25 September 2020 up to 3:00 pm on 2 October 2020.

- (6) Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than 2 proxies in respect of each securities account it holds with units standing to the credit of the said securities account.
- (7) Where a member is an exempt authorised nominee as defined under the SICDA, who holds units in Sunway REIT for multiple beneficial owners in one 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 with units standing to the credit of the said Omnibus Account.
- (8) Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointments shall be invalid unless he/she or it specifies the proportions of his/her or its holdings to be represented by each proxy.
- (9) If a Unitholder has appointed a proxy or proxies (not more than 2 proxies) to participate the 8<sup>th</sup> AGM and subsequently he/she participates the 8<sup>th</sup> AGM using the RPV Facility, the appointment of such proxy shall be null and void, and his/her proxy shall not be entitled to participate the 8<sup>th</sup> AGM.
- (10) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her 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.
- (11) The instrument for the appointment of a proxy must be completed and deposited at the registered office of the Manager, Sunway REIT Management Sdn Bhd at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia, not less than 24 hours before the time appointed for holding the 8th AGM or any adjournment thereof, either by hand, post, electronic mail to **sunwaymanagement@sunway.com.my** or fax to (603) 5639 9507, and in default, the instrument of proxy shall not be treated as valid. 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 of the Manager, either by hand or post not less than 24 hours before the time appointed for holding the 8th AGM or any adjournment thereof.
- (12) If no name is inserted in the space for the name of your proxy, the Chairman of the 8th AGM will act as your proxy.
- (13) Only a depositor whose name appears in the Record of Depositors of Sunway REIT as at 24 September 2020 shall be regarded as a Unitholder and entitled to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the 8<sup>th</sup> AGM using the RPV Facility or appoint proxies to participate and/or vote on his/her or its behalf.

# Audited Financial Statements for the financial year ended 30 June 2020 of Sunway REIT together with the Reports of Manager, Trustee and Auditors thereon

(14) The Audited Financial Statements under Agenda 1 are laid before the Unitholders for discussion only as under the paragraph 13.18(b) of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia, the Audited Financial Statements do not require a formal approval of the Unitholders and hence, the matter is not put forward for voting.

#### **EXPLANATORY NOTES ON SPECIAL BUSINESSES**

#### (15) Ordinary Resolution 1 - Proposed Authority

The proposed ordinary resolution, if passed, will give a mandate to the Directors of the Manager to issue and allot units in Sunway REIT from time to time provided that the aggregate number of the New Units to be issued, when aggregated with the total number of units issued during the preceding 12 months, does not exceed 20% of the total number of issued units of Sunway REIT for the time being. The Proposed Authority, unless revoked or varied by at a resolution passed by the Unitholders in a general meeting of Sunway REIT, will expire at the conclusion of the next AGM of Sunway REIT.

As at the date of this notice, Sunway REIT has not issued any units under the mandate which was approved at the 7<sup>th</sup> AGM held on 2 October 2019 and which will lapse at the conclusion of the 8<sup>th</sup> AGM.

With this Proposed Authority, Sunway REIT will have the flexibility to issue and allot New Units to raise funds to finance future investments, acquisitions and capital expenditure project(s) to enhance the value of Sunway REIT and/or to refinance existing debt as well as for working capital purposes without convening a general meeting, which may delay the capital raising initiatives and incur relevant costs in organising the required general meeting.

ADDITIONAL INFORMATION

#### ADDITIONAL INFORMATION

#### NOTICE OF 8<sup>TH</sup> ANNUAL GENERAL MEETING

#### (16) Ordinary Resolution 2 - Proposed Renewal Mandate

The details on the proposed renewal of unitholders' mandate for recurrent related party transactions of a revenue or trading nature are set out in the Circular to Unitholders dated 28 August 2020.

#### **ABSTENTION FROM VOTING**

(17) The interested Director of the Manager who is a Unitholder will abstain from voting on Ordinary Resolution 2 concerning the Proposed Mandate. In addition, the interested Director will ensure that person connected with her will abstain from voting on Ordinary Resolution 2 concerning the Proposed Mandate.

