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SUNWAY[®]

REIT

SUNWAY REAL ESTATE INVESTMENT TRUST

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

Managed by

SUNWAY REIT MANAGEMENT SDN BHD

(Registration No.: 200801005046 (806330-X))

CIRCULAR TO UNITHOLDERS IN RELATION TO

PART A

PROPOSED ACQUISITION OF SIX HYPERMARKETS / RETAIL COMPLEXES BY RHB TRUSTEES BERHAD, ON BEHALF OF SUNWAY REAL ESTATE INVESTMENT TRUST (“SUNWAY REIT”), FROM KWASA PROPERTIES SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM520.0 MILLION (“PROPOSED ACQUISITION”)

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED UNITHOLDERS OF SUNWAY REIT IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF UNITHOLDERS’ MEETING

Sole Principal Adviser for Part A



RHB Investment Bank Berhad

(Registration No. 197401002693 (19663-P))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B



Kenanga Investment Bank Berhad

Registration No. 197301002193 (15678-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of the unitholders’ meeting of Sunway REIT (“**Unitholders’ Meeting**”) is enclosed together with the Proxy Form in this Circular and are available on Sunway REIT’s website at www.sunwayreit.com/investor-relations/unitholders-meeting. The details of the Unitholder’s Meeting, which will be held virtually through livestreaming and online remote voting, are as follows:

Broadcast venue of the Unitholders’ Meeting	:	Penthouse, Level 20, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia
Date and time of the Unitholders’ Meeting	:	Thursday, 15 June 2023 at 3:00 p.m. or at any adjournment thereof
Last date and time for lodging of the Proxy Form	:	Wednesday, 14 June 2023 at 3:00 p.m. or at any adjournment thereof

You are encouraged to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the Unitholders’ Meeting using the Digital Ballot Form provided by the appointed Poll Administrator for the Unitholders’ Meeting, Mega Corporate Services Sdn Bhd (“**Mega**”). Please refer to the Administrative Notes for the procedures to register, participate and vote remotely at the Unitholders’ Meeting. If you are unable to participate in the Unitholders’ Meeting, you may appoint a proxy or proxies to participate and vote remotely on your behalf. In such event, you should complete and deposit the Proxy Form to Mega at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, or submit it via email to UM-support.SunwayREIT@megacorp.com.my, no later than Wednesday, 14 June 2023 at 3:00 p.m., being 24 hours before the date and time fixed for the Unitholders’ Meeting or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from participating in the Unitholders’ Meeting should you subsequently wish to do so.

This Circular is dated 31 May 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Balance Purchase Consideration	:	RM468.0 million, being 90.0% of the Purchase Consideration
Board	:	Board of Directors of the Manager
Bursa Securities	:	Bursa Malaysia Securities Berhad
CFO	:	Certificate of fitness for occupation
Circular	:	This circular in relation to the Proposed Acquisition
Completion Date	:	The day on which the Trustee has paid the Balance Purchase Consideration together with the late payment charge (if any) under the terms of the SPA
Conditions Precedent	:	Conditions precedent of the SPA as set out in Section (iii)(a) of Appendix III
COVID-19	:	Coronavirus disease
CP Period	:	A period of six months from the date of the SPA or such further period as may be mutually agreed by the Vendor and the Trustee in writing, for the Conditions Precedent to be fulfilled or obtained
Deed	:	The amended and restated deed dated 18 September 2018 entered into between the Manager and the Trustee
Director(s)	:	The directors of the Manager as at the LPD and shall have the meaning ascribed to it in Section 2(1) of the Companies Act 2016 and Section 2(1) of the Capital Markets and Services Act 2007
DPU	:	Distribution per unit
Early Termination Notice	:	The written notice dated 15 August 2022 from the Lessee to the Vendor setting out the Lessee's intention to cease its operations at the USJ Property on 31 December 2022 and to negotiate the termination of the USJ Property Lease Agreement
EPF	:	Employees Provident Fund Board
EPU	:	Earnings per unit
FYE	:	Financial year ended / ending, as the case may be
GFA	:	Gross floor area
Government	:	Government of Malaysia
Hypermarkets / Retail Complexes	:	Collectively, the Kinrara Property, Putra Heights Property, USJ Property, Klang Property, Ulu Kelang Property and Plentong Property
IAL	:	Independent advice letter from the Independent Adviser to the non-interested Unitholders in relation to the Proposed Acquisition
Kenanga IB or Independent Adviser	:	Kenanga Investment Bank Berhad

DEFINITIONS

KESAS	:	Shah Alam Expressway
Kinrara Property	:	A piece of freehold land held under HSD 105861, Lot PT 37328, Mukim and District of Petaling, State of Selangor together with a 2 ½-storey hypermarket / retail complex erected thereon with a total of 774 car parking bays (inclusive of covered and surface car parking bays)
Klang Property	:	A piece of freehold land held under GRN 128054, Lot 83639, Pekan Pandamaran, District of Klang, State of Selangor together with a 1-storey hypermarket / retail complex with a mezzanine floor erected thereon with a total of 1,100 surface car parking bays
Lease Agreements	:	The various subsisting lease agreements which were entered into between the Vendor and the Lessee for the lease of the Hypermarkets / Retail Complexes as at the LPD
Lessee	:	GCH Retail (Malaysia) Sdn Bhd, being the lessee under the Lease Agreements
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	15 May 2023, being the latest practicable date of this Circular
LRT	:	Light rapid transit
Manager	:	Sunway REIT Management Sdn Bhd, being the manager of Sunway REIT
Material Date of Valuation	:	The material date of valuation of the Hypermarkets / Retail Complexes, being 15 February 2023
NAV	:	Net asset value
NLA	:	Net lettable area
Novation Agreements	:	The novation agreements to be entered into between the Vendor, Lessee and Trustee to novate the Lease Agreements to the Trustee which shall take effect on Completion Date, whereby the Lessee shall continue to lease the Hypermarkets / Retail Complexes upon the completion of the Proposed Acquisition
Plentong Land 1	:	A parcel of freehold land held under GRN 428511, Lot 84421, Mukim Plentong, District of Johor Bahru, State of Johor
Plentong Land 2	:	A parcel of freehold land held under GRN 73013, Lot 64279, Mukim Plentong, District of Johor Bahru, State of Johor
Plentong Land 3	:	A parcel of freehold land held under GRN 430454, Lot 121289, Mukim Plentong, District of Johor Bahru, State of Johor
Plentong Property	:	Plentong Land 1, Plentong Land 2 and Plentong Land 3 together with a 1-storey hypermarket with a mezzanine floor and 3-storey retail complex erected on Plentong Land 1 with a total of 1,239 car parking bays (inclusive of covered, rooftop and surface car parking bays)
Purchase Consideration	:	The purchase consideration of the Proposed Acquisition of RM520.0 million to be satisfied wholly in cash

DEFINITIONS

Putra Heights Property	:	A piece of freehold land held under HSD 151035, Lot PT 21523, Mukim Damansara, District of Petaling, State of Selangor together with a 2-storey hypermarket / retail complex with a 1-storey mezzanine floor erected thereon with a total of 423 car parking bays (inclusive of covered and surface car parking bays)
Reporting Accountants	:	BDO PLT
RHB Investment Bank or Sole Principal Adviser	:	RHB Investment Bank Berhad
RM and sen	:	Ringgit Malaysia and sen respectively
SC	:	Securities Commission of Malaysia
SMC	:	Sunway Medical Centre (Tower A & B)
SMC Disposal	:	Disposal of two parcels of leasehold lands held under PN 12549 Lot 38160 and PN 12550 Lot 45, both in Bandar Sunway, Daerah Petaling, Negeri Selangor together with a 7-storey medical centre with a lower ground floor car park, an elevated car park and a convention centre known as SMC by the Trustee, on behalf of Sunway REIT to Sunway Medical Centre Sdn Bhd, for a total cash consideration of RM430.0 million pursuant to a sale and purchase agreement dated 29 December 2022 (as amended from time to time), which is still pending fulfilment of the conditions precedent as at the LPD
SPA	:	The conditional sale and purchase agreement dated 16 March 2023 entered into between the Trustee, on behalf of Sunway REIT, and the Vendor in relation to the Proposed Acquisition
Sunway REIT	:	Sunway Real Estate Investment Trust
Sunway REIT Group	:	Sunway REIT and its subsidiaries
Trustee	:	RHB Trustees Berhad, as trustee for Sunway REIT
Ulu Kelang Land 1	:	A parcel of freehold land held under GRN 269979, Lot 13796, Section 1, Bandar Ulu Kelang, District of Gombak, State of Selangor
Ulu Kelang Land 2	:	A parcel of freehold land held under GRN 269978, Lot 13793, Section 1, Bandar Ulu Kelang, District of Gombak, State of Selangor
Ulu Kelang Property	:	Ulu Kelang Land 1 and Ulu Kelang Land 2 together with a 3-storey hypermarket with a 2-storey retail complex and one level of basement carpark erected on both Ulu Kelang Land 1 and Ulu Kelang Land 2 with a total of 165 car parking bays
Unconditional Date	:	Date of fulfilment of all the Conditions Precedent
Unitholders	:	Unitholders of Sunway REIT
Unitholders' Meeting	:	Meeting of Unitholders
USJ Property	:	A piece of freehold land held under HSM 11317, Lot PT 15216, Pekan Subang Jaya, Mukim Damansara, District of Petaling, State of Selangor together with a 3 ½-storey hypermarket / retail complex erected thereon with a total of 792 car parking bays (inclusive of covered and surface car parking bays)

DEFINITIONS

USJ Property Lease Agreement	:	The lease agreement dated 22 August 2011 (as supplemented by a supplemental agreement dated 29 October 2013) in respect of the USJ Property entered into between the Vendor and the Lessee
USJ Property Novation Agreement	:	The novation agreement to be entered into between the Vendor, Lessee and Trustee to novate the USJ Property Lease Agreement to the Trustee, whereby the Lessee shall continue to lease the USJ Property upon the completion of the Proposed Acquisition
Valuation Certificate	:	The valuation certificate dated 16 March 2023 issued by the Valuer for the valuation of the Hypermarkets / Retail Complexes pursuant to the Proposed Acquisition, which has been appended in this Circular
Valuation Letter	:	The valuation letter dated 16 March 2023 issued by the Valuer for the valuation of the Hypermarkets / Retail Complexes before the announcement of the Proposed Acquisition
Valuation Reports	:	The valuation reports dated 16 March 2023 issued by the Valuer in respect of the valuation of the Hypermarkets / Retail Complexes pursuant to the Proposed Acquisition
Valuer	:	Knight Frank Malaysia Sdn Bhd, being the independent registered valuer appointed by the Trustee
Vendor	:	Kwasa Properties Sdn Bhd, a wholly-owned subsidiary of EPF
WALE	:	Weighted average lease expiry

PRESENTATION OF INFORMATION

All references to “**you**” and “**your**” in this Circular are to the Unitholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and *vice versa* and words denoting the masculine gender shall, if applicable, include the feminine and/or neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to the provisions of any enactment, statute, rules, regulation, rules of stock exchange or guidelines (where the context admits) be construed as a reference to the provisions of such enactment, statute, rules, regulation, rules of stock exchange or guidelines (as the case may be) as modified by any written law or (if applicable) amendments to the enactment, statute, rules, regulation, rules of stock exchange or guidelines for the time being in force.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date respectively, unless otherwise specified.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof, are due to rounding differences.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. As a result of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Manager’s plans and objectives will be achieved.

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PART A

**LETTER TO THE UNITHOLDERS IN RELATION TO THE
PROPOSED ACQUISITION**

SUNWAY®

REIT

SUNWAY REAL ESTATE INVESTMENT TRUST

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

Registered office of the Manager

Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
47500 Subang Jaya
Selangor Darul Ehsan
Malaysia

31 May 2023

Board of Directors of the Manager:

Tan Sri Amirsham Bin A Aziz
Dato' Ng Tiong Lip

*Chairman and Independent Non-Executive Director
Chief Executive Officer and Non-Independent
Executive Director*

Datuk Christopher Martin Boyd
Sarena Cheah Yean Tih, S.M.S.
Ng Sing Hwa
Tengku Nurul Azian Binti Tengku Shahrman
Yeo Kar Peng

*Senior Independent Non-Executive Director
Non-Independent Non-Executive Director
Non-Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director*

TO: UNITHOLDERS

Dear Sir / Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 16 March 2023, RHB Investment Bank had, on behalf of the Board, announced that the Trustee had on even date entered into the SPA with Kwasa Properties Sdn Bhd, a wholly-owned subsidiary of EPF for the proposed acquisition of the Hypermarkets / Retail Complexes for a total cash consideration of RM520.0 million.

The Proposed Acquisition is deemed a related party transaction due to the interest of one of the major Unitholders, namely EPF, in the Proposed Acquisition as set out in Section 8 of this Circular. Accordingly, the Board had on 24 November 2022, appointed Kenanga IB as the independent adviser to advise the Directors and the non-interested Unitholders on the fairness and reasonableness of the Proposed Acquisition and whether the non-interested Unitholders should vote in favour of the Proposed Acquisition.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION IN RELATION TO THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION WHICH WILL BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING. THE NOTICE OF UNITHOLDERS' MEETING AND THE PROXY FORM ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL (AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1. Description of the Hypermarkets / Retail Complexes

The Proposed Acquisition entails the acquisition of the Hypermarkets / Retail Complexes at the following cash consideration:

No.	Hypermarkets / Retail Complexes	Purchase Consideration (RM' mil)
(i)	Kinrara Property	130.0
(ii)	Putra Heights Property	60.0
(iii)	USJ Property	80.0
(iv)	Klang Property	65.0
(v)	Ulu Kelang Property	45.0
(vi)	Plentong Property	140.0
Total		520.0

The Hypermarkets / Retail Complexes to be acquired include all fixtures and fittings fixed to or located or used in the Hypermarkets / Retail Complexes, and services infrastructure systems and facilities as stated in the SPA.

The acquisition of each of the Hypermarkets / Retail Complexes are inter-conditional with each other and shall be completed simultaneously under the SPA as the acquisitions of the Hypermarkets / Retail Complexes were negotiated on a bundled basis below their respective market values. Further, the Hypermarkets / Retail Complexes to be acquired are free from encumbrances. Please refer to Appendix III of this Circular for the salient terms of the SPA.

As at the LPD, the Vendor had previously entered into the Lease Agreements with the Lessee to lease the Hypermarkets / Retail Complexes and the Lessee has been paying the rent for the Hypermarkets / Retail Complexes. The Lease Agreements are to be novated to the Trustee pursuant to the Novation Agreements which shall take effect on the Completion Date, whereby the Lessee shall continue to lease the Hypermarkets / Retail Complexes upon the completion of the Proposed Acquisition. The form and the terms of the Novation Agreements are to be mutually agreed between the Vendor, Trustee and Lessee. The execution of the Novation Agreements is one of the Conditions Precedent and shall be executed during the CP Period. Please refer to Appendix VI of this Circular for further details on the proposed salient terms of the Novation Agreements. The proposed salient terms of the Novation Agreements are subject to change as the Trustee, Vendor and Lessee have yet to finalise the terms as at the LPD.

Further, the Lessee had issued the Early Termination Notice dated 15 August 2022 to the Vendor setting out its intention to cease its operations at the USJ Property on 31 December 2022 and to negotiate the termination of the USJ Property Lease Agreement. Notwithstanding the Early Termination Notice, the USJ Property Lease Agreement is still subsisting as at the LPD and under the terms of the USJ Property Lease Agreement, the Lessee may terminate the USJ Property Lease Agreement before the expiry of the lease tenure (i.e. 21 August 2028) only if:

- (i) the Lessee pays the rent for the remaining unexpired term of the USJ Property Lease Agreement; or
- (ii) the Lessee is unable to obtain, renew or maintain the necessary approvals or licenses for its business on the USJ Property, subject to the Lessee procuring a new lessee to lease the USJ Property upon the same terms of the USJ Property Lease Agreement and the Vendor providing its consent for procuring such new lessee.

Accordingly, the Lessee is still obligated to continue to pay rent under the USJ Property Lease Agreement in which the Lessee has been paying the rent for the USJ Property as at the LPD. The rights and obligations of the Vendor under the USJ Property Lease Agreement will be transferred and novated to the Trustee pursuant to the USJ Property Novation Agreement. Please refer to Section 5(iii) of this Circular for further details of the Early Termination Notice.

Please refer to Appendix II of this Circular for further information on the Hypermarkets / Retail Complexes and the Lease Agreements.

2.2. Basis and justification in arriving at the Purchase Consideration

The Purchase Consideration of RM520.0 million was arrived at between the parties to the SPA on a willing-buyer willing-seller basis after taking into consideration the aggregate market value of the Hypermarkets / Retail Complexes, as ascribed by the Valuer in its Valuation Letter. In addition, the Valuer had issued the Valuation Certificate for the purpose of inclusion in Appendix IV of this Circular. The market value of the Hypermarkets / Retail Complexes ascribed in the Valuation Letter and Valuation Certificate is RM593.0 million.

The Material Date of Valuation for the Valuation Certificate was on 15 February 2023.

The valuation approaches adopted by the Valuer in arriving at its assessment of the market value of the Hypermarkets / Retail Complexes and the discount of the purchase consideration of each of the Hypermarkets / Retail Complexes to its respective market values are as follows:

Valuation approaches	Methodology explanation	Hypermarkets / Retail Complexes	Market value [A] (RM' mil)	Purchase Consideration [B] (RM' mil)	Discount to market value [(B-A)/A] (%)
(a) Income Approach by Investment Method	This approach 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.	(i) Kinrara Property (ii) Putra Heights Property (iii) USJ Property (iv) Klang Property (v) Ulu Kelang Property (vi) Plentong Property	138.0 66.0 103.0 74.0 53.0 159.0	130.0 60.0 80.0 65.0 45.0 140.0	5.8 9.1 22.3 12.2 15.1 11.9
(b) Comparison Approach	This approach considers the sale of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered for this approach.				
Total			593.0	520.0	12.3

After taking into consideration that the Hypermarkets / Retail Complexes are commercial and income generating, the Valuer has adopted the income approach by investment method as the primary approach supported by the comparison approach in arriving at its assessment of the market value of the Hypermarkets / Retail Complexes.