#### **PERSONAL DATA PRIVACY**

- (18) By lodging of a completed Proxy Form to Sunway REIT for appointing a proxy(ies) and/or representative(s) to participate and vote remotely at the 8<sup>th</sup> AGM and any adjournment thereof using the RPV Facility, a Unitholder is hereby:
  - (i) consenting to the collection, use and disclosure of the member's personal data by Sunway REIT (or its agents) for the purpose of the processing and administration by Sunway REIT (or its agents) of proxies and representatives appointed for the 8th AGM (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 8th AGM (including any adjournment thereof), and in order for Sunway REIT (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
  - (ii) warranting that where the member discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to Sunway REIT (or its agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by Sunway REIT (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes ("Warranty"); and
  - (iii) agreeing that the member will indemnify Sunway REIT in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of the Warranty.

For the purposes of this paragraph, "personal data" shall have the same meaning given in section 4 of the Personal Data Protection Act 2010.

# **GRI CONTENT INDEX**

GRI 102-55

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
GRI 101: FOUN	NDATION 201	6		
GENERAL DISC	CLOSURES			
Organisational	Profile			
GRI 102:	102-1	Organisation's name	-	6
General Disclosures	102-2	Activities, brands, products and services	-	6
2016	102-3	Location of the organisation's headquarters	-	8
	102-4	Location of operations	-	3
	102-5	Nature of ownership and legal form	-	10
	102-6	Market served	-	6
	102-7	Scale of the organisation	-	4
	102-8	Information on employees and other workers	-	144-147
	102-9	Organisation's supply chain	-	125-126
	102-10	Significant changes during the reporting period	-	125
	102-11	Precautionary Principle or approach	16	103
	102-12	External Initiatives	17	121
	102-13	Membership in national/international associations	17	117
Strategy				
	102-14	Statement from senior decision-maker	16	18-25
	102-15	Key impacts, risks, and opportunities	16	103-105
Ethics and inte	grity			
	102-16	Values, principles, standards, and norms of behavior	16	182
	102-17	Mechanisms for advice and concerns about ethics (Whistleblowing)	16	182
Governance				
	102-18	Governance structure	16	11, 116, 172
	102-19	Delegating authority	16	11
	102-20	Executive-level responsibility for economic, environmental, and social topics	16	116
	102-21	Consulting stakeholders on economic, environmental, and social topics	16	102, 194
	102-22	Composition of the highest governance body and its committees	5, 16	116, 172
	102-23	Chair of the highest governance body	16	172
	102-24	Nominating and selecting the highest governance body	5, 16	184

# **GRI CONTENT INDEX**

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
	102-25	Conflicts of interest	16	172
	102-26	Role of highest governance body in setting purpose, values, and strategy	16	172
	102-27	Collective knowledge of highest governance body	4	172
	102-28	Evaluating the highest governance body's performance	16	184
	102-29	Identifying and managing economic, environmental, and social impacts	16	103-105
	102-30	Effectiveness of risk management processes	16	186
	102-31	Review of economic, environmental, and social topics	16	116
	102-32	Highest governance body's role in sustainability reporting	16	116
	102-33	Communicating critical concerns	16	182
	102-34	Nature and total number of critical concerns	16	127-128
	102-35	Remuneration policies	16	184
	102-36	Process for determining remuneration	16	184
	102-37	Stakeholders' involvement in remuneration	16	184
	102-38	Annual total compensation ratio	16	Information not disclosed
	102-39	Percentage increase in annual total compensation ratio	16	due to confidentiality constraints.
Stakeholder E	ngagement			
	102-40	List of stakeholder groups	-	194
	102-41	Collective bargaining agreements	8	Information is not applicable. There is no union registered at the Manager. There are unions at the lessee level (hotel).
	102-42	Identifying and selecting stakeholders	16	194
	102-43	Approach to stakeholder engagement	16	102
	102-44	Key topics and concerns raised	16	102
Reporting Prac	tice			
	102-45	Entities included in the consolidated financial statements	-	188
	102-46	Defining report content and topic Boundaries	-	2-3
	102-47	List of material topics	-	102-103