The market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing, and where the parties had each acted knowledgeably, prudently and without compulsion.

The Manager believes that the Purchase Consideration is justifiable after taking into consideration the following:

- (i) the Hypermarkets / Retail Complexes are individually and collectively acquired below the market value of the Hypermarkets / Retail Complexes where the Purchase Consideration represents a discount of approximately 12.3% to the aggregate market value of the Hypermarkets / Retail Complexes as ascribed by the Valuer;
- (ii) the effects of the Proposed Acquisition that will result in an immediate net unrealised fair value gain on the Hypermarkets / Retail Complexes of approximately RM66.2 million to Sunway REIT, as computed below:

	RM'mil
Aggregate market value of the Hypermarkets / Retail Complexes	593.0
Purchase Consideration	(520.0)
Capitalised estimated expenses of the Proposed Acquisition	(6.8)
Net unrealised fair value gain on the Hypermarkets / Retail Complexes	66.2

- (iii) the rationale and benefits of the Proposed Acquisition which include the opportunity to acquire strategically located properties below its respective market values and accretion to earnings and DPU of Sunway REIT. Please refer to Section 3 of this Circular for further details; and
- (iv) the prospects of the Hypermarkets / Retail Complexes as set out in Section 4.3 of this Circular.

2.3. Method of financing the Purchase Consideration

The Purchase Consideration will be funded via the following:

- (i) RM52.0 million, being 10% of the Purchase Consideration was paid by the Trustee to the Vendor satisfied via Sunway REIT's internally generated funds in the following tranches:
 - (a) RM10.4 million, being 2.0% of the Purchase Consideration, paid on 22 December 2022, before the execution of the SPA;
 - (b) RM41.6 million, being 8.0% of the Purchase Consideration, paid on 16 March 2023, upon the execution of the SPA; and
- (ii) the Balance Purchase Consideration which is payable within three months from the Unconditional Date, is expected to be satisfied via:

- (a) net cash proceeds from the SMC Disposal of RM416.0 million, of which the total amount could be allocated to partly fund the Balance Purchase Consideration; and/or
- (b) Sunway REIT's existing debt facilities comprising 35-year medium term note programme, revolving loan, revolving credit and 7-year commercial paper programme with a combined unutilised amount of approximately RM10.0 billion as at 31 March 2023, of which Sunway REIT has an available debt headroom of approximately RM1.1 billion.

The Manager will decide if any of the allocated net cash proceeds from the SMC Disposal will be used to fund the Balance Purchase Consideration depending on the timing of receipt of the net cash proceeds and Completion Date. The Manager will also decide on the type of debt facility(ies) to be used nearer to the Completion Date and the decision will be based on amongst others, the then prevailing financing rates.

Please refer to Section (ii) of Appendix III of this Circular for further details on the manner of payment of the Purchase Consideration.

2.4. Liabilities to be assumed

There are no contingent liabilities and/or guarantees to be assumed by the Trustee (other than the liabilities set out in the SPA) pursuant to the Proposed Acquisition.

2.5. Date and original cost of investment of the Vendor

The details of the original cost of investment, total costs of investment (including any costs for refurbishments and renovations) up to 30 April 2023, being the latest practicable date at which such amount could be provided by the Vendor before the printing of this Circular, and the date of the investments of the Hypermarkets / Retail Complexes are as follows:

Hypermarkets / Retail Complexes	Date of investment ⁽¹⁾	Original cost of investment ⁽²⁾	Total cost of investment as at 30 April 2023
		RM'mil	RM'mil
Kinrara Property	29 May 2009	107.0	110.2
Putra Heights Property	29 May 2009	58.5	60.2
USJ Property	6 October 2005	31.5	99.2
Klang Property	6 October 2005	61.9	62.6
Ulu Kelang Property	6 October 2005	27.5	30.0
Plentong Property	6 October 2005	106.0	106.0
Total		392.4	468.2

Notes:

- (1) Based on the dates of the respective sale and purchase agreements entered into by the Vendor for its acquisition of the Hypermarkets / Retail Complexes.
- (2) Based on the purchase consideration of the Hypermarkets / Retail Complexes as set out in the respective sale and purchase agreements entered into by the Vendor.

2.6. Information on the Vendor

The Vendor was incorporated in Malaysia under the Companies Act 1965 on 24 January 1995 as a private limited company. The principal activities of the Vendor are property investment, earning mainly rental income.

As at the LPD, the directors of the Vendor are:

- (a) Zaharah Binti Talib; and
- (b) Muhammad Shafiq Bin Abdullah.

As at the LPD, the issued share capital of the Vendor is RM2,235,725.70 comprising 198,822,570 ordinary shares. The Vendor is a wholly-owned subsidiary of EPF.

2.7. Additional financial commitment

As at the LPD, the Manager does not foresee any additional financial commitment required by Sunway REIT in putting the Hypermarkets / Retail Complexes on-stream (including refurbishments and renovations) given that the Lease Agreements are still subsisting.

3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the key investment objective of the Manager to continuously pursue an acquisition strategy to acquire and invest in properties that are able to contribute to the long-term growth in Sunway REIT's DPU and/or NAV per unit.

The rationale and benefits of the Proposed Acquisition are further elaborated below:

(i) Opportunistic investment

The Proposed Acquisition represents an opportunistic investment for Sunway REIT as it allows Sunway REIT to acquire six strategically located Hypermarkets / Retail Complexes in Klang Valley and Johor on a bundled basis below their respective market values. The ability for the Manager to negotiate on the Proposed Acquisition on a bundled basis provides Sunway REIT the opportunity to purchase each of the Hypermarkets / Retail Complexes at a discount range of 5.8% to 22.3% to the respective market value of the Hypermarkets / Retail Complexes, whilst the Purchase Consideration represents a discount of approximately 12.3% to the aggregate market value of the Hypermarkets / Retail Complexes as ascribed by the Valuer. Pursuant to this, the Proposed Acquisition is value accretive as there will also be an immediate net unrealised fair value gain on the Hypermarkets / Retail Complexes of approximately RM66.2 million to Sunway REIT. Please refer to Section 2.2(ii) of this Circular for the computation of the net unrealised fair value gain.

(ii) Accretion to earnings and DPU

The Hypermarkets / Retail Complexes are income-generating and have triple-net lease arrangements¹ under the Lease Agreements. As such, the Manager believes that the Proposed Acquisition will contribute positively to Sunway REIT's earnings and DPU to the Unitholders upon completion of the Proposed Acquisition. Please refer to Section 6.2 of this Circular for further details on the pro forma effects of the Proposed Acquisition on Sunway REIT's income distribution and DPU.

¹ The triple-net lease arrangement under the Lease Agreements requires the Lessee to be responsible to pay rent and other property-related expenses such as quit rent, assessment, insurance, and upkeep and maintenance of the Hypermarkets / Retail Complexes.

(iii) Increased income stability through the Lease Agreements and increased WALE of Sunway REIT's portfolio

Upon completion of the Proposed Acquisition, the Lease Agreements which have triple-net lease arrangements will provide Sunway REIT with fixed rental payments from the Lessee (subject to an agreed step-up in rental rates pursuant to the respective Lease Agreements) whilst property-related expenses such as quit rent, assessment, insurance, and upkeep and maintenance of the Hypermarkets / Retail Complexes are the obligations of the Lessee.

The Lease Agreements provide Sunway REIT with stable income which is less susceptible to the effects of economic downturn and less influenced by the performance of the retail sector in Malaysia.

Sunway REIT will benefit from the increase in its enlarged portfolio's WALE based on secured gross rental income of the Lease Agreements. As at 31 December 2022, the combined WALE of the Hypermarkets / Retail Complexes is estimated at 5.64 years. The WALE of Sunway REIT's enlarged portfolio will increase as follows upon completion of the Proposed Acquisition:

	As at 31 December 2022	After the Proposed Acquisition
WALE (years) ⁽¹⁾	4.43 ⁽²⁾	4.50

Notes:

(1) WALE is computed as the total gross rental income from the remaining unexpired lease term of Sunway REIT's investment properties as at 31 December 2022, divided by Sunway REIT's investment properties' total gross rental income for the month of December 2022.

(2) Excluding the SMC.

(iv) Increased strength and geographical diversification of Sunway REIT's portfolio

The Proposed Acquisition will further strengthen Sunway REIT's current position as the second largest listed Malaysian real estate investment trust based on property value as at 31 December 2022. Assuming that the Proposed Acquisition was completed on 31 December 2022, Sunway REIT's property portfolio size will increase from approximately RM9,101.0 million to approximately RM9,264.0 million (after taking into consideration the SMC Disposal), as shown in the table below.

	As at 31 December 2022	After the SMC Disposal	The Proposed Acquisition	After the SMC Disposal and the Proposed Acquisition
Investment properties (RM'mil)	9,101.0	8,671 ⁽¹⁾	593.0 ⁽²⁾	9,264.0
No. of properties	20	19	6	25
GFA ('000 square feet)	18,899	18,118	2,352	20,470
GFA ('000 square metre)	1,755.7	1,683.2	218.5	1,901.7

Notes:

(1) After taking into consideration the carrying value of SMC of RM430.0 million as at 31 December 2022.

(2) Based on aggregate market value of the Hypermarkets / Retail Complexes.

The Proposed Acquisition is expected to further strengthen Sunway REIT's portfolio as it will increase Sunway REIT's freehold commercial property area holdings by approximately 228,483 square metres or 2,459,370 square feet and provide Sunway REIT the ability to monetise or redevelop the Hypermarkets / Retail Complexes which are located in strategic and densely populated areas in Klang Valley and Johor as and when the opportunity arises in the future.

Further, the proposed acquisition of the Plentong Property located in Johor represents Sunway REIT's first acquisition in Johor and an opportunity for Sunway REIT to geographically diversify its property portfolio to the southern region of Malaysia.

4. INDUSTRY OVERVIEW AND OUTLOOK, AND PROSPECTS OF THE HYPERMARKETS / RETAIL COMPLEXES

4.1. Overview and outlook of the Malaysian economy

The Malaysian economy registered a growth of 5.6% in the first quarter of 2023 compared to 7.1% in the fourth quarter of 2022, mainly driven by further expansion of household spending, continued investment activity, improving labour market conditions and higher inbound tourism. At 5.6%, the first quarter of 2023 growth was above the long-term average of 5.1% (for the period of first quarter 2011 to fourth quarter 2019). On a quarter-to-quarter seasonally adjusted basis, the economy registered a growth of 0.9% (fourth quarter of 2022: decline of 1.7%).

During the first quarter of 2023, domestic demand grew by 4.6% (fourth quarter of 2022: 6.8%), mainly supported by private sector expenditure. Private consumption expanded by 5.9% (fourth quarter of 2022: 7.3%), supported by improving labour market conditions and policy measures such as higher minimum wage and continued cash transfers. Further, private investment grew by 4.7% (fourth quarter of 2022: 10.3%) supported mainly by continued capacity expansion by firms and further progress of construction activities. For the public sector expenditure, public investment grew by 5.7% (fourth quarter of 2022: 6.0%) driven mainly by capital expenditure by public corporations, whereas public consumption contracted by 2.2% (fourth quarter of 2022: 3.0%) attributable to lower government supplies and services spending.

On the supply side, all key sectors continued to expand in the first quarter of 2023. The services sector expanded by 7.3% (fourth quarter of 2022: 9.1%) supported by better retail spending, continued tourism recovery, improving real estate and business services. The manufacturing sector grew by 3.2% (fourth quarter of 2022: 3.9%) supported by ongoing fulfilment of motor vehicle backlogs and continued growth in the electrical and electronics (E&E) production. The construction sector expanded by 7.4% (fourth quarter of 2022: 10.1%) attributable to continued progress of large transportation and utility projects, high end-works in nearly-completed projects whilst the mining sector grew only by 2.4% (fourth quarter of 2022: 6.3%) supported by moderate performance in crude oil and natural gas production. The agriculture sector grew by 0.9% (fourth quarter of 2022: 1.1%) mainly due to increased oil palm output and higher arrival of foreign plantation workers under Foreign Workers Employment Relaxation Plan.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("CPI"), moderated to 3.6% during the first quarter of 2023 (fourth quarter of 2022: 3.9%). The lower headline inflation was mainly due to the easing of global commodity prices arising from moderation in fuel inflation which is partially offset by higher fresh vegetables inflation due to adverse weather conditions. During the first quarter of 2023, core inflation moderated but remained elevated at 3.9% (fourth quarter of 2022: 4.2%), reflecting continued strength in domestic demand. The share of CPI items recording monthly price increases remained above historical average (first quarter of 2023: 56.0%; fourth quarter of 2022: 51.2%; 2011-2019 average: 45.6%).

Labour market conditions continued to improve during the first quarter of 2023, driven by improvement in unemployment rate and labour supply. Unemployment rate continued its gradual decline to 3.5% of the labour force (fourth quarter of 2022: 3.6%). This was supported by sustained employment growth, amid continued expansion of the labour force. Labour supply remains forthcoming as the labour force participation rate increased to 69.8% (fourth quarter of 2022 69.5%).

(Source: Bank Negara Malaysia, Quarterly Bulletin First Quarter 2023)

Malaysia's economy will remain in a positive growth trajectory in 2023 mainly driven by domestic demand following the transition to the endemic phase and the reopening of international borders. The Government continues to support the economy through implementing policies and measures to ensure a conducive business environment that facilitates economic activities and meet the needs of Malaysians. In enhancing economic resilience and sustainable growth, the Government will prioritise the structural reform agenda to sustain the post-COVID-19 economic recovery momentum, amid the challenges arising from geopolitical uncertainties and climate change.

The Malaysian economy remains resilient and is forecasted to expand between 4% – 5% in 2023 driven by domestic demand. Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for cost of living and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

(Source: Ministry of Finance Malaysia, Economic Outlook 2023)

4.2. Outlook of commercial property sector in Malaysia

Volume of transactions across the sub-sectors showed upward movements in 2022. Residential, commercial and industrial, agriculture and development land sub-sectors recorded year-on-year growths of 22.3%, 46.3%, 44.5%, 44.6% and 35.7% respectively. Under the commercial property sector, there were 32,809 transactions worth RM32.61 billion recorded in 2022, increased by 46.3% in volume and 16.7% in value as compared with 2021 (22,428 transactions worth RM27.94 billion). The increase in all states and major transactions involving shopping complex and purpose-built office recorded in 2022 contributed to the overall improved market.

In 2022, Selangor contributed the highest volume and value to the national market share, with 26.4% in volume (8,654 transactions) and 31.7% in value (RM10.35 billion). Kuala Lumpur came second with 14.6% in volume (4,777 transactions) and 26.0% in value (RM8.49 billion) and followed by Johor with 14.6% in volume (4,787 transactions) and 14.0% in value (RM4.57 billion).

The performance of shopping complex continued to moderate in 2022, as the occupancy rate declined to 75.4%. Five states recorded occupancy rate more than 80.0%. Negeri Sembilan and Melaka recorded among the lowest occupancy rates in the country at 66.6% and 61.2% respectively. Correspondingly, the available space of shopping complexes escalated to 4.31 million square metres from the 817 buildings throughout the country. Selangor recorded the highest number in the country, dominating 20.7% (889,460 square metres) of the national total. Johor ranked second with 17.8% (765,194 square metres) and followed by Kuala Lumpur with 13.1% (563,412 square metres).

Ten new complexes were completed in 2022, adding nearly 264,000 square metres of retail space into the market. There were around 17.51 million square metres existing retail space from 1,064 shopping complexes as at year-end; majority of which were shopping centres (554 buildings; 13.28 million square metres). Selangor dominated the existing retail space with 156 shopping complexes offering nearly 4.0 million square metres. There were another 40 complexes with 1.38 million square metres in the incoming supply and nine complexes with 0.35 million square metres in the planned supply.

Rentals of retail space were generally stable in Klang Valley with mixed movements in selected complexes. Suria KLCC fetched a higher rental per month ranging from RM376 per square metre to as high as RM2,231 per square metre. At concourse level of Suria KLCC, several units recorded decreases of 2.3% to 10.2%. Rental at Semua House recorded increases of 3.0% to 7.7% with rental ranging from RM133 per square metre to RM341 per square metre. In Selangor, The Curve Mutiara Damansara enjoyed a moderate growth of 3.1% with rental ranging from RM23.70 per square metre to RM425.00 per square metre. Likewise, Starling Mall recorded positive growths of 2.4% to 3.6% with rental ranging from RM53 per square metre to RM200 per square metre.

According to the Ministry of Finance, Malaysia's economy is expected to grow moderately between 4% to 5% in 2023, backed by strong fundamentals and diversified economic structure, coupled with ongoing policy support to cushion the impact of the rising cost of living and mitigate the downside risk stemming from the prolonged geopolitical uncertainties and tightening global financial conditions. Bank Negara Malaysia also anticipated domestic demand will continue to drive growth, supported by the continued recovery in the labour market and the realisation of multi-year investment projects.

The property market is expected to continue its momentum with various initiatives outlined by the Government under the revised Budget 2023. As the country's gross domestic product (GDP) growth is projected to be moderately lower than the previous year and in line with other countries in the region, the property market performance is expected to be cautiously optimistic given the unpredictable external environment. The accommodative policies, continuous government support, well execution of measures outlined in the revised Budget 2023 and the proper implementation of strategies and initiatives under the Economic Planning Unit of the Prime Minister's Office's Twelfth Malaysia Plan (RMK-12) are expected to remain supportive of the property sector.

(Source: Valuation and Property Services Department, Ministry of Finance Malaysia – Property Market Report 2022)

4.3. Prospects of the Hypermarkets / Retail Complexes

(i) Kinrara Property

The Kinrara Property has a relatively modern and sizeable hypermarket / retail complex building located within a matured township known as Bandar Kinrara, Puchong, which is sited off the southern side of the Bukit Jalil Highway, travelling from Bukit Jalil towards Puchong. The Kinrara Property is located within a densely populated area whereby properties located within the vicinity of the Kinrara Property comprises landed and stratified residential developments, and commercial shop offices. The Kinrara Property is easily accessible via well connected highways such as the Bukit Jalil Highway, and is complemented by the availability of public transportation located within close vicinity of the Kinrara Property which includes the Kinrara BK5 LRT station.

The Manager believes that the hypermarket / retail complex of the Kinrara Property will continue to remain resilient as it is well established and has a strong presence with no major competitors within the Bandar Kinrara township. Further, the Kinrara Property is well positioned to benefit from the growing and affluent residential catchment areas within the Bandar Kinrara township as well as the broader Puchong township and Klang Valley region.

As at the LPD, the lease agreement for the Kinrara Property is for a period of 15 years from December 2009 to November 2024, with a remaining period of approximately one year and the Lessee has the option to renew such lease for an additional 15-year term upon its expiry with an agreed step-up in rental rates. Please refer to Section (i) of Appendix II of this Circular for the salient terms of Kinrara Property's lease agreement (including the renewal rental rates) and comparison of current rental rate against market rate, and Section 5(ii) of this Circular for further details on the Manager's mitigation measures for the risk of non-renewal of the Lease Agreements.

(ii) Putra Heights Property

The Putra Heights Property has a relatively modern and sizeable hypermarket / retail complex building located within a matured township known as Putra Heights, Subang Jaya, which is sited off the western side of the ELITE Highway, travelling from Bandar Saujana Putra towards Putra Heights. The Putra Heights Property is centrally located within the Putra Heights township and is surrounded by landed and stratified residential developments and commercial shop offices. The Putra Heights Property is served by well-connected highways such as the Damansara Puchong Highway, and is complemented by good access to public transportation such as the Putra Heights LRT station which is located within close vicinity of the Putra Heights Property.

The Manager believes that the Putra Heights Property is well positioned to benefit from its central location within the Putra Heights township which mainly comprises residential developments. Residential developments and established housing schemes within the vicinity include Kingsley Hills, Mascarena Palms and Sections 7 to 10 Putra Heights. The Lessee had occupied the Putra Heights Property for approximately 13 years where it had over the years established its name. This has allowed the Lessee to capitalise on the growing residential catchment of the Putra Heights township.

As at the LPD, the lease agreement for the Putra Heights Property is for a period of 15 years from December 2009 to November 2024, with a remaining period of approximately one year and the Lessee has the option to renew such lease for an additional 15-year term upon its expiry with an agreed step-up in rental rates. Please refer to Section (ii) of Appendix II of this Circular for the salient terms of Putra Heights Property's lease agreement (including the renewal rental rates) and comparison of current rental rate against market rate, and Section 5(ii) of this Circular for further details on the Manager's mitigation measures for the risk of non-renewal of the Lease Agreements.

(iii) USJ Property

The USJ Property has a relatively modern and sizeable hypermarket / retail complex building located within a matured township known as USJ 1, Subang Jaya, which is sited off the southern side of KESAS, travelling from Puchong towards Shah Alam. Properties located within the vicinity include landed and stratified residential developments and commercial shops / offices. Prominent landmarks within the immediate locality include Summit USJ (consisting of a mall, office and hotel), Mydin Mall USJ 1 and Damen Mall. The USJ Property is easily accessible via well connected highways such as KESAS and is complemented by the availability of public transportation located within close vicinity of the USJ Property which includes the USJ 7 LRT Station and the South-Quay bus rapid transit (BRT) station.

The Manager believes that the USJ Property is well positioned to benefit from the large catchment area of USJ 1, with residential neighbourhoods such as USJ 1, USJ 2, USJ 6, USJ 7 and SS18, and commercial properties. Notwithstanding the competitive market landscape that may arise from nearby shopping malls, the high foot traffic within the catchment area is expected to continue to augur well for the USJ Property.

The USJ Property is under a long-term lease agreement with the Lessee for a period of 15 years from August 2013 to August 2028, with a remaining period of approximately five years as at the LPD and the Lessee has the option to renew such lease for an additional 15-year term upon its expiry at an agreed step-up in rental rates. Please refer to Section (iii) of Appendix II of this Circular for the salient terms of the USJ Property Lease Agreement (including the renewal rental rates) and comparison of current rental rate against market rate.

However, the Lessee has given the Early Termination Notice in respect of the USJ Property Lease Agreement as set out in Section 2.1 of this Circular.

Notwithstanding the Early Termination Notice, the USJ Property Lease Agreement remains subsisting as at the LPD. Further, under the terms of the USJ Property Lease Agreement, the Lessee may only terminate the USJ Property Lease Agreement before the expiry of the lease tenure (i) if they pay the rent for the remaining unexpired term or (ii) if the Lessee is unable to obtain, renew or maintain the necessary approvals or licences for its business on the USJ Property, provided that the Lessee procures a replacement lessee to lease the USJ Property. Accordingly, the Manager has no plans to secure a new or replacement lessee for the USJ Property Lease Agreement at this juncture. Notwithstanding this, if a replacement lessee is required, the Manager believes that they are able to secure such replacement lessee in a timely manner to continue to occupy the USJ Property given the strategic location of the USJ Property as well as the Manager's track record in mall management. As at the LPD, the Vendor has received no indication from the Lessee if it will continue to pursue the termination of the USJ Property Lease Agreement. Please refer to Section 5(iii) of this Circular for the risk associated with the early termination of the USJ Property Lease Agreement.

(iv) Klang Property

The Klang Property has a sizeable hypermarket / retail complex building located within a matured township known as Bukit Tinggi, Klang. The Bukit Tinggi township is sited off the northern side of KESAS, travelling from Bukit Rimau towards Pulau Indah. Properties located within the vicinity include landed and stratified residential developments, and commercial shops / offices. Prominent landmarks within the immediate locality include Bukit Tinggi Medical Centre and Lotus's Klang. The Klang Property is easily accessible via well connected highways such as the KESAS and is complemented by the availability of public transportation such as taxi stands which are located within close vicinity of the Klang Property. The upcoming Klang Jaya LRT Station, which is expected to be completed in 2024, will be conveniently located within the immediate vicinity of the Klang Property, further improving the Klang Property's accessibility. The Klang Property has a portion of land measuring approximately 17,885 square metres that is currently being used as an open car park space ("**Klang Property Car Park Space**"). The Manager does not have any immediate plans to develop the Klang Property Car Park Space as at the LPD as the Klang Property in its entirety is being leased to the Lessee until December 2030 pursuant to the lease agreement for the Klang Property.

The Manager believes that the Klang Property is well positioned to benefit from the large catchment area of Bukit Tinggi, with residential neighbourhoods such as Bandar Bukit Tinggi 2 and Taman Sri Andalas, and commercial properties such as Bandar Bukit Tinggi commercial centre. Further, the Klang Property is under a long-term lease with the Lessee for a period of 10 years from December 2020 to December 2030, with a remaining period of approximately seven years as at the LPD with an agreed step-up in rental rates. Please refer to Section (iv) of Appendix II of this Circular for the salient terms of Klang Property's lease agreement and comparison of current rental rate against market rate. Given the long-term lease secured, the Klang Property is expected to generate stable income for Sunway REIT in the long term complemented by the agreed step-up in rental rates pursuant to the lease agreement for the Klang Property.

(v) Ulu Kelang Property

The Ulu Kelang Property has a relatively older hypermarket / retail complex building located within the residential township of Taman Permata, which is sited off the southern side of the Kuala Lumpur Middle Ring Road 2 (“MRR2”), travelling from Ampang to Taman Melati. Properties located within the vicinity include landed and stratified residential properties, and commercial shops / offices. Prominent landmarks within the immediate locality include the Melawati Mall and Wangsa Walk Mall. The Ulu Kelang Property is easily accessible via well connected highways such as the MRR2 and is well served by public transportation such as taxi stands and bus stations which are located within close vicinity of the Ulu Kelang Property.

The Ulu Kelang Property has established its presence over the years in the Taman Permata township. This allows the Ulu Kelang Property to benefit from both the residential catchment area within the Taman Permata township and the broader region of Ampang. The Ulu Kelang Property is under a long-term lease with the Lessee for a period of 10 years from December 2020 to December 2030, with a remaining period of approximately seven years as at the LPD with an agreed step-up in rental rates. Please refer to Section (v) of Appendix II of this Circular for the salient terms of Ulu Kelang Property’s lease agreement and comparison of current rental rate against market rate. Notwithstanding the competitive market landscape for the Ulu Kelang Property due to competing shopping malls in its vicinity, the Manager believes that the long-term lease with the Lessee will continue to provide Sunway REIT with stable income.

(vi) Plentong Property

The Plentong Property is a relatively modern and sizeable hypermarket / retail complex located within Plentong which is sited off the north-eastern side of the Pasir Gudang Highway travelling from Perling towards Pasir Gudang. Properties located within the vicinity include terraced, semi-detached and detached houses and high-rise apartments / condominiums complemented by commercial shop offices and shop houses, commercial shopping complexes and terraced, semi-detached and detached factories / warehouses. The Plentong Property is easily accessible via well connected highways such as Eastern Dispersal Link and Pasir Gudang Highway. The Plentong Land 2 and Plentong Land 3 measuring approximately 14,852 square metres and 19,156 square metres respectively are being used as additional open car park spaces (“**Plentong Property Car Park Space**”).

Further, the acquisition of the Plentong Property provides an opportunity for Sunway REIT to expand its geographical reach to the southern region of Malaysia.

The Manager does not have any immediate plans to develop the Plentong Property Car Park Space as at the LPD as the Plentong Property in its entirety is being leased to the Lessee under a long-term lease agreement for a period of 10 years from December 2020 to December 2030, with a remaining period of approximately seven years as at the LPD with an agreed step-up in rental rates. Please refer to Section (vi) of Appendix II of this Circular for the salient terms of Plentong Property’s lease agreement and comparison of current rental rate against market rate. The Manager also believes that the long-term lease with the Lessee will continue to provide Sunway REIT with stable income.

The Manager believes that the Hypermarkets / Retail Complexes will be beneficial to Sunway REIT and the Unitholders after taking into consideration the prospects of the Hypermarkets / Retail Complexes, and the favourable outlook of the property market in Malaysia driven by government initiatives and projects, improving labour market conditions and increase in tourist arrivals. Moreover, the Manager is able to tap on Sunway Berhad and its subsidiaries' brand name, expertise and experience in mall management to improve the attractiveness and competitiveness of the Hypermarkets / Retail Complexes through asset enhancement initiatives. As at the LPD, the Manager is in the midst of evaluating the necessary asset enhancement initiatives to be undertaken to improve the attractiveness and competitiveness of the Hypermarkets / Retail Complexes. If any, such measures may be funded by Sunway REIT's debt facilities and/or internally generated funds after taking into consideration Sunway REIT's future gearing level and working capital requirements.

Further, the Proposed Acquisition will also provide sustainable cash flows and income. As set out in Section 3(iii) of this Circular, Sunway REIT's enlarged portfolio's WALE will increase from 4.43 years to 4.50 years upon completion of the Proposed Acquisition which demonstrate improving stability to Sunway REIT post-acquisition.

5. RISK FACTORS

Unitholders should consider the following risk factors (which may not be exhaustive) pertaining to the Proposed Acquisition:

(i) Inability of the Lessee to make timely lease payments to Sunway REIT

The Lessee manages and operates its business in the Hypermarkets / Retail Complexes and sub-lets portions of the Hypermarkets / Retail Complexes to other sub-tenants. The ability of the Lessee to make timely lease payments to Sunway REIT under the Lease Agreements during the tenure of the Lease Agreements may be affected due to, amongst others, the following reasons that could have an adverse effect to the Lessee's operations and financial performance:

- (a) outbreak of infectious diseases which include the COVID-19 pandemic;
- (b) unfavourable changes in statutory laws, regulations or government policies;
- (c) general downturn in the global and Malaysian economy;
- (d) bankruptcy, insolvency or downturn in the business of the Lessee;
- (e) increased competition from other retail properties / hypermarkets within close vicinity and e-commerce; and
- (f) inability of the Lessee to attract and retain quality retail sub-tenants with favourable rental yields.

The Manager will closely monitor and assess any late or decline in rental payments caused by the above factors. If the Lessee fails to pay the lease payments under the Lease Agreements, Sunway REIT shall amongst others, be entitled to charge late payment interest at the rate of 10% per annum (calculated on a daily basis) on the outstanding rental due, call on the bank guarantees provided by the Lessee as security or terminate the Lease Agreements. However, the Lessee has been paying rental as per the Lease Agreements for the past 12 months preceding the LPD.

(ii) Risk of non-renewal and termination of Lease Agreements

The respective Lease Agreements for the Klang Property, Ulu Kelang Property and Plentong Property are for fixed terms with no option for renewal, whilst the Kinrara Property, Putra Heights Property and USJ Property are for fixed terms with the option for renewal.

The continuous generation of rental income from the Hypermarkets / Retail Complexes in the future is subject to the renewal of the Lease Agreements upon their expiry. In the event of a declining market, the Lessee may not renew the Lease Agreements at all or may only be able to renew the Lease Agreements on terms that are less favourable than the existing Lease Agreements. Furthermore, if the Lease Agreements are terminated or not renewed, there can be no assurance that Sunway REIT will be able to secure tenants and let the vacant Hypermarkets / Retail Complexes on a timely basis. If the rental rates upon renewal are significantly lower than expected rates or Sunway REIT is unable to secure tenants on a timely basis, then Sunway REIT's results of operations and financial condition may be adversely affected.

On 23 February 2023, it was published in the media that the major shareholder of the Lessee, namely Dairy Farm International Ltd had entered into an agreement to sell all of its shareholdings in the Lessee to Macrovalue Sdn Bhd. Nevertheless, the change in the shareholder of the Lessee does not render the Lease Agreements to be terminable and the terms in the Lease Agreements shall remain unchanged.

Upon the completion of the Proposed Acquisition, the Manager will work closely with the Lessee to build a strong relationship to reduce the potential of non-renewal or early termination of the Lease Agreements. If the Lessee does not renew the Lease Agreements, the Manager will use its best endeavours to leverage on the positive attributes of the Hypermarkets / Retail Complexes as well as the Manager's track record in mall management to secure new tenants for the Hypermarkets / Retail Complexes. Please refer to Section 4.3 of this Circular for details on the prospects of the Hypermarkets / Retail Complexes.

(iii) Risk of early termination of the USJ Property Lease Agreement

The Lessee has given the Early Termination Notice to the Vendor. Notwithstanding the Early Termination Notice:

- (a) the Vendor has warranted that the Lease Agreements will be valid and subsisting up to the date of completion of the Proposed Acquisition;
- (b) it is one of the Conditions Precedent that the Vendor, Trustee and Lessee shall execute the Novation Agreements (which include the USJ Property Novation Agreement);
- (c) the USJ Property Lease Agreement remains subsisting as at the LPD; and
- (d) the Lessee may only terminate the USJ Property Lease Agreement before the expiry of the lease tenure if:
 - (1) the Lessee pays the rent for the remaining unexpired term of the USJ Property Lease Agreement; or
 - (2) the Lessee is unable to obtain, renew or maintain the necessary approvals or licenses for its business on the USJ Property, subject to the Lessee procuring a new lessee to lease the USJ Property upon the same terms of the USJ Property Lease Agreement and the Vendor providing its consent for procuring such new lessee.

Accordingly, the Lessee is still obligated to continue to pay rent under the USJ Property Lease Agreement (which expires on 21 August 2028), and in which the Lessee has been paying the rent for the USJ Property as at the LPD. Upon completion of the Proposed Acquisition, the rights of the Vendor in respect of Section 5(iii)(d) above will be transferred to the Trustee under the USJ Property Novation Agreement. If a replacement lessee is required, the Manager believes that they are able to secure such replacement lessee in a timely manner to continue to occupy the USJ Property given the strategic location of the USJ Property as well as the Manager's track record in mall management. As at the LPD, the Vendor has received no indication from the Lessee if it will continue to pursue the termination of the USJ Property Lease Agreement.

(iv) Financing risks and limitation on borrowings

As Sunway REIT will mainly depend on external financing to finance the Proposed Acquisition, its ability to pay distributions may be adversely affected by this additional debt financing. Any future significant increase in interest rates could have an adverse effect on Sunway REIT's cash flows and profitability which in turn may affect Sunway REIT's ability to make distributions to its Unitholders. Limitation on borrowings may have the following consequences on Sunway REIT:

- (a) the inability to fund capital expenditure requirements in relation to Sunway REIT's existing asset portfolio or in relation to future acquisition of properties by Sunway REIT;
- (b) the inability to incur additional borrowings should there be a decline in the value of Sunway REIT's existing asset portfolio which causes the borrowing limit to be exceeded; and
- (c) the cash flow shortages which Sunway REIT might otherwise be able to resolve through borrowings.

Notwithstanding the above, the Manager will take all reasonable steps to prevent the failure of Sunway REIT to fulfil its payment obligations including closely monitoring its cash flows and gearing level, which are currently at a healthy level and thereby mitigating the risk of breaching covenants which could lead to events of default resulting in foreclosure of Sunway REIT's properties. As at 31 March 2023, being the latest practicable date at which such amount is publicly available before the printing of this Circular, the cash and bank balances, and the gearing of Sunway REIT stood at RM185.1 million and 38.7% respectively, and Sunway REIT has an available debt headroom of approximately RM1.1 billion to fund investment opportunities including the Proposed Acquisition.

(v) Delay or non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is conditional upon the fulfilment of the Conditions Precedent as set out in Section (iii)(a) of Appendix III of this Circular.