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
	102-48	Restatements of information	-	2-3
	102-49	Changes in reporting	-	2-3
	102-50	Reporting period	-	2-3
	102-51	Date of most recent report	-	2-3
	102-52	Reporting cycle	-	2-3
	102-53	Contact point for questions regarding the report	-	2-3
	102-54	Claims of reporting in accordance with the GRI Standards	-	2-3
	102-55	GRI content index	-	292-301
	102-56	External assurance	-	Steps are being taken to prepare for validation in the next financial year.
TOPIC-SPECIFI	C STANDARD	os en		
<b>Economic Cont</b>	ribution to So	ociety		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	120
Management Approach	103-2	The management approach and its components	-	120
2016	103-3	Evaluation of the management approach	-	120
GRI 201:	201-1	Direct economic value generated and distributed	8, 9	120
Economic Performance 2016	201-2	Financial implications and other risks and opportunities due	13	120-122
2016	201-3	Defined benefit plan obligations and other retirement plans	8	Information is not applicable to Sunway REIT's business
	201-4	Financial assistance received from government	8	Information is not applicable to Sunway REIT's business
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	1,5	Information not disclosed due to confidentiality constraints.
	202-2	Proportion of senior management hired from the local community	8	145
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	7, 9, 11	129
	203-2	Significant indirect economic impacts	1, 3, 8, 10, 17	120-122
Anti-Corruption	n			
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	128
Management	103-2	The management approach and its components	-	128
Approach 2016	103-3	Evaluation of the management approach	-	128

# **GRI CONTENT INDEX**

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
GRI 205:	205-1	Operations assessed for risks related to corruption	16	128
Anti- Corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	16	128
2010	205-3	Confirmed incidents of corruption and actions taken	16	128
Business Ethics	and Complia	nce		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	127-128, 182
Management Approach	103-2	The management approach and its components	-	127-128, 182
2016	103-3	Evaluation of the management approach	-	127-128, 182
GRI 102: General Disclosures 2016	102-17	Mechanisms for advice and concerns about ethics (whistleblowing)	16	182
GRI 206: Anti- competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti- trust, and monopoly practices (Business code of conduct)	16	127-128
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	16	127-128
GRI 416: Customer	416-1	Assessment of the health and safety impacts of product and service categories	3, 16	128
Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3, 17	128
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	12, 16	Information is not applicable to Sunway REIT's business
	417-2	Incidents of non-compliance concerning product and service information and labeling	16	Information is not applicable to Sunway REIT's business
	417-3	Incidents of non-compliance concerning marketing communications	16	Information is not applicable to Sunway REIT's business
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	16	128

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
Responsible Su	ıpply Chain aı	nd Sourcing		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	125-126
Management Approach	103-2	The management approach and its components	-	125-126
2016	103-3	Evaluation of the management approach	-	125-126
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	8, 11	125
GRI 301:	301-1	Materials used by weight or volume	8, 12	Information is not
Materials 2016	301-2	Recycled input materials used	8, 12	applicable to Sunway REIT's business
	301-3	Reclaimed products and their packaging materials	8, 16	- REIT'S DUSINESS
GRI 308: Supplier	308-1	New suppliers that were screened using environmental criteria	8, 16	Information unavailable. Steps are being taken to
Environmental Assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	8, 16	obtain the information to be included in the next report.
GRI 414: Supplier Social	414-1	New suppliers that were screened using social criteria	8, 16	
Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	8, 16	
Energy Efficien	ıcy and Renev	vable Energy		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	131-134
Management Approach	103-2	The management approach and its components	-	131-134
2016	103-3	Evaluation of the management approach	-	131-134
GRI 302:	302-1	Energy consumption within the organisation	7, 12, 13	131-134
Energy 2016	302-2	Energy consumption outside of the organisation	7, 12, 13	131-134
	302-3	Energy intensity	7, 12, 13	131-134
	302-4	Reduction of energy consumption	7, 12, 13	131-134
	302-5	Reductions in energy requirements of products and services	7, 12, 13	131-134
Water Manage	ment and Effi	ciency		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	135-136
Management Approach	103-2	The management approach and its components	-	135-136
Approach 2016	103-3	Evaluation of the management approach	-	135-136

# **GRI CONTENT INDEX**

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
GRI 303:	303-1	Interactions with water as a shared resource	6	135-136
Water and Effluents 2018	303-2	Management of water discharge-related impacts	6	Information is not applicable to Sunway REIT's business
	303-3	Water withdrawal	6	135-136
	303-4	Water discharge	6	Information is not applicable to Sunway REIT's business
	303-5	Water consumption	6	135-136
Emissions				
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	130
Management Approach	103-2	The management approach and its components	-	130
2016	103-3	Evaluation of the management approach	-	130
GRI 305:	305-1	Direct (Scope 1) GHG emissions 7	3, 12, 13	130
Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	3, 12, 13	130
2010	305-3	Other indirect (Scope 3) GHG emissions	3, 12, 13	130
	305-4	GHG emissions intensity	13, 14	Information unavailable. Steps are being taken to obtain the information to be included in the next report.
	305-5	Reduction of GHG emission	13, 14	130
	305-6	Emissions of ozone-depleting substances (ODS)	3, 12, 13	Information is not
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	3, 12, 13	applicable to Sunway REIT's business
Effluents and V	Vaste			
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	137-141
Management Approach	103-2	The management approach and its components	-	137-141
2016	103-3	Evaluation of the management approach	-	137-141

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	6	Information unavailable. Steps are being taken to obtain the information to be included in the next report.
	306-2	Waste by type and disposal method	12	137-141
	306-3	Significant spills	12	Information is not
	306-4	Transport of hazardous waste	12	applicable to Sunway REIT's business
	306-5	Water bodies affected by water discharges and/or runoff	12	INEIT 3 DUSINESS
Talent Attraction	on, Retention	and Development		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	144-153
Management Approach	103-2	The management approach and its components	-	144-153
2016	103-3	Evaluation of the management approach	-	144-153
GRI 401:	401-1	New employee hires and employee turnover	5, 8	144-147
Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employee	8	148-153
	401-3	Parental leave	5, 8	149
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	8	148-153
GRI 404:	404-1	Average hours of training per year per employee	4, 5, 8	151
Training and Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	8	150-153
	404-3	Percentage of employees receiving regular performance and career development reviews	8	152
Occupational S	afety, Health	and Well-being		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	153-157
Management Approach	103-2	The management approach and its components	-	153-157
Approach 2016	103-3	Evaluation of the management approach	-	153-157

# **GRI CONTENT INDEX**

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
GRI 403:	403-1	Occupational health and safety management system	8	153-157
Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	8	153-157
Janety 2010	403-3	Occupational health services	8	153-157
	403-4	Worker participation, consultation, and communication on occupational health and safety	8	153-157
	403-5	Worker training on occupational health and safety	8	153-157
	403-6	Promotion of worker health	8	153-157
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	8	153-157
	403-8	Workers covered by an occupational health and safety management system	3, 8	153-157
	403-9	Work-related injuries	3, 8	153-157
	403-10	Work-related ill health	3, 8	153-157
Inclusivity and	Supporting L	ocal Communities		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	144-147, 159-163, 172
Management Approach	103-2	The management approach and its components	-	144-147, 159-163, 172
2016	103-3	Evaluation of the management approach	-	144-147, 159-163, 172
GRI 405:	405-1	Diversity of governance bodies and employees	5, 10	144-147, 172
Diversity and Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men	10	Information not disclosed due to confidentiality constraints.
GRI 413: Local	413-1	Operations with local community engagement, impact assessments, and development programs	11	159-163
Communities 2016	413-2	Operations with significant actual and potential negative impacts on local communities	11	Information unavailable. Steps are being taken to obtain the information to be included in the next report.
Human Rights	(Not material)	)		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	158-159
Management Approach	103-2	The management approach and its components	-	158-159
2016	103-3	Evaluation of the management approach	-	158-159

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
GRI 405: Non- discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	10	158-159
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	10	Information unavailable. Steps are being taken to
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	10	obtain the information to be included in the next
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	10	- report.
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	10	158-159
GRI 411: Rights of indgenous people 2016	411-1	Incidents of violations involving rights of indigenous peoples	10	Information is not applicable to Sunway REIT's business
GRI 412: Human Rights Violation 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	10	Information unavailable. Steps are being taken to obtain the information to be included in the next report.
	412-2	Employee training on human rights policies or procedures	10	Information unavailable. Steps are being taken to obtain the information to be included in the next report.
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	10	Information unavailable. Steps are being taken to obtain the information to be included in the next report.
Product Safety	and Custome	er Well-being		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	128
Management Approach	103-2	The management approach and its components	-	128
2016	103-3	Evaluation of the management approach	-	128