There is no assurance that the Proposed Acquisition can be completed within the time period permitted under the SPA. If the Conditions Precedent are not fulfilled within the stipulated time period and if the time period for fulfilment is not extended, the SPA may be terminated and the Proposed Acquisition will not proceed. Nevertheless, the Trustee or Manager will ensure that all reasonable steps will be taken to ensure that the Conditions Precedent within their responsibility under the SPA are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals or consents and confirmations to give effect to the completion of the Proposed Acquisition within the timeframe permitted by the SPA.

(vi) Delay in the transfer of the Hypermarkets / Retail Complexes in the name of the Trustee

The Trustee will only become the registered and legal owner of the Hypermarkets / Retail Complexes upon endorsement of its name as the registered owner on the title to the Hypermarkets / Retail Complexes. There may be a risk of failure to register the transfer of the Hypermarkets / Retail Complexes in the name of the Trustee due to no fault on the part of the Trustee and Vendor and which cannot be rectified by either party. Given the current practices of the land offices in Malaysia, generally, the period between the date of presentation of instruments relating to dealing in a land transaction and the registration of the same could typically take several months. As such, there could be a potential delay and therefore uncertainty in the registration of the Trustee as the registered owner of the Hypermarkets / Retail Complexes.

Nevertheless, the Manager will endeavour to follow up closely with the respective land offices on the progress of the transfers of titles of the Hypermarkets / Retail Complexes and rectify any administrative deficiencies. Further, the SPA allows the Trustee or the Vendor to issue a notice to terminate the SPA if the title of the Hypermarkets / Retail Complexes cannot be registered in the name of the Trustee due to no fault of the Trustee or the Vendor whereby such non-registration cannot be rectified by either party. Please refer to Section (vi)(c) of Appendix III of this Circular for further details on provisions under the SPA for non-registration of transfer.

(vii) Valuation assumptions

The assumptions made by the Valuer in assessing the market value of the Hypermarkets / Retail Complexes may differ materially from the market perception. The appraised market value of the Hypermarkets / Retail Complexes by the Valuer does not, in any way, serve as a guarantee of the current and future sale price of the Hypermarkets / Retail Complexes. As such, the price at which the Trustee is able to dispose the Hypermarkets / Retail Complexes in the future may be lower than the Purchase Consideration. If the Manager decides to dispose the Hypermarkets / Retail Complexes in the future, the Manager will endeavour to obtain the highest possible sale price after taking into consideration, amongst others, the market conditions, cost of investment of the Hypermarkets / Retail Complexes, expenses incurred by Sunway REIT for the Hypermarkets / Retail Complexes.

(viii) Sunway REIT's proforma income distribution and DPU are not a guarantee of the actual financial results

Sunway REIT's proforma income distribution and DPU as set out in Section 6.2 of this Circular demonstrate the effects of the Proposed Acquisition based on certain assumptions of the Manager including the assumption that the Proposed Acquisition was completed on 1 January 2022 (being the beginning of the FYE 31 December 2022). No assurance is given that the assumptions used by the Manager will be realised. Further, the actual financial results of Sunway REIT may differ from the proforma results set out in this Circular.

6. EFFECTS OF THE PROPOSED ACQUISITION

For illustration purposes only, the proforma effects of the Proposed Acquisition are being illustrated on the assumption that the Purchase Consideration of RM520.0 million is fully funded via Sunway REIT's existing debt facilities, and the net proceeds from the SMC Disposal are used for repayment of borrowings.

6.1. Unitholders' capital and substantial Unitholders' unitholdings

The Proposed Acquisition will not have any effect on the Unitholders' capital and the unitholdings of the substantial Unitholders as no new units of Sunway REIT will be issued for the Proposed Acquisition.

6.2. Earnings, EPU and DPU

For the FYE 31 December 2023, the Proposed Acquisition is expected to contribute positively to the earnings and EPU of Sunway REIT mainly arising from the net unrealised fair value gain of approximately RM66.2 million which is immediately recognised upon the completion of the Proposed Acquisition. However, the Proposed Acquisition is not expected to have any material effect on the DPU of Sunway REIT for the FYE 31 December 2023 as the income generated from the Hypermarkets / Retail Complexes will only be recognised after the completion of the Proposed Acquisition which is expected to be in the fourth quarter of 2023. Further, after the FYE 31 December 2023, the income generated from the Hypermarkets / Retail Complexes is expected to contribute positively to the earnings, EPU and DPU of Sunway REIT.

For illustration purposes only, assuming that the Proposed Acquisition was completed on 1 January 2022 (being the beginning of the FYE 31 December 2022), the proforma effects of the Proposed Acquisition on the income distribution and DPU of Sunway REIT for the FYE 31 December 2022 are as follows:

	Audited for the FYE 31 December 2022	After the SMC Disposal	After the SMC Disposal and the Proposed Acquisition
	RM'000	RM'000	RM'000
Income distribution	315,767 ⁽¹⁾⁽²⁾	315,767	307,886
(Less) / Add: (Loss of annual net distributable income) / Annual incremental net distributable income	-	(7,881) ⁽³⁾	18,301 ⁽⁴⁾
Proforma income distribution	315,767	307,886	326,187
Units in circulation ('000)	3,424,808	3,424,808	3,424,808
Proforma DPU (sen)	9.22	8.99	9.52

Notes:

- (1) Based on Sunway REIT's declared/distributed income to Unitholders for the FYE 31 December 2022.
- (2) The expenses in relation to the SMC Disposal have been recognised during the FYE 31 December 2022.

- (3) The computation in arriving to the loss of annual net distributable income of SMC is as follows:

Description	Basis of computation	RM'000
Loss of rental income	Based on the annual rental income of SMC in 2022	(26,439)
Add:		
Manager and Trustee fees	Manager fees are computed at a base rate of 0.30% per annum of the total asset value of SMC plus a further 3.00% of the Net Property Income ("NPI") of SMC in 2022. There are no Trustee fees incurred as there is no change in NAV pursuant to the SMC Disposal	1,918
Savings in finance costs	Assumed savings in finance cost of 4.00% per annum on the net proceeds from the SMC Disposal	16,640
		(7,881)

- (4) The computation in arriving at the annual incremental net distributable income of the Hypermarkets / Retail Complexes is as follows:

Description	Basis of computation	RM'000
NPI	Based on the annual rental income of the Hypermarkets / Retail Complexes in 2022.	42,123
Less:		
Manager and Trustee fees	Manager fees are computed at a base rate of 0.30% per annum of the incremental total asset value plus a further 3.00% of the incremental NPI. Trustee fee is computed based on 0.015% of the incremental net asset value and subject to a maximum fee of RM700,000 per annum.	(3,022)
Finance costs	Assumed finance cost of 4.00% per annum on the Purchase Consideration.	(20,800)
		18,301

The Manager wishes to highlight that the computation above is merely for illustration purposes and have been prepared based on certain assumptions of the Manager. The above illustration is not necessarily indicative of the results of the operations of Sunway REIT that would have been attained had the Proposed Acquisition actually occurred in the aforesaid period. Further, the Manager cannot provide assurance that the assumptions used by them will be realised and the actual DPU will be as projected.

6.3. NAV and NAV per unit

For illustration purposes only, assuming that the Proposed Acquisition was completed on 31 December 2022, the proforma effects of the Proposed Acquisition on the NAV and NAV per unit of Sunway REIT as at 31 December 2022 are as follows:

	Audited as at 31 December 2022	After the Proposed Acquisition ⁽¹⁾
	RM'000	RM'000
Unitholders' capital	3,433,864	3,433,864
Undistributed income	1,754,397	1,820,564 ⁽²⁾
Total Unitholders' funds / NAV	5,188,261	5,254,428
Perpetual note holders' funds	339,717	339,717
Total equity	5,527,978	5,594,145
Units in circulation ('000)	3,424,808	3,424,808
NAV per Unit (RM) ⁽³⁾	1.5149	1.5342

Notes:

- (1) The effects of the SMC Disposal were not included as the expenses in relation to the SMC Disposal have been recognised during the FYE 31 December 2022.
- (2) After taking into consideration the net unrealised fair value gain on the Hypermarkets / Retail Complexes of approximately RM66.2 million as set out in Section 2.2(ii) of this Circular, which is not distributable.
- (3) NAV per unit is calculated as NAV divided by number of units in circulation.

Please refer to Appendix V of this Circular for the Reporting Accountants' letter on the proforma consolidated statement of financial position for further details.

6.4. Gearing

For illustration purposes only, assuming that the Proposed Acquisition was completed on 31 December 2022, the proforma effects of the Proposed Acquisition on the gearing level of Sunway REIT as at 31 December 2022 are as follows:

	Audited as at 31 December 2022	After the SMC Disposal	After the SMC Disposal and the Proposed Acquisition
	RM'000	RM'000	RM'000
Total gross borrowings	3,537,013	3,121,013 ⁽¹⁾	3,641,013 ⁽³⁾
Total asset value	9,413,371	8,983,371 ⁽²⁾	9,569,538 ⁽⁴⁾
Gearing (%) ⁽⁵⁾	37.6	34.7	38.0

Notes:

- (1) Decrease in total gross borrowings by approximately RM416.0 million arising from the repayment of borrowings using the net proceeds from the SMC Disposal.

- (2) Net decrease in total asset value due after taking into consideration the decrease in investment properties by RM430.0 million based on the carrying value of the SMC of RM430.0 million as at 31 December 2022.
- (3) Increase in total gross borrowings to fully fund the Purchase Consideration.
- (4) Net increase in total asset value after taking into consideration the following:
 - (a) increase in investment properties by RM593.0 million based on the aggregate market value of the Hypermarkets / Retail Complexes; and
 - (b) net decrease in cash and bank balances by approximately RM6.8 million for payment of the estimated expenses relating to the Proposed Acquisition, comprising the Manager's acquisition fee, professional fees and other expenses.
- (5) Gearing is calculated as total gross borrowings divided by total asset value.

Please refer to Appendix V of this Circular for the Reporting Accountants' letter on the proforma consolidated statement of financial position for further details.

6.5. Convertible securities

As at the LPD, Sunway REIT does not have any outstanding convertible securities.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Acquisition is subject to, amongst others, the following approvals being obtained:

- (i) the approval of the Unitholders for the Proposed Acquisition at the forthcoming Unitholders' Meeting;
- (ii) the approval or no objection from the Economic Planning Unit of the Prime Minister's Office for the purchase of the Hypermarkets / Retail Complexes by the Trustee from the Vendor. The application has been submitted on 18 April 2023 and is currently pending approval;
- (iii) the approval from the state authority for the application by the Vendor for amendment of restriction in interest for the Plentong Land 2 ⁽¹⁾ which has been obtained on 23 May 2023; and
- (iv) any other relevant authority and/or party, if required.

Please refer to Section (iii)(a) of Appendix III of this Circular for details on the Conditions Precedent.

Note:

- (1) Plentong Land 1 and Plentong Land 3 are in compliance with the conditions of their respective title documents and as such no amendment of restriction in interest is required for them. Please refer to Section (vi) of Appendix II of this Circular for further details on the restrictions in interest for the Plentong Property.

8. INTERESTS OF DIRECTORS AND/OR MAJOR SHAREHOLDERS OF THE MANAGER AND/OR MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors and major shareholders of the Manager and/or major Unitholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

The details of the unitholdings of EPF in Sunway REIT as at the LPD is as follows:

Unitholder	Direct		Indirect	
	No. of units	%	No. of units	%
EPF	521,901,800	15.24	-	-

As at the LPD, EPF is a major Unitholder and the sole shareholder of the Vendor. Accordingly, EPF is deemed interested in the Proposed Acquisition.

EPF will abstain from voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' meeting for their direct and/or indirect (if any) unitholdings in Sunway REIT. EPF has also undertaken that they will ensure that persons connected with them will abstain from voting on the resolution pertaining to the Proposed Acquisition for their direct and/or indirect unitholdings (if any) in Sunway REIT at the forthcoming Unitholders' meeting.

The Manager is prohibited under the Guidelines on Listed Real Estate Investment Trusts issued by the SC from exercising the voting rights attached to the units it holds or the units held by its nominees in any Unitholders' meeting. Hence, the Manager will abstain from voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

9. PERCENTAGE RATIO

The percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g)(ix) of the Main Market Listing Requirements of Bursa Securities is approximately 5.52%, computed based on the Purchase Consideration compared with the audited total asset value of Sunway REIT as at 31 December 2022.

10. RELATED PARTY TRANSACTIONS

Save for the Proposed Acquisition, Sunway REIT has not entered into any other transactions with EPF in the 12 months preceding the LPD.

11. RECOMMENDATION BY THE MANAGER'S AUDIT COMMITTEE

The audit committee of the Manager, having considered the rationale and benefits, proforma effects and all aspects of the Proposed Acquisition, and the evaluation and recommendation by the Independent Adviser, and after careful deliberation, is of the opinion that the Proposed Acquisition is:

- (i) in the best interest of Sunway REIT;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interests of the non-interested Unitholders.

12. RECOMMENDATION BY THE DIRECTORS

The Board having considered the rationale and benefits, proforma effects and all aspects of the Proposed Acquisition, and the evaluation and recommendation by the Independent Adviser, and after careful deliberation:

- (i) is of the opinion that the Proposed Acquisition is in the best interests of Sunway REIT and the Unitholders; and
- (ii) recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

13. INDEPENDENT ADVISER

Kenanga IB has been appointed by the Board on 24 November 2022 to act as the Independent Adviser in view of the interests of the interested major Unitholder as disclosed in Section 8 of this Circular. The role of the Independent Adviser is as follows:

- (i) to comment as to whether the Proposed Acquisition is:
 - (a) fair and reasonable so far as the Unitholders are concerned; and
 - (b) to the detriment of the non-interested Unitholders,and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) to advise the non-interested Unitholders whether they should vote in favour of the Proposed Acquisition; and
- (iii) to take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice for items (i) and (ii) above.

14. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition and the SMC Disposal as set out below, there are no other corporate exercises which have been announced by the Manager and which are pending completion as at the LPD:

- (i) On 29 December 2022, the Manager announced that the Trustee had on even date entered into a conditional sale and purchase agreement with Sunway Medical Centre Sdn Bhd, an indirect subsidiary of Sunway Berhad, for the disposal of SMC by the Trustee to Sunway Medical Centre Sdn Bhd ("**SMC Purchaser**"), for a total cash consideration of RM430.0 million ("**SMC SPA**"). The parties had on 31 March 2023 entered into a supplemental agreement to extend the cut-off date for another two months from 30 March 2023 to fulfil the conditions precedent of the SMC SPA. Subsequently, on 30 May 2023, the parties entered into a second supplemental agreement to further extend the cut-off date to 30 June 2023. As at 30 May 2023, the remaining conditions precedent to be fulfilled is the receipt of the relevant state authority's approval for the transfer of SMC from the Trustee to the SMC Purchaser. The SMC Disposal is expected to be completed by 31 August 2023.

Further, the Proposed Acquisition is not conditional upon the SMC Disposal and/or any other corporate exercises undertaken or to be undertaken by Sunway REIT.

15. TENTATIVE TIMETABLE

The estimated timeframe for the Proposed Acquisition is as follows:

<u>Date</u>	<u>Events</u>
15 June 2023	Unitholders' Meeting to approve the Proposed Acquisition
By third quarter of 2023	Fulfilment of the Conditions Precedent
By fourth quarter of 2023	Completion of the Proposed Acquisition

16. UNITHOLDERS' MEETING

The forthcoming Unitholders' Meeting, the Notice of which is enclosed with this Circular, will be held **virtually** through livestreaming 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 Thursday, 15 June 2023 at 3:00 p.m. or at any adjournment thereof, to consider and, if thought fit, to pass the resolution, with or without any modifications, to give effect to the Proposed Acquisition.

You are encouraged to participate, speak (in the form of real-time submission of typed texts) and vote remotely at the forthcoming Unitholders' Meeting using the Digital Ballot Form provided by the appointed Poll Administrator for the forthcoming Unitholders' Meeting, Mega Corporate Services Sdn Bhd ("**Mega**"). Please refer to the Administrative Notes for the procedures to register, participate and vote remotely at the forthcoming Unitholders' Meeting. If you are unable to participate in the forthcoming Unitholders' Meeting, you may appoint a proxy or proxies to participate and vote remotely on your behalf. In such event, you should complete and deposit the Proxy Form to Mega at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, or submit it via email to UM-support.SunwayREIT@megacorp.com.my, no later than Wednesday, 14 June 2023 at 3:00 p.m., being 24 hours before the date and time fixed for the forthcoming Unitholders' Meeting or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from participating in the forthcoming Unitholders' Meeting should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
SUNWAY REIT MANAGEMENT SDN BHD
(Manager for Sunway REIT)

TAN SRI AMIRSHAM BIN A AZIZ
Chairman, Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM
KENANGA IB TO THE NON-INTERESTED
UNITHOLDERS OF SUNWAY REIT IN RELATION TO
THE PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

All capitalised terms used in this Executive Summary shall have the same meanings as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this Executive Summary are references to Kenanga IB, being the Independent Adviser for the Proposed Acquisition.

This Executive Summary is intended to be a brief summary of this IAL which has been prepared by Kenanga IB to provide the non-interested Unitholders with an independent evaluation of the Proposed Acquisition and to express our recommendation on the Proposed Acquisition.

You are advised to read and understand both this IAL and the letter from the Board set out in Part A of the Circular together with the accompanying appendices, and to carefully consider the evaluations and recommendations contained in both the letters before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders’ Meeting.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

1. INTRODUCTION

On 16 March 2023, RHB Investment Bank announced, on behalf of the Board, that the Trustee had on even date entered into the SPA with the Vendor, a wholly-owned subsidiary of the EPF, for the Proposed Acquisition.

The Proposed Acquisition is deemed a related party transaction due to the interest of one of the major Unitholders, namely EPF, as set out in **Section 8, Part A of the Circular**.