GRI Standard	Disclosure Number	Disclosure Title	Mapped to SDGs	Page number and reasons for omissions, if applicable
GRI 416: Customer	416-1	Assessment of the health and safety impacts of product and service categories	3	128
Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3	128
Product Qualit	y and Respon	sibility		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	
Management Approach	103-2	The management approach and its components	-	
2016	103-3	Evaluation of the management approach	-	Information unavailable. Steps are being taken to obtain the information to be included in the next report.
GRI 417: Marketing and	417-1	Requirements for product and service information and labeling	12, 16	
Labelling 2016	417-2	Incidents of non-compliance concerning product and service information and labeling	16	
	417-3	Incidents of non-compliance concerning marketing communications	16	
Cyber Security	and Data Gov	vernance		
GRI 103:	103-1	Explanation of the material topic and its Boundary	-	158
Management Approach 2016	103-2	The management approach and its components	-	158
	103-3	Evaluation of the management approach	-	158
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	16	158

# **ALIGNMENT TO THE UNITED NATIONS SDGs**

UN SUSTAINABI	LE DEVELOPMENT GOALS	
GOALS		PAGE NUMBER
Goal 1	No poverty	159-163
Goal 2	Zero hunger	159-163
Goal 3	Good health and well-being	148-153, 159-163
Goal 4	Quality education	148-153, 159-164
Goal 5	Gender equality	125-126, 144-147, 158-159
Goal 6	Clean water and sanitation	129, 135-136
Goal 7	Affordable and clean energy	129-134
Goal 8	Decent work and economic growth	120-128, 144-153, 158-159, 164
Goal 9	Industry, innovation and infrastructure	165
Goal 10	Reduced inequality	125-128, 144-147, 158-159
Goal 11	Sustainable cities and communities	129
Goal 12	Responsible consumption and production	129, 137-141, 159-163
Goal 13	Climate action	125-141
Goal 14	Life below water	130
Goal 15	Life on land	130
Goal 16	Peace and justice strong institutions	127-128, 158, 164
Goal 17	Partnerships to achieve the goal	120-126, 131-134, 137-141
THE TEN PRINCI	PLES OF THE UN GLOBAL COMPACT	
HUMAN RIGHTS		PAGE NUMBER
PRINCIPLE 1	Businesses should support and respect the protection of internationally proclaimed human rights	158-159
PRINCIPLE 2	Make sure that they are not complicit in human rights abuses	158-159
LABOUR		
PRINCIPLE 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	158-159
PRINCIPLE 4	The elimination of all forms of forced and compulsory labour	158-159
PRINCIPLE 5	The effective abolition of child labour	158-159
PRINCIPLE 6	The elimination of discrimination in respect of employment and occupation	158-159
ENVIRONMENT		
PRINCIPLE 7	Businesses should support a precautionary approach to environmental challenges	129-141
PRINCIPLE 8	Undertake initiatives to promote greater environmental responsibility	129-141
PRINCIPLE 9	Encourage the development and diffusion of environmentally friendly technologies	129-141
PRINCIPLE 10	Businesses should work against corruption in all its forms, including extortion and bribery	127