Accordingly, the Board had appointed us, Kenanga IB, on 24 November 2022, as the Independent Adviser to advise the Directors and the non-interested Unitholders on the Proposed Acquisition, and whether the non-interested Unitholders should vote in favour of the Proposed Acquisition.

2. EVALUATIONS OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have considered the following:

<u>Reference in this IAL</u>	<u>Consideration factors</u>	<u>Evaluation</u>
Section 6.1	Rationale and benefits of the Proposed Acquisition	<p>We take cognisance that the Proposed Acquisition would benefit Sunway REIT as the Proposed Acquisition represents an:</p> <ul style="list-style-type: none">(i) opportunistic investment;(ii) accretion to earnings and DPU;(iii) increased income stability through the Lease Agreements and increased WALE of Sunway REIT’s portfolio; and(iv) increased strength and geographical diversification of Sunway REIT’s portfolio.

Premised on the above, we are of the view that the rationale and benefits of the Proposed Acquisition are **reasonable**.

EXECUTIVE SUMMARY (CONT'D)

Reference in this IAL	Consideration factors	Evaluation
Section 6.2	Basis and justification in arriving at the Purchase Consideration	<p>We noted that the Purchase Consideration was arrived at on a “willing buyer-willing seller” basis after taking into consideration the aggregate market value of the Hypermarkets / Retail Complexes, as ascribed by the Valuer using the income approach by investment method and supported using the comparison approach.</p> <p>We have reviewed the key bases and assumptions adopted by the Valuer and are satisfied with the reasonableness of the key bases and assumptions. As such, we are satisfied with the valuation conducted by the Valuer as well as the reasonableness of the opinion of the market values expressed by the Valuer on the Hypermarkets / Retail Complexes and have relied on the valuation of the Hypermarkets / Retail Complexes as conducted by the Valuer.</p> <p>We are of the view that the Purchase Consideration of RM520.00 million is fair and reasonable as it represents a discount of RM73.00 million or 12.3% to the fair value of the Hypermarkets / Retail Complexes of RM593.00 million.</p> <p>Premised on the above and our detailed evaluation set out in Section 6.2 of this IAL, we are of the opinion that the Purchase Consideration is fair.</p>
Section 6.3	Salient terms of the SPA	Based on our review of the salient terms of the SPA, we are of the view that the overall terms and conditions of the SPA are reasonable and not detrimental to the interests of the non-interested Unitholders.
Section 6.4	Proposed salient terms of the Novation Agreements	Based on our review of the proposed salient terms of the Novation Agreements, we are of the view that the overall terms of the Novation Agreements are reasonable and not detrimental to the non-interested Unitholders.
Section 6.5	Effects of the Proposed Acquisition	<p>We are of the view that the pro forma effects of the Proposed Acquisition are not detrimental to the interests of the non-interested Unitholders on an overall basis, after considering the following:</p> <ul style="list-style-type: none">(i) The Proposed Acquisition will not have any effect on the Unitholders’ capital and substantial Unitholders’ unitholdings in Sunway REIT as no new units of Sunway REIT will be issued for the Proposed Acquisition;(ii) The Proposed Acquisition is expected to contribute positively to the earnings of Sunway REIT and DPU to unitholders upon completion of the Proposed Acquisition;(iii) The Proposed Acquisition will result in an increase in NAV and NAV per unit of Sunway REIT; and(iv) The Proposed Acquisition is expected to increase the gearing level of Sunway REIT.

EXECUTIVE SUMMARY (CONT'D)

Reference in this IAL	Consideration factors	Evaluation
Section 6.6	Prospect and outlook of the industry and the Hypermarkets / Retail Complexes	Taking into consideration, amongst others, the strategic location of the Hypermarkets / Retail Complexes, as well as the benefits derived from the existing Lease Agreements, the prospects of the Hypermarkets / Retail Complexes should be generally positive.
Section 6.7	Risk factors in relation to the Proposed Acquisition	<p>We note that the risks associated with the Proposed Acquisition are the typical risks associated with the business of Sunway REIT and are inherent in transactions of this nature.</p> <p>We wish to highlight that although measures have been / will be taken by Sunway REIT to mitigate such risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of the risk factors will not occur and give rise to material adverse impact on the business and operation of Sunway REIT, its financial performance or prospects thereon.</p>

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and our evaluation is set out in **Section 6 of this IAL**. The non-interested Unitholders should consider all the merits and demerits of the Proposed Acquisition based on all relevant pertinent factors including those which are as set out in **Part A of the Circular**, the relevant appendices thereof, this IAL and other publicly available information.

Premised on our evaluation of the Proposed Acquisition in **Section 6 of this IAL**, we are of the opinion that the Proposed Acquisition is **fair, reasonable and not detrimental** to the interests of the non-interested Unitholders.

Accordingly, we recommend that the non-interested Unitholders vote **in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

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31 May 2023

To: The non-interested Unitholders of Sunway Real Estate Investment Trust

Dear Sir / Madam,

SUNWAY REAL ESTATE INVESTMENT TRUST

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST IN RELATION TO THE PROPOSED ACQUISITION

This IAL is prepared for inclusion in the Circular to the Unitholders in relation to the Proposed Acquisition and should be read in conjunction with the same. All capitalised terms used in this IAL shall have the same meaning as the words and expressions provided in the "Definitions" section of the Circular to the Unitholders in relation to the Proposed Acquisition, except where the context otherwise requires or otherwise as defined herein. All references to "we", "us" or "our" in this IAL are references to Kenanga IB, being the Independent Adviser for the Proposed Acquisition.

1. INTRODUCTION

On 16 March 2023, RHB Investment Bank announced, on behalf of the Board, that the Trustee had on even date entered into the SPA with the Vendor, a wholly-owned subsidiary of the EPF, for the Proposed Acquisition.

The Proposed Acquisition is deemed a related party transaction due to the interest of one of the major Unitholders, namely EPF, as set out in **Section 8, Part A of the Circular**.

Accordingly, the Board had appointed us, Kenanga IB, on 24 November 2022, as the Independent Adviser to advise the directors of the Manager and the non-interested Unitholders on the Proposed Acquisition, and whether the non-interested Unitholders should vote in favour of the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition insofar as the non-interested Unitholders are concerned. This IAL also opines on whether the Proposed Acquisition is detrimental to the non-interested Unitholders as well as to provide a recommendation thereon on the voting of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

Nonetheless, the non-interested Unitholders should rely on their own evaluation of the merits of the Proposed Acquisition before deciding on the course of action to be taken at the forthcoming Unitholders' Meeting.

This IAL is prepared solely for the use of the non-interested Unitholders for the purpose of considering the merits of the Proposed Acquisition and should not be used or relied upon by any other party or for any other purposes whatsoever.

THE NON-INTERESTED UNITHOLDERS ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE EVALUATIONS AND RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

IF THE NON-INTERESTED UNITHOLDERS ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, THE NON-INTERESTED UNITHOLDERS SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Kenanga

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition of the Hypermarkets / Retail Complexes as set out below:

No.	Hypermarkets / Retail Complexes	Market Value (RM'mil)	Purchase Consideration (RM'mil)	Premium / (Discount) (%)
(i)	Kinrara Property	138.0	130.0	(5.8)
(ii)	Putra Heights Property	66.0	60.0	(9.1)
(iii)	USJ Property	103.0	80.0	(22.3)
(iv)	Klang Property	74.0	65.0	(12.2)
(v)	Ulu Kelang Property	53.0	45.0	(15.1)
(vi)	Plentong Property	159.0	140.0	(11.9)
Total		593.0	520.0	(12.3)

The Hypermarkets / Retail Complexes to be acquired include all fixtures and fittings fixed to or located or used in the Hypermarkets / Retail Complexes, and services infrastructure systems and facilities, as stated in the SPA.

The acquisition of each of the Hypermarkets / Retail Complexes are inter-conditional with each other and shall be completed simultaneously under the SPA as the acquisitions of the Hypermarkets / Retail Complexes were negotiated on a bundled basis, below their respective market values. Further, the Hypermarkets / Retail Complexes to be acquired are free from encumbrances. Kindly refer to **Section 6.3 of this IAL** for Kenanga IB's comments on the salient terms of the SPA.

As at the LPD, the Vendor had previously entered into the Lease Agreements with the Lessee to lease the Hypermarkets / Retail Complexes and the Lessee has been paying the rent for the Hypermarkets / Retail Complexes. The Lease Agreements are to be novated to the Trustee pursuant to the Novation Agreements which shall take effect on the Completion Date, whereby the Lessee shall continue to lease the Hypermarkets / Retail Complexes upon the completion of the Proposed Acquisition. The form and the terms of the Novation Agreements are to be mutually agreed between the Vendor, Trustee and Lessee. The execution of the Novation Agreements is one of the Conditions Precedent and shall be executed during the CP Period. We noted that the proposed salient terms of the Novation Agreements are subject to change as the Trustee, Vendor and Lessee have yet to finalise the terms as at the LPD. Kindly refer to **Section 6.4 of this IAL** for Kenanga IB's comments on the proposed salient terms of the Novation Agreements.

Further, the Lessee had issued the Early Termination Notice dated 15 August 2022 to the Vendor setting out its intention to cease its operations at the USJ Property on 31 December 2022 and to negotiate the termination of the USJ Property Lease Agreement. Notwithstanding the Early Termination Notice, the USJ Property Lease Agreement is still subsisting as at the LPD and under the terms of the USJ Property Lease Agreement, the Lessee may terminate the USJ Property Lease Agreement before the expiry of the lease tenure (i.e. 21 August 2028) only if:

- (i) the Lessee pays the rent for the remaining unexpired term of the USJ Property Lease Agreement; or

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- (ii) the Lessee is unable to obtain, renew or maintain the necessary approvals or licenses for its business on the USJ Property, subject to the Lessee procuring a new lessee to lease the USJ Property upon the same terms of the USJ Property Lease Agreement and the Vendor providing its consent for procuring such new lessee.

Accordingly, the Lessee is still obligated to continue to pay rent under the USJ Property Lease Agreement in which the Lessee has been paying the rent for the USJ Property as at the LPD. The rights and obligations of the Vendor under the USJ Property Lease Agreement will be transferred and novated to the Trustee pursuant to the USJ Property Novation Agreement.

Further details of the Proposed Acquisition are set out in **Section 2, Part A of the Circular** and should be read in its entirety.

3. INTERESTS OF THE DIRECTORS AND / OR MAJOR SHAREHOLDERS OF THE MANAGER AND / OR MAJOR UNITHOLDERS AND / OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors and / or major shareholders of the Manager and / or major Unitholders and / or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

(i) The Proposed Acquisition

The EPF is a major Unitholder and the sole shareholder of the Vendor. Accordingly, EPF is deemed interested in the Proposed Acquisition.

The interested major Unitholder for the Proposed Acquisition will be required to abstain from voting on the resolution relating to the Proposed Acquisition, in respect of their direct / indirect unitholdings in Sunway REIT, at the Unitholders' Meeting.

They will also ensure that persons connected with them will also abstain from voting on the resolutions for the Proposed Acquisition, in respect of their direct / indirect unitholdings in Sunway REIT.

(ii) The Manager

Paragraph 13.26 of the Guidelines on Listed Real Estate Investment Trusts as issued by the Securities Commission Malaysia provides that a management company must not exercise the voting rights for the Units it holds or its nominees hold in any unit holders' meeting, regardless of the party who requested for the meeting and the matter or matters that are laid before the meeting.

Pursuant thereto, the Manager will not vote on the Proposed Acquisition with regards to its voting rights (if any).

Please refer to **Section 8, Part A of the Circular** for further details.

4. SCOPE AND LIMITATIONS OF OUR EVALUATIONS OF THE PROPOSED ACQUISITION

We have not been involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposed Acquisition.

Our scope as Independent Adviser is limited to expressing an independent opinion on the Proposed Acquisition insofar as the non-interested Unitholders are concerned based on information and documents made available to us as set out below:

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- (i) the information contained in **Part A of the Circular** together with the accompanying appendices (including the Valuation Certificate dated 16 March 2023 for the valuation of the Hypermarkets / Retail Complexes issued by the Valuer);
- (ii) other information, documents, confirmations and / or representations provided by the Board and management of the Manager ("**Management**"); and
- (iii) other relevant publicly available information.

It is not within our terms of reference to express any opinion on legal, accounting and taxation issues relating to the Proposed Acquisition or commercial merits of the Proposed Acquisition.

We have relied on the Board and the Management to exercise due care to ensure that all information, documents and representations provided to us to facilitate our evaluations are accurate, valid and complete in all material respects and free from material omission. The Board has seen, reviewed and accepted this IAL. We have also undertaken reasonableness checks and where possible, corroborating such information with independent sources. The Board has, individually and collectively, accepted full responsibility for the accuracy, validity and completeness of the information provided to us and given herein (save for our assessment, evaluations and opinions) and has confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there is no omission of any fact that would make any statement in this IAL incomplete, misleading or inaccurate.

Accordingly, having made all reasonable enquiries, we are satisfied with the sufficiency of the information provided and disclosure from the Board and the Management, and we have no reason to believe that any of the information is unreasonable, unreliable, inaccurate, incomplete and / or that there are any facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

Our evaluations and opinions as set out in this IAL are based upon market, economic, industry, regulatory and the information / documents made available to us, as at the LPD. Such conditions may change significantly over a short period of time. Accordingly, our evaluations and opinions in this IAL do not consider the information, events and conditions arising after the LPD.

We will notify the non-interested Unitholders, if after the despatch of the Circular, we:

- (i) become aware of any significant change affecting the information contained in this IAL;
- (ii) have reasonable grounds to believe that a material statement in this IAL is misleading or deceptive; or
- (iii) have reasonable grounds to believe that there is a material omission in this IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested Unitholders if there are material changes in our recommendation as set out in this IAL.

In forming our opinion, we have considered factors which we believe would be of relevance and general importance to the non-interested Unitholders as a whole. We have not taken into consideration any specific investment objective, financial situation, risk profiles or particular needs of any individual unitholder or any specific group of unitholders. We recommend that any individual unitholder or group of unitholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition in the context of their individual objectives, financial situation, risk profiles or particular needs, to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by any individual unitholder or any specific group of unitholders relying on the evaluation as set out in this IAL for any purpose whatsoever.

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5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

Save for our appointment as the Independent Adviser for the Proposed Acquisition, we do not have any other professional relationship with Sunway REIT for the past 2 years preceding the LPD. We confirm that there is no situation of conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser to Sunway REIT for the Proposed Acquisition.

We provide a range of advisory services which include, amongst others, mergers, acquisitions and divestitures, take-overs / general offers, fund raising and initial public offerings. We have experience in the independent analysis of transactions and issuing opinions on whether the terms and financial conditions of a transaction are deemed fair and reasonable, including those of acquisitions, disposals and general offers. We are a holder of a Capital Markets Services Licence issued by the Securities Commission Malaysia as a principal adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007.

Our credentials and experience as an Independent Adviser since 2018 up to the LPD, include amongst others, the following:

No.	Company	Proposal
1.	Lingkaran Trans Kota Holdings Berhad (" LITRAK ")	Independent advice letter dated 15 May 2023 to the shareholders of LITRAK pertaining to a proposed capital reduction and repayment, and proposed delisting.
2.	Boustead Holdings Berhad (" Boustead ")	Independent advice circular dated 17 April 2023 to the holders of the offer shares in Boustead pertaining to a conditional voluntary take-over offer.
3.	CapitaLand Malaysia Trust (" CLMT ")	Independent advice letter dated 8 February 2023 to the non-interested unitholders of CLMT pertaining to the proposed acquisition of 433 strata titles within Queensbay Mall held by Special Coral Sdn Bhd, and the entire equity stakes in Scenic Growth Sdn Bhd, Luxury Ace Sdn Bhd, Success Idea Sdn Bhd, and Milky Way Hypermarkets / Retail Complexes Berhad.
4.	Lion Posim Berhad (" LPB ")	Independent advice letter dated 17 November 2022 to the non-interested shareholders of LPB pertaining to a proposed unincorporated joint venture and proposed diversification.
5.	Cycle & Carriage Bintang Berhad (" CCB ")	Independent advice circular dated 15 August 2022 to the holders of the offer shares in CCB pertaining to an unconditional voluntary take-over offer.
6.	Shin Yang Shipping Corporation Berhad (" SYSCORP ")	Independent advice letter dated 17 May 2022 to the non-interested shareholders of SYSCORP pertaining to the proposed acquisition of Piasau Gas Sdn Bhd
7.	IJM Plantations Berhad (" IJMP ")	Independent advice circular dated 30 September 2021 to the holders of the offer shares in IJMP pertaining to an unconditional mandatory take-over offer.
8.	Malton Berhad (" Malton ")	Independent advice letter dated 15 August 2019 to the non-interested shareholders of Malton pertaining to the proposed disposal of equity interest in Pavilion Bukit Jalil Mall and proposed subscription of redeemable preference shares in Regal Path Sdn Bhd.

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No.	Company	Proposal
9.	Sarawak Consolidated Industries Berhad (“ SCIB ”)	Independent advice letter dated 11 June 2019 to the non-interested shareholders of SCIB pertaining to the proposed acquisition of land together buildings erected thereon.
10.	Kein Hing International Berhad (“ KHIB ”)	Independent advice letter dated 25 July 2018 to the non-interested shareholders of KHIB pertaining to the proposed acquisition of equity interest in Kein Hing Muramoto (Vietnam) Co., Ltd.
11.	CCM Duopharma Biotech Berhad (“ CCMD ”)	Independent advice letter dated 16 May 2018 to the non-interested shareholders of CCMD pertaining to the proposed acquisition equity interest in PanGen Biotech Inc.
12.	Malaysian Resources Corporation Berhad (“ MRCB ”)	Independent advice letter dated 4 May 2018 to the non-interested shareholders of MRCB pertaining to the management contract for the appointment of MRCB as a management contractor in connection with the development and construction of a development project.
13.	Ibraco Berhad (“ Ibraco ”)	Independent advice letter dated 22 February 2018 to the non-interested shareholders of Ibraco pertaining to the proposed sale of corporate office.
14.	MCT Berhad (“ MCT ”)	Independent advice circular dated 5 February 2018 to the holders of the offer shares in MCT pertaining to an unconditional mandatory take-over offer.