ADDITIONAL INFORMATION

# **GLOSSARY**

AEI	Asset enhancement initiatives
AGM	Annual General Meeting
ARR	Average rental rate
BNM	Bank Negara Malaysia
bps	Basis point
CAGR	Compounded annual growth rate
CMCO	Conditional MCO which was imposed by Government of Malaysia on 4 May 2020 up to 9 June 2020
CY*	Calendar year ended or ending 31 December
Capex	Capital expenditure
Deed	The deed dated 20 May 2010, a supplemental deed dated 10 June 2010 and an amended and restated deed dated 18 September 2018 entered into between 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 30 June
GFA	Gross floor area
GDP	Gross domestic product
GOP	Gross operating profit
IPO	Initial public offering of Sunway REIT on 8 July 2010
MCO	A movement control order which was imposed by the Government of Malaysia under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020
MD&A	Management Discussion and Analysis
MER	Management expense ratio - ratio of expenses incurred in operating Sunway REIT to its NAV (after income distribution)
MICE	Meetings, incentives, conferences and exhibitions
N/A	Not applicable
NAV	Net asset value
NBV	Net book value
NLA	Net lettable area
NPI	Net property income
OPR	Overnight policy rate
Q	Quarter e.g. 4Q FY2020 refers to fourth quarter of financial year ended 30 June 2020
REIT	Real estate investment trust
RM	Ringgit Malaysia
RMCO	Recovery MCO which was imposed by the Government of Malaysia on 10 June 2020 up to 31 August 2020
ROI	Return on investment
Sq.ft.	Square feet
Sq.m.	Square metre
TAV	Total asset value
USD	United States Dollar

<sup>\* &#</sup>x27;2020' refer to 'CY2020' unless specifically stated as 'FY2020'

302 **SUNWAY REIT** INTEGRATED REPORT 2020



#### SUNWAY REAL ESTATE INVESTMENT TRUST

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

PROXY FORM 8TH ANNUAL GENERAL MEETING		SUNWAY REIT MANAGEMENT SDN BHD (Registration No. 200801005046) (Manager for Sunway Real Estate Investment Trust)  Registered Office: Level 16, Menara Sunway, Jalan Lagoon Timur				
Num	ber of Units Held		Bandar Sunway, 47500 Subang Jaya Selangor Darul Ehsan, Malaysia			
CDS	CDS Account No.		Tel: (603) 5639 8889/8841 Fax: (603) 5639 9507			
Tel./N being	(Full name)	of				
Full N		Tel./Mobile No.		Proportion of unitholdings represented		presented
Email	Address	NRIC No./Passport No	No. o		S	%
and/o	or failing *him/her,					
2 <sup>ND</sup> PI	ROXY					
Full N	lame	Tel./Mobile No.		Proportion of unitho	ldings rep	presented
Email	Address	NRIC No./Passport No		No. of Units		%
* Strike	ing *him/her, the Chairman of the I II') of Sunway REIT to be held as a fu 20, Menara Sunway, Jalan Lagoon T e out whichever not applicable ur proxy/proxies shall vote as follo e indicate with an "X" in the space es will vote or abstain from voting	illy virtual meeting through live st imur, Bandar Sunway, 47500 Sub ws: below to show how you wish y	reaming and online remote voting f ang Jaya, Selangor Darul Ehsan, Ma our votes to be cast. If no specific	rom the Broadcast laysia on Friday, 2 (	Venue a October 2	t the Penthous 2020 at 3:30 pr
NO.		ORDINARY RESOLUTION	ONS		FOR	AGAINST
1.	Proposed Authority to Issue and Allot	New Units of up to 20% of the Tota	Number of Issued Units of Sunway REI	Т		
2.	Proposed Renewal of Unitholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		iture			
3.	Proposed Establishment of a Distribution Reinvestment Scheme that Provides the Unitholders of Sunway REIT with an Option to Elect to Reinvest Their Cash Income Distribution in New Units in Sunway REIT ("DRS Units") ("Proposed DRS")		h an Option to			
4.	Issuance of DRS Units pursuant to the Proposed DRS					
	d this day of ture of Unitholder:			(	Commo	on

#### 1<sup>ST</sup>

	Full Name	Tel./Mobile No.	Proportion of unitholdings represented	Ł
	Email Address	NRIC No./Passport No.	No. of Units	%
Email Addre	Email Address			

# 2<sup>ND</sup>

Full Name	Tel./Mobile No.	Proportion of unitholdings represented		
Email Address	NRIC No./Passport No.	No. of Units	%	
Email Address				

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	Proposed Authority to Issue and Allot New Units of up to 20% of the Total Number of Issued Units of Sunway REIT		
2.	Proposed Renewal of Unitholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
3.	Proposed Establishment of a Distribution Reinvestment Scheme that Provides the Unitholders of Sunway REIT with an Option to Elect to Reinvest Their Cash Income Distribution in New Units in Sunway REIT ("DRS Units") ("Proposed DRS")		
4.	Issuance of DRS Units pursuant to the Proposed DRS		