Premised on the above, we are capable, competent and have the relevant experience in carrying out our role and responsibilities as the Independent Adviser for the Proposed Acquisition.

6. EVALUATIONS OF THE PROPOSED ACQUISITION

We have taken the following into consideration in our evaluation:

Section 6.1	: Rationale and benefits of the Proposed Acquisition
Section 6.2	: Basis and justification in arriving at the Purchase Consideration
Section 6.3	: Salient terms of the SPA
Section 6.4	: Proposed salient terms of the Novation Agreements
Section 6.5	: Effects of the Proposed Acquisition
Section 6.6	: Prospect and outlook of the industry and the Hypermarkets / Retail Complexes
Section 6.7	: Risk factors in relation to the Proposed Acquisition

6.1 Rationale and benefits of the Proposed Acquisition

Taking cognisance of the rationale and benefits of the Proposed Acquisition as set out in **Section 3, Part A of the Circular**, our evaluation of the rationale and benefits of the Proposed Acquisition are as follows:

(i) Opportunistic investment

We noted the following on the locations of the respective Hypermarkets / Retail Complexes from the Valuation Reports:

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Details on the location of the Hypermarkets / Retail Complexes

Kinrara Property



(Source: Kinrara Property valuation report)

- Strategically located within Bandar Kinrara, Puchong.
- Approximately 14km from the Kuala Lumpur City Centre, and easily accessible via various highways.
- Surrounding vicinity includes established residential areas (landed and stratified), commercial shop / offices and Taman Perindustrian Kinrara.
- The Kinrara BK5 LRT Station is located within walking distance from the Kinrara Property.
- Notable landmarks include Kinrara Golf Club, Tzu Chi International School Kuala Lumpur and Pavilion Bukit Jalil.

Putra Heights Property



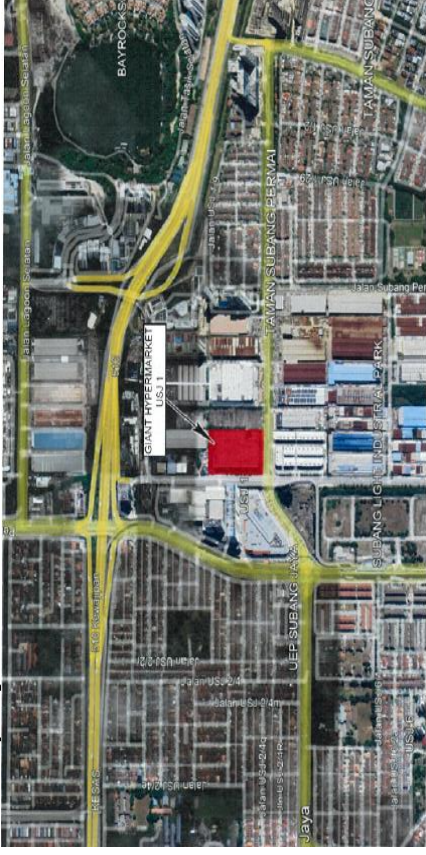
(Source: Putra Heights Property valuation report)

- Strategically located within Putra Heights, Subang Jaya.
- Approximately 24km from the Kuala Lumpur City Centre, and easily accessible via various highways.
- Surrounding vicinity includes established residential areas, commercial areas, as well as the industrial area of Seksyen 27, Shah Alam.
- The Putra Heights LRT Station is located close to the Putra Heights Property.
- No other hypermarkets within 1km radius of Putra Heights Property.

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Details on the location of the Hypermarkets / Retail Complexes (Cont'd)

USJ Property



(Source: USJ Property valuation report)

- Strategically located within USJ 1, Subang Jaya.
- Approximately 17km from the Kuala Lumpur City Centre, and easily accessible via various highways.
- Surrounding vicinity includes various established residential areas, numerous service apartment / condominium.
- Also surrounded by other established and mature suburbs.
- The USJ 7 LRT Station is located close to the USJ Property.
- Competitors i.e. Da Men Mall, Mydin Mall within 1km radius of USJ Property.

Klang Property



(Source: Klang Property valuation report)

- Strategically located within Bandar Bukit Tinggi, Klang.
- Approximately 35km from the Kuala Lumpur City Centre, 4km from Klang town, both of which are easily accessible via various highways.
- Surrounding vicinity includes various established residential areas, numerous service apartment / condominium.
- Close to commercial areas such as Bandar Bukit Tinggi and Taman Bayu Perdana.
- Located close to Ramsay Sime Darby Healthcare Bukit Tinggi Medical Centre, and the Klang Jaya LRT Station.
- 1 hypermarket i.e. Lotus's Klang within 1 km radius of Klang Property.

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Details on the location of the Hypermarkets / Retail Complexes (Cont'd)

Ulu Kelang Property



(Source: Ulu Kelang Property valuation report)

- Strategically located within Taman Permata, Ulu Klang.
- Approximately 7km from the Kuala Lumpur City Centre, and easily accessible via the MRR2.
- Surrounding vicinity includes various mature residential areas / precincts. Close to Taman Permata, Taman Melawati and Wangsa Maju commercial areas.
- Competitor i.e. Melawati Mall within 1km radius of Ulu Kelang Property.

Plentong Property



(Source: Plentong Property valuation report)

- Strategically located within Plentong, Johor Bahru.
- Approximately 16km from the Johor Bahru City Centre, and easily accessible via access road and highway.
- Surrounding vicinity includes various mature residential areas, numerous service apartment / condominium.
- Surrounded by other established and mature suburbs.
- Competitor i.e. Lotus's Plentong within 1.2 km radius of Plentong Property.

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Based on the above, we noted that the Hypermarkets / Retail Complexes are strategically located in Klang Valley and Johor. We also noted that the surrounding vicinity of the Hypermarkets / Retail Complexes include residential, commercial and industrial areas, and are easily accessible via major roads and highways.

The residential, commercial and industrial areas surrounding the Hypermarkets / Retail Complexes, combined with the ease of access via major roads and highways, provides the tenant(s) of the respective Hypermarkets / Retail Complexes a ready captive market. Such a proposition bodes well for tenant(s) / potential tenant(s) of the Hypermarkets / Retail Complexes, especially hypermarket operators dealing with essential goods.

We also noted that one of the key investment criteria of Sunway REIT (as per Sunway REIT's annual report ("**Annual Report**") for 2022) is to acquire assets located in high-growth cities and townships in Malaysia.

Based on the above, the location of the Hypermarkets / Retail Complexes presents an **opportunistic investment** for Sunway REIT.

As per the table in **Section 2 of this IAL**, we noted that the Purchase Consideration:

- (i) on an individual basis represents a discount ranging between 5.8% and 22.3% to the respective market values of the Hypermarkets / Retail Complexes; and
- (ii) approximately 12.3% to the aggregate market value of the Hypermarkets / Retail Complexes.

We also noted the discount(s) mentioned above, is generally higher than precedent transactions of single property asset by real estate investment trusts ("**REITs**") in Malaysia between 2017 and 2023, details are as follows:

Name	Property(ies) acquired	Year	Premium / (Discount)
Pavilion REIT	Retail mall	2023	(0.5%)
CapitaLand Malaysia Trust	Retail mall	2023	(1.0%)
KIP REIT	Industrial lands and buildings	2022	0.0% - (0.4%)
UOA REIT	UOA Corporate Tower	2020	(2.5%)
Sunway REIT	Pinnacle Sunway	2020	Purchased at market value
Tower REIT	Menara Guoco	2020	Purchased at market value
Pavilion REIT	Elite Pavilion Mall	2017	Purchased at market value

Source: Based on the circular of the respective REITs.

We noted that the Manager was able to negotiate the Proposed Acquisition on a bundled basis below the respective market values of the Hypermarkets / Retail Complexes, as the 6 Hypermarkets / Retail Complexes will be purchased simultaneously, resulting in a packaged deal that in turn provides Sunway REIT the opportunity to purchase the Hypermarkets / Retail Complexes at a discount.

As such, we note that the Proposed Acquisition is at a discount, and the range in the **discount** in respect of the respective Hypermarkets / Retail Complexes for the Proposed Acquisition of 5.8% to 22.3% **is higher** than the precedent transactions by REITs in Malaysia.

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Further, due to the difference between the Purchase Consideration and the aggregate market value of the Hypermarkets / Retail Complexes, Sunway REIT will recognise a net unrealised fair value gain of RM66.2 million to its undistributed income upon completion of the Proposed Acquisition, of which the details are as follows:

	(RM'000)
Aggregate market value of the Hypermarkets / Retail Complexes	593,000
Purchase Consideration	(520,000)
Capitalised estimated expenses of the Proposed Acquisition	(6,800)
Net unrealised fair value gain on the Hypermarkets / Retail Complexes	66,200

Therefore, the discount arising from the purchase of the Hypermarkets / Retail Complexes together with the potential net unrealised fair value gain presents a **value accretive** investment for Sunway REIT.

(ii) Accretion to earnings and DPU

We noted that the Vendor have existing lease arrangements (triple-net basis) with the Lessee for all 6 Hypermarkets / Retail Complexes, details are as follows:

Property	Lease expiry date	Annual rental income for 2022 (RM'000)	Annual rental income for 2023 (RM'000)
Kinrara Property	30 November 2024	9,852	9,852
Putra Heights Property	30 November 2024	5,387	5,387
USJ Property	21 August 2028	8,188	8,483
Klang Property	16 December 2030	4,591	4,591
Ulu Kelang Property	16 December 2030	3,826	3,826
Plentong Property	16 December 2030	10,279	10,279
Total		42,123	42,418

Source: Lease Agreements.

Based on the above, we note that the Hypermarkets / Retail Complexes are **income generating** (notwithstanding the Early Termination Notice).

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We noted that assuming the Proposed Acquisition is completed on 1 January 2022, this will result in the increase of Sunway REIT's income distribution by approximately RM10.42 million (after taking into account the loss of annual net distributable income of SMC) for the FYE 2022, details are as follows:

	(RM'000)
Income distribution for FYE 2022	315,767
Add: Annual rental income for 2022	42,123
Less: Manager and Trustee fees	(3,022)
Less: Finance cost of 4.00% ⁽¹⁾ on borrowings to fund the Purchase Consideration	(20,800)
Loss of annual net distributable income of SMC due to the SMC Disposal	(7,881)
Subtotal	10,420
Proforma income distribution	326,187

Note:

- (1) Based on due enquiry with the Manager which is in line with Sunway REIT's existing finance cost.

Further, as the Proposed Acquisition does not involve any issuance of new units, and thus will result in the increase of Sunway REIT's DPU to its Unitholders for the FYE 2022, from 9.22 sen to 9.52 sen, assuming the Proposed Acquisition is completed on 1 January 2022, details are as follows:

	FYE 2022 (RM'000)	After the SMC Disposal and the Proposed Acquisition (RM'000)
Income distribution / Proforma income distribution	315,767	326,187
Units in circulation ('000)	3,424,808	3,424,808
DPU (sen)	9.22	9.52

Based on the above, the completion of the Proposed Acquisition is expected to **improve** the DPU to the Unitholders.

(iii) Increased income stability through the Lease Agreements and increased weighted average lease expiry ("WALE") of Sunway REIT's portfolio

We noted that the Lease Agreements stipulates that the Lessee is obligated to service its rental payable to the Vendor until the term of expiry is met. The Lease Agreements stipulates that early termination of the Lease Agreements by the Lessee would entail the Lessee to:

- (a) pay the rent for the remaining unexpired term to the Vendor as agreed liquidated damages; or
- (b) procure a new lessee, and top-up on any shortfall on the rental payable as stipulated in the Lease Agreements.

We noted from Sunway REIT's Annual Report 2022 that during the COVID-19 pandemic between 2020 and 2021, its retail segment experienced a decrease in both revenue and net property income (subsequently recovered in 2022), details as follows:

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	(1) FY 2019 (RM'mil)	(2) FP 2021 (RM'mil)	(3) CY 2021 (RM'mil)	(4) FY 2022 (RM'mil)
Revenue	426.7	404.0	269.5	426.9
Net property income	310.5	229.9	151.8	307.1

Notes:

- (1) 12-month financial period from July 2018 to June 2019 to illustrate pre-pandemic results.
- (2) 18-month financial period from July 2020 to December 2021.
- (3) 12-month financial period from January 2021 to December 2021.
- (4) 12-month financial period from January 2022 to December 2022.

The decrease in the revenue and net property income from Sunway REIT's retail segment is mainly due to rental support granted to tenants across all retail properties who were affected by restrictions and loss of business during the implementation of the various movement control order ("MCO"), conditional MCO and recovery MCO by the Government.

Notwithstanding that the Hypermarkets / Retail Complexes may be subject to influence by the effects of economic downturn and purchasing power of consumers in Malaysia, the Lessee is obligated to service its due rental payable as stipulated in the Lease Agreements.

Based on the above, the Lease Agreements provides a certainty in the rental income to be generated. In turn, it is expected to **contribute to the stability** of the income of Sunway REIT.

We noted that Sunway REIT's WALE by its respective segments as at 31 December 2022 are as follows:

	WALE (Years)
Retail	1.34
Hotel	7.19
Office	1.33
Services	25.92
Industrial & Others	12.00
Hypermarkets / Retail Complexes	4.43
Enlarged retail	5.64
Enlarged portfolio	1.75
	4.50

Source: Manager

Upon completion of the Proposed Acquisition, the WALE of Sunway REIT's retail segment will increase from 1.34 years to 1.75 years. In turn, the WALE of Sunway REIT's enlarged portfolio is expected to **increase**.

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(iv) Increased strength and geographical diversification of Sunway REIT's portfolio.

We noted that the top 4 largest REIT by fair value of properties ranges between RM5.00 billion to RM15.59 billion, details are as follows:

No.	Name	Fair value of properties (RM'mil)
1.	KLCC Properties Stapled Group Berhad	15,585.0
2.	Sunway REIT	⁽¹⁾ 9,264.0
3.	Pavilion REIT	⁽²⁾ 8,255.0
4.	IGB REIT	5,020.0

Source: Manager, and the respective REITs latest annual report.

Notes:

- (1) After taking into consideration the effects of SMC Disposal and the Proposed Acquisition.
- (2) After taking into consideration the effects of Pavilion REIT's acquisition of Pavilion Bukit Jalil, which is expected to be completed by the second quarter of 2023 (as stated in the circular of Pavilion REIT dated 7 March 2023).

Based on the above, the position of Sunway REIT as the 2nd largest listed Malaysian REIT is **further strengthened** by virtue of the increase in total fair value of Sunway REIT's properties upon completion of the Proposed Acquisition.

Based on due enquiry with the Manager, we noted that Sunway REIT's existing land area is approximately 120.23 acres, out of which 9.43 acres constitutes freehold land. The total land size of the Hypermarkets / Retail Complexes (all of which are freehold land located in the Klang Valley and Johor) is approximately 228,483 square metres or 2,459,370 square feet (approximately 56.46 acres). Upon completion of the Proposed Acquisition, Sunway REIT's freehold land is expected to **increase** to approximately 65.89 acres.

Whilst the Hypermarkets / Retail Complexes are currently income generating, having a sizeable commercial freehold land bank (to be acquired at a discount to market value) within strategic and densely populated locations in the Klang Valley and Johor provides the option for Sunway REIT to realise the value of the freehold land through monetisation or redevelopment of the Hypermarkets / Retail Complexes, as and when the opportunity arises.

We noted that properties within Sunway REIT's existing portfolio are located in Kuala Lumpur and Selangor (central region of Malaysia), Perak and Penang (northern region of Malaysia). As highlighted, one of the key investment criteria of Sunway REIT (as per the Annual Report 2022) is to acquire assets located in high-growth cities and townships in Malaysia. For information purposes, the Government of Johor anticipates the state economy to grow between 4% and 5% in 2023, which is in line with the growth trend at the national level. We also noted that Plentong Property is located in Johor (southern region of Malaysia) and approximately 16km from Johor Bahru City Centre.

Based on the above, Sunway REIT is able to **geographically diversify** to the southern region of Malaysia whilst meeting its key investment criteria.

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Premised on our evaluation as set out above, the Hypermarkets / Retail Complexes are strategically located, and is expected to contribute positively to the future earnings and distributable income of Sunway REIT. Thus, we are of the opinion that the rationale for the Proposed Acquisition is **reasonable**. Nevertheless, the non-interested Unitholders should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in **Section 5, Part A of the Circular** and our commentaries under **Section 6.7 of this IAL**.

6.2 Basis and justification in arriving at the Purchase Consideration

As set out in **Section 2.2, Part A of the Circular**, we noted that the Purchase Consideration was arrived at between the parties to the SPA on a willing-buyer willing-seller basis after taking into consideration the aggregate market value of the Hypermarkets / Retail Complexes, as ascribed by the Valuer in the Valuation Letter and Valuation Certificate.

We have reviewed the Valuation Reports. The non-interested Unitholders are advised to read our commentaries below and refer to the Valuation Certificate enclosed in **Appendix IV of the Circular**.

Details of the valuation methodologies are as follows:

Methodologies	Description
Income approach by investment method	<p>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 or void by using an appropriate market derived capitalisation rate.</p> <p>The Valuer had structured the valuation model on the basis of "Term" and "Reversionary". "Term" refers to the period where rental incomes are generated based on the committed rental (on triple net basis) of the unexpired term in accordance with the Lease Agreements of the respective Hypermarkets / Retail Complexes. "Reversion" refers to the period where rental incomes are generated based on the expected rental that the subject property is able to achieve upon the expiry of existing tenancies.</p> <p>Key bases and assumptions adopted by the Valuer are set out in Section 6.2.1 below.</p>
Comparison approach	<p>The comparison approach considers the sale of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered for this approach.</p> <p>This approach is generally adopted in valuing subject properties where there are appropriate and adequate comparable sales evidences.</p> <p>A summary of the comparable transactions of hypermarkets are set out in Section 6.2.2 below.</p>

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We also noted that both the Klang Property and Plentong Property consist of a hypermarket and undeveloped land. Accordingly, the hypermarket was valued based on income approach by investment method (as it is commercial and income generating) as the primary method of valuation and supported by comparison approach. Whereas for the undeveloped land, it was valued based on comparison approach (in view that it is non-revenue generating).

The comparison approach is more suitable in the valuation of homogeneous real estate such as vacant lands and residential homes, as in such cases, less adjustments and analysis on comparables are needed due to the homogeneous nature of such real estate.

Thereafter, the value derived for the hypermarket and the undeveloped land is aggregated to arrive at the market value of the Klang Property and Plentong Property respectively. Further details are set out in **Section 6.2.3 below**.

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6.2.1 Income approach by investment method

The key bases and assumptions adopted by the Valuer to arrive at the market value of the Hypermarkets / Retail Complexes and our commentaries are as follows:

No.	Key bases and assumption	Kenanga IB's comments																																																	
1.	<p data-bbox="432 987 459 1727">Gross rental income (term)</p> <p data-bbox="464 987 555 1727">This is based on the committed rental (on triple net basis) of the unexpired term in accordance to the Lease Agreements.</p> <table border="1" data-bbox="584 987 911 1727"> <thead> <tr> <th data-bbox="584 1637 611 1720">No.</th> <th data-bbox="584 1279 611 1637">Property</th> <th data-bbox="584 987 611 1279">Term rate (per square feet)</th> </tr> </thead> <tbody> <tr> <td data-bbox="616 1637 643 1720">1.</td> <td data-bbox="616 1279 643 1637">Kinrara Property</td> <td data-bbox="616 987 643 1279">RM1.61</td> </tr> <tr> <td data-bbox="647 1637 675 1720">2.</td> <td data-bbox="647 1279 675 1637">Putra Heights Property</td> <td data-bbox="647 987 675 1279">RM1.74</td> </tr> <tr> <td data-bbox="679 1637 707 1720">3.</td> <td data-bbox="679 1279 707 1637">USJ Property</td> <td data-bbox="679 987 707 1279">RM1.54 to RM1.69</td> </tr> <tr> <td data-bbox="711 1637 738 1720">4.</td> <td data-bbox="711 1279 738 1637">Klang Property</td> <td data-bbox="711 987 738 1279">RM2.01 to RM2.21</td> </tr> <tr> <td data-bbox="743 1637 770 1720">5.</td> <td data-bbox="743 1279 770 1637">Ulu Kelang Property</td> <td data-bbox="743 987 770 1279">RM1.42 to RM1.56</td> </tr> <tr> <td data-bbox="775 1637 802 1720">6.</td> <td data-bbox="775 1279 802 1637">Plentong Property</td> <td data-bbox="775 987 802 1279">RM1.18 to RM1.30</td> </tr> </tbody> </table>	No.	Property	Term rate (per square feet)	1.	Kinrara Property	RM1.61	2.	Putra Heights Property	RM1.74	3.	USJ Property	RM1.54 to RM1.69	4.	Klang Property	RM2.01 to RM2.21	5.	Ulu Kelang Property	RM1.42 to RM1.56	6.	Plentong Property	RM1.18 to RM1.30	<p data-bbox="432 241 555 987">We noted that the aggregated rental income to be generated throughout the unexpired term (commencing from 1 January 2023) in accordance to the Lease Agreements for the respective Hypermarkets / Retail Complexes to be as follows:</p> <table border="1" data-bbox="584 241 911 987"> <thead> <tr> <th data-bbox="584 898 611 981">No.</th> <th data-bbox="584 607 611 898">Property</th> <th data-bbox="584 427 611 607">RM'000</th> <th data-bbox="584 241 611 427">WALE (years)</th> </tr> </thead> <tbody> <tr> <td data-bbox="616 898 643 981">1.</td> <td data-bbox="616 607 643 898">Kinrara Property</td> <td data-bbox="616 427 643 607">18,883</td> <td data-bbox="616 241 643 427">1.92</td> </tr> <tr> <td data-bbox="647 898 675 981">2.</td> <td data-bbox="647 607 675 898">Putra Heights Property</td> <td data-bbox="647 427 675 607">10,324</td> <td data-bbox="647 241 675 427">1.92</td> </tr> <tr> <td data-bbox="679 898 707 981">3.</td> <td data-bbox="679 607 707 898">USJ Property</td> <td data-bbox="679 427 707 607">50,272</td> <td data-bbox="679 241 707 427">6.14</td> </tr> <tr> <td data-bbox="711 898 738 981">4.</td> <td data-bbox="711 607 738 898">Klang Property</td> <td data-bbox="711 427 738 607">38,837</td> <td data-bbox="711 241 738 427">8.46</td> </tr> <tr> <td data-bbox="743 898 770 981">5.</td> <td data-bbox="743 607 770 898">Ulu Kelang Property</td> <td data-bbox="743 427 770 607">32,371</td> <td data-bbox="743 241 770 427">8.46</td> </tr> <tr> <td data-bbox="775 898 802 981">6.</td> <td data-bbox="775 607 802 898">Plentong Property</td> <td data-bbox="775 427 802 607">86,958</td> <td data-bbox="775 241 802 427">8.46</td> </tr> </tbody> </table> <p data-bbox="943 898 970 981">Note:</p> <p data-bbox="991 241 1082 981">(1) Calculated based on the aggregated rental income of the unexpired term of the respective Hypermarkets / Retail Complexes.</p> <p data-bbox="1102 241 1273 981">Based on the above, we have analysed to determine the average annual rental income for the respective Hypermarkets / Retail Complexes (i.e. the aggregated rental income for the respective Hypermarkets / Retail Complexes is divided by its WALE), details are as follows:</p>	No.	Property	RM'000	WALE (years)	1.	Kinrara Property	18,883	1.92	2.	Putra Heights Property	10,324	1.92	3.	USJ Property	50,272	6.14	4.	Klang Property	38,837	8.46	5.	Ulu Kelang Property	32,371	8.46	6.	Plentong Property	86,958	8.46
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Key bases and assumption		Kenanga IB's comments			
No.	1. Gross rental income (term) (Cont'd)	No.	Property	(1) Average annual rental income (RM'000)	Rental yield
		1.	Kinrara Property	9,852	7.58%
		2.	Putra Heights Property	5,386	8.98%
		3.	USJ Property	8,188	10.23%
		4.	Klang Property	4,591	7.06%
		5.	Ulu Kelang Property	3,826	8.50%
		6.	Plentong Property	10,279	7.34%
				Average	8.10%
		Note:	<p>(1) Calculated based on the aggregated rental income of the unexpired term of the respective Hypermarkets / Retail Complexes, divided by the WALE of the respective Hypermarkets / Retail Complexes.</p> <p>Based on our analysis, the average rental yield of the Hypermarkets / Retail Complexes is between the range in rental yield for similar retail properties ⁽¹⁾ of 7.3% and 10.3%, thus we are of the view that the term rate is fair.</p> <p>Note:</p> <p>(1) The properties and its respective rental yields are Queensbay Mall (7.30%), TF Mart Sungai Petani (8.01%), Aeon Mall Kinta City (8.30%), Lotus Bukit Indah (10.30%). The above information was obtained from media news articles and REITs websites and annual reports.</p>		

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Key bases and assumption		Kenanga IB's comments																																										
1.	<p>Gross rental income - Reversionary</p> <p>This is based on the market rental payable (with master lease arrangement) of other selected hypermarket / retail mall assets located within Klang Valley, after adjusting for differences including but not limited to the location, accessibility, market catchment, building condition / age, building design / specification and size.</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Property</th> <th>Reversionary rate (per square feet)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Kinrara Property</td> <td>RM1.75</td> </tr> <tr> <td>2.</td> <td>Putra Heights Property</td> <td>RM1.70</td> </tr> <tr> <td>3.</td> <td>USJ Property</td> <td>RM1.50</td> </tr> <tr> <td>4.</td> <td>Klang Property</td> <td>RM1.50</td> </tr> <tr> <td>5.</td> <td>Ulu Kelang Property</td> <td>RM1.50</td> </tr> <tr> <td>6.</td> <td>Plentong Property</td> <td>RM1.20</td> </tr> </tbody> </table>	No.	Property	Reversionary rate (per square feet)	1.	Kinrara Property	RM1.75	2.	Putra Heights Property	RM1.70	3.	USJ Property	RM1.50	4.	Klang Property	RM1.50	5.	Ulu Kelang Property	RM1.50	6.	Plentong Property	RM1.20	<p>We noted that the reversionary rate is the current market rental rate payable for assets with similar attributes / nature to the Hypermarkets / Retail Complexes.</p> <p>The term rate and reversionary rate varies between the respective Hypermarkets / Retail Complexes as follows:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Property</th> <th>Observation</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Kinrara Property</td> <td>Reversionary rate higher than term rate</td> </tr> <tr> <td>2.</td> <td>Putra Heights Property</td> <td>Reversionary rate lower than term rate</td> </tr> <tr> <td>3.</td> <td>USJ Property</td> <td>Reversionary rate lower than range of term rate</td> </tr> <tr> <td>4.</td> <td>Klang Property</td> <td>Reversionary rate lower than range of term rate</td> </tr> <tr> <td>5.</td> <td>Ulu Kelang Property</td> <td>Reversionary rate within range of term rate</td> </tr> <tr> <td>6.</td> <td>Plentong Property</td> <td>Reversionary rate within range of term rate</td> </tr> </tbody> </table>	No.	Property	Observation	1.	Kinrara Property	Reversionary rate higher than term rate	2.	Putra Heights Property	Reversionary rate lower than term rate	3.	USJ Property	Reversionary rate lower than range of term rate	4.	Klang Property	Reversionary rate lower than range of term rate	5.	Ulu Kelang Property	Reversionary rate within range of term rate	6.	Plentong Property	Reversionary rate within range of term rate
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<p>We have analysed the presumed average annual rental income, based on the reversionary rate, details are as follows:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Property</th> <th>(¹) Average annual rental income (RM'000)</th> <th>Rental yield</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Kinrara Property</td> <td>10,688</td> <td>8.22%</td> </tr> <tr> <td>2.</td> <td>Putra Heights Property</td> <td>5,255</td> <td>8.76%</td> </tr> <tr> <td>3.</td> <td>USJ Property</td> <td>7,985</td> <td>9.98%</td> </tr> <tr> <td>4.</td> <td>Klang Property</td> <td>3,432</td> <td>5.28%</td> </tr> <tr> <td>5.</td> <td>Ulu Kelang Property</td> <td>4,043</td> <td>8.98%</td> </tr> <tr> <td>6.</td> <td>Plentong Property</td> <td>10,456</td> <td>7.47%</td> </tr> <tr> <td colspan="2"></td> <td>Average</td> <td>8.05%</td> </tr> </tbody> </table>		No.	Property	(¹) Average annual rental income (RM'000)	Rental yield	1.	Kinrara Property	10,688	8.22%	2.	Putra Heights Property	5,255	8.76%	3.	USJ Property	7,985	9.98%	4.	Klang Property	3,432	5.28%	5.	Ulu Kelang Property	4,043	8.98%	6.	Plentong Property	10,456	7.47%			Average	8.05%											
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No.	Key bases and assumption	Kenanga IB's comments
1.	Gross rental income – Reversionary (Cont'd)	<p>Note:</p> <p>(1) Calculated based on the reversionary rate multiplied with the GFA of the respective Hypermarkets / Retail Complexes and the unexpired term, divided by the WALE of the respective Hypermarkets / Retail Complexes.</p> <p>Based on our analysis, the average rental yield of the Hypermarkets / Retail Complexes is between the range in rental yield for similar retail properties ⁽¹⁾ of 7.3% and 10.3%, thus we are of the view that the reversionary rate is fair.</p> <p>Note:</p> <p>(1) The properties and its respective rental yields are Queensbay Mall (7.30%), TF Mart Sungai Petani (8.01%), Aeon Mall Kinta City (8.30%), Lotus Bukit Indah (10.30%). The above information was obtained from media news articles and REITs websites and annual reports.</p>
2.	Void allowance – Reversionary	<p>We noted that the void allowance – reversionary of 10.00% was adopted across all the Hypermarkets / Retail Complexes, in view that the Hypermarkets / Retail Complexes are currently leased with a single operator, namely GCH Retail (Malaysia) Sdn Bhd.</p> <p>We also noted that the 10.00 % in void allowance – reversionary was adopted for single operator of hypermarket / retail mall asset in Malaysia.</p> <p>As the void allowance – reversionary is similar with that adopted by property assets with single operator ⁽¹⁾ of 10.0%, we are of the view that the void allowance – reversionary is fair.</p> <p>Note:</p> <p>(1) The properties are Aeon Mall Kinta City and SunCity Ipoh Hypermarket. The above information was obtained from the respective REITs websites and annual reports.</p>

No.	Key bases and assumption	Kenanga IB's comments
3.	<p>Outgoings – Term</p> <p>Based on the Lease Agreements, the rental payable by the Lessee to the Lessor is based on tripe net basis (whereby the Lessee will undertake to pay all cost of outgoings / property expenses).</p> <p>A 2.00% of gross rental income as provisional cost for outgoings are allowed under the term valuation to cater for any reinstatement works on the Hypermarkets / Retail Complexes, that may be undertaken by the Lessor under a force majeure event pursuant to the “Reinstatement and Abatement of Rent Following Damage or Destruction” clause stipulated in the Lease Agreements.</p> <p>Outgoings – Reversionary</p> <p>Allocation of 3.00% of gross rental income as projected allocation for miscellaneous expenses (which include provision for structural works – limited to Reinforced Concrete works only); excluding all quit rent, assessment, fire insurance charges and other rates imposed after having benchmarked against any typical replacement / reserve fund allocation (approximately 2.0% - 3.0% of annual income) that will be set aside for similar and / or comparable asset class.</p>	<p>We noted that the Lessor’s obligations to the upkeep and maintenance of the Hypermarkets / Retail Complexes is mainly for structural related works.</p> <p>Based on our analysis, the proportion of upkeep and maintenance to the annual gross lease income of 3rd party hypermarkets / retail malls (with similar attributes / nature to the Hypermarkets / Retail Complexes) which the lessor / operator ⁽¹⁾ has incurred is between 2.7% and 3.8%.</p> <p>Note:</p> <p>(1) <i>The hypermarkets and retail malls are managed by KIP Real Management Sdn Bhd, the manager for KIP REIT. Based on information in the annual report 2022 of KIP REIT, the average proportion of upkeep and maintenance to the annual gross lease income of the hypermarkets and retail malls is 2.7% (2022) and 3.8% (2021).</i></p> <p>As the allocated outgoings – term and reversionary is similar with that incurred by lessor / operator for property assets (with similar attributes / nature to the Hypermarkets / Retail Complexes), we are of the view that the allocated outgoings – term and reversionary are fair.</p>

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No.	Key bases and assumption			Kenanga IB's comments																												
4.	<p>Capitalisation rates – Term and Reversionary</p> <p>For term capitalisation rate, a range of yield adopted were benchmarked against prevailing market rate and adjusted for every per square feet differences from market rent to reflect whether committed rental rates are under, over or at market rate.</p> <p>For reversionary capitalisation rate, it is dependent on factors including locations, tenant mix, catchment population, maturity of the mall, tenure and the size of the malls.</p> <table border="1" data-bbox="646 987 1029 1727"> <thead> <tr> <th>No.</th> <th>Property</th> <th>Term rate</th> <th>Reversionary rate</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Kinrara Property</td> <td>6.50%</td> <td>6.75%</td> </tr> <tr> <td>2.</td> <td>Putra Heights Property</td> <td>7.00%</td> <td>7.00%</td> </tr> <tr> <td>3.</td> <td>USJ Property</td> <td>10.50% - 11.00%</td> <td>7.00%</td> </tr> <tr> <td>4.</td> <td>Klang Property</td> <td>7.00% - 7.50%</td> <td>7.00%</td> </tr> <tr> <td>5.</td> <td>Ulu Kelang Property</td> <td>6.75% - 7.00%</td> <td>7.00%</td> </tr> <tr> <td>6.</td> <td>Pientong Property</td> <td>6.50% - 7.00%</td> <td>7.00%</td> </tr> </tbody> </table>			No.	Property	Term rate	Reversionary rate	1.	Kinrara Property	6.50%	6.75%	2.	Putra Heights Property	7.00%	7.00%	3.	USJ Property	10.50% - 11.00%	7.00%	4.	Klang Property	7.00% - 7.50%	7.00%	5.	Ulu Kelang Property	6.75% - 7.00%	7.00%	6.	Pientong Property	6.50% - 7.00%	7.00%	<p>We noted that the term rate for USJ Property has factored in an additional 3.50% to account for the additional risk for uncertainty (due to the Early Termination Notice). Based on the risk-free rate for investments in Malaysia i.e. deposits with financial institution and Malaysian government bonds which ranges between 2.45% and 4.50%, we are of the view that the additional 3.50% to account for the Early Termination Notice is fair.</p> <p>With the above, the term rate for the Hypermarkets / Retail Complexes (together with the USJ Property excluding the additional risk rate of 3.50%) ranges between 6.50% to 7.50%. Whereas the reversionary rate for the Hypermarkets / Retail Complexes ranges between 6.75% to 7.00%</p> <p>We noted that the:</p> <p>(a) term rate range ⁽¹⁾ is 5.85% to 7.00%; and</p> <p>(b) reversionary rate range ⁽²⁾ is 6.35% to 8.25%,</p> <p>Notes:</p> <p>(1) <i>The properties are Mid Valley - The Gardens (5.85%), Gurney Plaza (6.75%) and East Coast Mall (7.00%). The above information was obtained from the respective REITs websites and annual reports.</i></p> <p>(2) <i>The properties are Mid Valley - The Gardens (6.35%), SunCity Ipoh Hypermarket (6.75%) and Sunway Pyramid (8.25%). The above information was obtained from the respective REITs websites and annual reports.</i></p>
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No.	Key bases and assumption	Kenanga IB's comments
4.	Capitalisation rates – Term and Reversionary (<i>cont'd</i>)	As the capitalisation rate – term and reversionary is similar with hypermarkets / retail malls (with similar attributes / nature to the Hypermarkets / Retail Complexes) in the central and northern region of Malaysia, we are of the view that the capitalisation rate – term and reversionary are <u>fair</u> .