Signature of Unitholder:	



- (1) As part of the safety measures to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of unitholders of Sunway REIT ("Unitholders") and the Manager, the 8<sup>th</sup> AGM of Sunway REIT will be held fully virtual and entirely through live streaming and online remote voting using the Remote Participation and Voting ("RPV") Facility. This is also in line with the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, as revised
- (2) NO UNITHOLDERS/PROXIES/CORPORATE REPRESENTATIVES/ATTORNEYS from the public shall be physically present nor admitted at the Broadcast Venue on the day of the
- (3) Unitholders are to participate, speak (in the form of real-time submission of typed texts) and
- (3) Unitholders are to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the 8th AGM using RPV Facility provided by Sunway REIT's Share Registrar via its website at www.sunwaymanagement.com.my. Please follow the procedures for RPV Facility provided in the Administrative Details for the 8th AGM.
   (4) A Unitholder who is entitled to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the 8th AGM using the RPV Facility may appoint a proxy or proxies (not more than 2 proxies) to participate and vote on his/her behalf.
- A proxy may but need not be a Unitholder.

  (5) Unitholders may use the Q&A platform in Zoom Cloud Meetings App to submit questions in real time during the 8th AGM. Unitholders may also submit questions to the Manager prior to the 8th AGM by emailing to **irsunreit@sunway.com.my** no later than 3:30 pm on 1 October 2020 or via the O&A platform in www.sunway.com.my from 12:00 pm on 25 September 2020 up to 3:00 pm on 2 October 2020.
- (6) Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than 2 proxies in respect of each securities account it holds with units standing to the credit of the said securities
- (7) Where a member is an exempt authorised nominee as defined under the SICDA, who holds white a member is an exemple authorised nonlinied as defined under the study, who holds units in Sunway REIT for multiple beneficial owners in one 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 with units standing to the credit of the said Omnibus Account.

- (8) Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointments shall be invalid unless he/she or it specifies the proportions of his/her or its holdings to be represented by each
- proxy.

  If a Unitholder has appointed a proxy or proxies (not more than 2 proxies) to participate the 8th AGM and subsequently he/she participates the 8th AGM using the RPV Facility, the appointment of such proxy shall be null and void, and his/her proxy shall not be entitled to
- (10) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her 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.
- (11) The instrument for the appointment of a proxy must be completed and deposited at the registered office of the Manager, Sunway REIT Management Sdn Bhd at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia, not less than 24 hours before the time appointed for holding the 8th AGM or any adjournment thereof, either by hand, post, electronic mail to sunwaymanagement@sunway.com.my or fax to (603) 5639 9507, and in default, the instrument of proxy shall not be treated as valid. 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 of the Manager, either by hand or post not less than 24 hours before the time appointed for holding the 8th AGM or any adjournment thereof.
- (12) If no name is inserted in the space for the name of your proxy, the Chairman of the 8th AGM
- (13) Only a depositor whose name appears in the Record of Depositors of Sunway REIT as at 24 September 2020 shall be regarded as a Unitholder and entitled to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the 8th AGM using
- (In the form of real-time submission of typed texts) and vote remotely at the 6" Alaim using the RPV Facility or appoint proxies to participate and/or vote on his/her or its behalf.

  (14) By lodging of a completed Proxy, Form to the Manager of Sunway REIT for appointing a proxy, (ies) and/or representative(s) to participate and vote remotely at the 8th AGM using the RPV Facility, the Unitholder accepts and agrees to the personal data privacy terms as set out in the Notice of 8th AGM dated 28 August 2020.

PLEASE FOLD HERE

STAMP

**SUNWAY REAL ESTATE INVESTMENT TRUST** 

LEVEL 16, MENARA SUNWAY JALAN LAGOON TIMUR **BANDAR SUNWAY** 47500 SUBANG JAYA SELANGOR DARUL EHSAN MALAYSIA

PLEASE FOLD HERE

#### **DISCLAIMER:**

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

# Sunway REIT Management Sdn Bhd (Registration No. 200801005046)

## Manager for Sunway REIT

Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

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Website : http://www.sunwayreit.com E-mail : irsunreit@sunway.com.my



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