Premised on the above, the aggregate market value of the Hypermarkets / Retail Complexes as ascribed by the Valuer using the income approach by investment method is RM593.0 million.

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6.2.2 Comparison approach

The precedent transactions that the Valuer has considered to arrive at the market value of the Hypermarkets / Retail Complexes under the comparison approach are as set out below:

	Comparable 1	Comparable 2	Comparable 3
Name and address	Lotus's Kajang, Persiaran Saujana Impian, Taman Saujana Impian, 43000 Kajang, Selangor Darul Ehsan	Giant Hypermarket Cheras, Lebuhraya Cheras - Kajang, 43200 Cheras, Selangor Darul Ehsan	Giant Hypermarket Jalan Kebun, Jalan Kebun / KS 7, Taman Maznah, 41000 Klang, Selangor Darul Ehsan
Legal description	Lot PT 72421 held under Title No. HSD 142607, Bandar Kajang, District of Hulu Langat, Selangor Darul Ehsan	Lot 33924 held under Title No. GM 7004, Locality of Batu 9 ¼, Jalan Cheras - Kuala Lumpur (Lama), Pekan Ceras, District of Hulu Langat, Selangor Darul Ehsan	Lot PT 128899 held under HSM 47252, Locality of 3 ½ Mile Jalan Kebun, Mukim and District of Klang, Selangor Darul Ehsan.
Type of Property	A purpose-built double-storey hypermarket	A purpose-built double-storey hypermarket with 400 car parking bays together with a mezzanine floor and roof level.	A purpose-built one-and-a-half (1 ½)-storey hypermarket with 326 car parking bays.
Estimated gross floor area ("GFA")	313,944 square feet (based on estimation from Google Earth)	296,799 square feet	114,190 square feet
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM79,900,000	RM72,100,000	RM30,500,000
Date of transaction	24 September 2021	8 March 2021	10 November 2020
Analysis (over GFA)	RM254.50 per square foot	RM242.93 per square foot	RM267.10 per square foot
Vendor	PNBC Permodalan Harta Sdn Bhd	Guardian Health and Beauty Sdn Bhd	Guardian Health and Beauty Sdn Bhd
Purchaser	Amanahraya Trustees Berhad	NSK Property Sdn Bhd	Ruby Glaze Sdn Bhd
Source	Jabatan Penilaian dan Perkhidmatan Harta ("JPPH")	JPPH / Knight Frank Research	JPPH / Knight Frank Research
Adjustments	General adjustments made for accessibility, gross floor area, condition / age of building, and building specification / quality / design / layout		

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	Comparable 1	Comparable 2	Comparable 3
Adjusted value over GFA for:	Adjusted value (per square feet)		
Kinrara Property	RM267.23	RM267.22	RM280.45
Putra Heights Property	RM254.50	RM255.07	RM280.45
USJ Property	RM229.05	RM230.78	RM240.39
Klang Property	RM241.78	RM242.93	RM267.10
Ulu Kelang Property	RM241.78	RM242.93	RM267.10
Plentong Property	RM178.15	RM182.19	RM186.97

Premised on the foregoing, we noted that the Valuer has placed greater reliance on Comparable 2, after having considered the location of the Hypermarkets / Retail Complexes and the adjustments for differences. To note, Comparable 1 was not adopted as the transaction has not been fully concluded as at the Material Date of Valuation.

Based on the above, we are of the view that the location, basis of the adjustments made and the selection of the comparable properties by the Valuer are **reasonable**.

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6.2.3 Undeveloped land portion of the Klang Property and Plentong Property

The Klang Property and the Plentong Property respectively consist of a hypermarket portion and undeveloped land portion. Accordingly, the hypermarket portion of the Klang Property and Plentong Property were valued based on the income approach by investment method as the primary method of valuation, and supported by the comparison approach. The undeveloped land portion of the Klang Property and Plentong Property were valued based on comparison approach, in view that the undeveloped land portion of the Klang Property and Plentong Property are non-revenue generating.

Thereafter, the values derived for the hypermarket portion and the undeveloped land portion are aggregated to arrive at the market value of the Klang Property and Plentong Property respectively. Details of the undeveloped land portion of the Klang Property and Plentong Property are as follows:

Property	Description
Klang Property	<p>The additional land of the Klang Property, an undeveloped commercial land, is currently used as additional open car park space. The Valuer noted a surplus of 830 bays situated on the said vacant land portion as opposed to the overall minimum car park requirement of 269 bays.</p> <p>Thus, the Valuer have assessed the undeveloped land on its highest and best use as a parcel of redevelopment commercial land.</p>
Plentong Property	<p>The additional land of the Plentong Property, which consists of an undeveloped commercial land (Lot 121289) and undeveloped industrial land (Lot 64279) portion, is currently used as additional open car park space. The Valuer noted a surplus of 263 bays situated on Lot 121289 and a surplus of 279 bays situated on Lot 64279 as opposed to the overall minimum car park requirement of 436 bays.</p> <p>Thus, the Valuer have assessed Lot 121289 and Lot 64279 on the highest and best use as a parcel of redevelopment commercial land and a parcel of redevelopment industrial land respectively.</p>

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The precedent transactions that the Valuer has considered to arrive at the market value of the undeveloped commercial land portion of the Klang Property under the comparison approach are as set out below:

	Comparable 1	Comparable 2	Comparable 3
Legal description	Lot 168850 held under Title No. Geran 331488, Mukim Klang, District of Klang, Selangor Darul Ehsan	Lot No(s). 83189, 84200, & 84201 held under title no(s). GRN 59808, GRN 94932 & GRN 95201 respectively, all located within Pekan Pandamaran, District of Klang, Selangor Darul Ehsan	Lot 186033, Geran 338084, (formerly known as GRN 155575 Lot 118324), Mukim Klang, District of Klang, Selangor Darul Ehsan
Type of Property	A parcel of commercial land	Three (3) parcels of commercial land	A parcel of commercial land
Land area	59,745 square metres (643,089 square feet)	Combined land area of 64,954 square metres (699,159 square feet)	26,460 square metres (284,813 square feet)
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM64,308,921	RM69,915,903	RM55,000,000
Date of transaction	8 March 2021	1 March 2021	2 December 2019
Analysis	RM100.00 per square foot	RM100.00 per square foot	RM193.11 per square foot
Vendor	Gabungan Efektif Sdn Bhd	Labur Bina Sdn Bhd	Gemilang Waras Sdn Bhd
Purchaser	OIB Properties (C) Sdn Bhd	Kristaljaya Sdn Bhd	CB Land Sdn Bhd
Source	JPPH	JPPH	JPPH
Adjustments	General adjustments made for location and land size.	General adjustments made for exposure / visibility and land size.	General adjustments made for location, accessibility and exposure / visibility.
Adjusted value	RM120.00 per square foot	RM125.00 per square foot	RM135.18 per square foot

We noted that the Valuer, after having considered and made diligent adjustments, placed greater reliance on Comparable 2, as it is located closest to the Klang Property.

Based on the above, we are of the view that the location, basis of the adjustment made, and the selection of the comparable by the Valuer are **reasonable**.

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The precedent transactions that the Valuer has considered to arrive at the market value of the undeveloped commercial land portion of the Plentong Property (Lot 121289) under the comparison approach are as set out below:

	Comparable 1	Comparable 2	Comparable 3
Legal description	Lot PTD 240098 held under Title No. HSD 599186, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Lots PTD 244132 and PTD 244133 held under Title nos. HSD 606467 and HSD 606468, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Lot 28073 held under Title No. GRN 504836, Mukim Plentong, District of Johor, Johor Darul Takzim
Locality	Located along Jalan Tanjong 2, Taman Desa Cemerlang	Located along Jalan Persiaran Seri Alam, Bandar Baru Seri Alam	Located along Jalan Bakawali 13 and Jalan Bakawali 35, Taman Johor Jaya
Type of Property	A parcel of commercial land.	Two (2) parcels of commercial land	A parcel of commercial land.
Land area	153,203 square feet	484,088 square feet	85,132 square feet
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM17,848,150	RM40,500,000	RM11,067,120
Date of transaction	25 March 2022	4 January 2021	2 August 2021
Analysis	RM116.50 per square foot	RM83.66 per square foot	RM130.00 per square foot
Vendor	Syarikat Kim Loong Sdn Bhd	Seri Alam Properties Sdn Bhd	Daiman Development Sdn Bhd
Purchaser	TMG Hartanah Sdn Bhd	KII Melodia Sdn Bhd	Sumber Alpha Sdn Bhd
Source	JPPH	JPPH	JPPH
Adjustments	General adjustments made for zoning.	General adjustments made for location, land size and zoning.	General adjustments made for land size and zoning.
Adjusted value	RM104.85 per square foot	RM92.03 per square foot	RM110.50 per square foot

We take note for the Plentong Property undeveloped commercial land portion, the Valuer, after having considered and made diligent adjustments, placed greater reliance on Comparable 1, being the least adjusted comparable, as well as the most recent sale.

Based on the above, we are of the view that the location, basis of the adjustment made, and the selection of the comparable by the Valuer are **reasonable**.

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The precedent transactions that the Valuer has considered to arrive at the market value of the undeveloped industrial land portion of the Plentong Property (Lot 64279) under the comparison approach are as set out below:

	Comparable 1	Comparable 2	Comparable 3
Legal description	Lot 72982 held under Title No. GRN 65297, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim.	Lot 72956 held under Title No. GRN 65272, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Lot 168496 held under Title No. GRN 392941, Mukim Plentong, District of Johor, Johor Darul Takzim
Locality	Located along Jalan Sri Wangi 1/2, Taman Perindustrian Desa Plentong	Located along Jalan Sri Wangi 1/2, Taman Perindustrian Desa Plentong	Located along Jalan Bukit 4, Kawasan Perindustrian MIEL, Bandar Baru Seri Alam
Type of Property	A parcel of industrial land.	A parcel of industrial land.	A parcel of industrial land.
Land area	19,095 square feet	17,007 square feet	77,511 square feet
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM1,145,710.00	RM1,100,000.00	RM5,398,786.00
Date of transaction	21 April 2022	3 January 2022	16 October 2021
Analysis	RM60.00 per square foot	RM64.68 per square foot	RM69.65 per square foot
Vendor	Wisdom Lead Import & Export (M) Sdn Bhd	Lee Teoh Yong	Elite Corridor Sdn Bhd
Purchaser	Wong Ka Seng	Lau Siong & Sons Sdn Bhd	Teo Tuan Kwee Sdn Bhd
Source	JPPH	JPPH	JPPH
Adjustments	General adjustments made for land size and zoning.	General adjustments made for land size and zoning.	General adjustments made for land size and zoning.
Adjusted value	RM48.00 per square foot	RM51.74 per square foot	RM59.20 per square foot

We take note for the Plentong Property undeveloped industrial land portion, the Valuer, after having considered and made diligent adjustments, placed greater reliance on Comparable 1, being the most recent sale.

Based on the above, we are of the view that the location, basis of the adjustment made, and the selection of the comparable by the Valuer are reasonable.

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Premised on the foregoing and the adopted adjusted land values, the derived values of the Klang Property undeveloped commercial land portion, and the Plentong Property undeveloped commercial and undeveloped industrial land portions, are as follows:

	Klang Property	Plentong Property (Lot 121289)	Plentong Property (Lot 64279)
Planning	Commercial	Commercial for Lot 121289	Industrial for Lot 64279
Total land area	235,224 square feet (undeveloped land + land erected with non-approved structures measuring 7,228 square feet)	159,866 square feet	206,193 square feet (industrial land erected with temporary buildings measuring 7,876 square feet)
Adopted value / cost	RM125.00 per square foot (relying on value of comparable 2, after making diligent adjustments for exposure / visibility, and land size)	RM104.85 per square foot (relying on value of comparable 1, after making general adjustments for zoning)	RM48.00 per square foot (relying on value of comparable 1, after making diligent adjustments for land size and zoning)
Sub-total	RM29,330,721	RM16,761,936	RM9,818,519
Less: Demolition cost	RM72,280.00 @ RM10.00 per square foot	No unapproved structure(s)	RM78,760.00 @ RM10.00 per square foot
Present value at a discount rate of 4.00% for a period of 0.25 years	0.9902	N / A	0.9902
Market value	RM29,044,534	RM16,761,936	RM9,722,717

Based on due enquiry with the Valuer, we noted that the demolition cost of RM10.00 per square foot is within the range of other awarded contracts for demolition works for similar structures (ranging RM5.00 to RM15.00 per square foot).

Additionally, the adopted discount rate of 4.00% is comparable with the inflation rate of Malaysia of 3.70% *.

* *Department of Statistics Malaysia.*

Premised on the foregoing, we are of the view that the location, the basis of the adjustments made, the adopted discount rate and the selection of the comparable by the Valuer is **reasonable**.

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6.2.4 Summary of values

A summary of the values derived from the two valuation methodologies is as follows:

Property	Income approach by investment method	Comparison approach
Kinrara Property	RM138,000,000	RM136,000,000
Putra Heights Property	RM66,000,000	RM66,000,000
USJ Property	RM103,000,000	RM102,000,000
Klang Property	RM74,000,000	RM75,000,000
Ulu Kelang Property	RM53,000,000	RM55,000,000
Plentong Property	RM159,000,000	RM159,000,000
Total	RM593,000,000	RM593,000,000

The fair value of the Hypermarkets / Retail Complexes based on the market value derived from the Valuation Certificate vis-à-vis the Purchase Consideration is as follows:

Fair value of the Hypermarkets / Retail Complexes	RM593,000,000
Purchase Consideration	RM520,000,000
Discount to the fair value of the Hypermarkets / Retail Complexes	RM73,000,000
Discount to the fair value of the Hypermarkets / Retail Complexes	12.31%

Based on the above, we are of the view that the Purchase Consideration is **fair** and the basis in arriving at the Purchase Consideration are **reasonable**, as it represents a discount of RM73.00 million or 12.3% to the fair value of the Hypermarkets / Retail Complexes of RM593.00 million.

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6.3 Salient terms of the SPA

The Proposed Acquisition is subject to the terms and conditions of the SPA as set out in **Appendix III of the Circular**. We have evaluated the salient terms of the SPA in their entirety, summarised as follows:

No	Salient terms of the SPA	Kenanga IB's comments
1.	<p>Agreement for Sale</p> <p>1.1 The Vendor hereby sells, and the Trustee hereby purchases the Hypermarkets / Retail Complexes together with all fixtures and fittings fixed to or located or used in the Hypermarkets / Retail Complexes, and services infrastructure systems and facilities as stated in the SPA at the Purchase Consideration.</p> <p>1.2 The sale and purchase of the Hypermarkets / Retail Complexes are inter-conditional with each other and unless otherwise agreed upon by the Vendor and the Trustee (individually referred to as "Party" and collectively as the "Parties") in writing and unless otherwise provided in the SPA, the sale and purchase of the Hypermarkets / Retail Complexes shall be completed simultaneously.</p>	<p>Reasonable</p> <p>We noted that this term allows Sunway REIT to purchase the Hypermarkets / Retail Complexes in its current state together with all fixture & fittings, and services infrastructure systems and facilities, which are necessary for the operations of the Hypermarkets / Retail Complexes. This would in turn ensure operational continuity / no disruption to the operations of the Hypermarkets / Retail Complexes.</p> <p>We noted that Sunway REIT is purchasing the Hypermarkets / Retail Complexes at the same time from the Vendor, therefore the inter-conditionality of the sale and purchase of the Hypermarkets / Retail Complexes allows Sunway REIT to recognise the Hypermarkets / Retail Complexes as part of its retail segment portfolio simultaneously.</p>
2.	<p>Manner of payment of the Purchase Consideration</p> <p>2.1 The Purchase Consideration shall be paid by the Trustee in the following manner:</p> <p>(a) the Trustee had prior to the date of the SPA, paid to the Vendor the amount of RM10,400,000 as earnest deposit ("Earnest Deposit");</p> <p>(b) upon execution of the SPA, the Trustee shall pay to the Vendor the sum of RM41,600,000 ("Balance Deposit") to be held and dealt with by the Vendor under the terms of the SPA; and</p>	<p>Reasonable</p> <p>We noted that the Earnest Deposit and the Balance Deposit represents 10% of the Purchase Consideration ("Deposit"). This serves as a safeguard of the Vendor's interest in the event the Trustee fails to satisfy the Balance Purchase Consideration or breaches the terms of the SPA. In such event, the Vendor has the right to terminate the SPA and forfeit the Deposit.</p>

No	Salient terms of the SPA	Kenanga IB's comments
	<p>(The Earnest Deposit and the Balance Deposit are collectively referred to as the "Deposit".)</p> <p>(c) the Balance Purchase Consideration shall be paid by the Trustee to the Vendor's solicitors as stakeholders to hold and deal with under the terms of the SPA, within a period of three months commencing from the Unconditional Date ("Completion Period").</p> <p>2.2 If the Trustee requires more time to pay the Balance Purchase Consideration or any part thereof, the Vendor shall automatically grant the Trustee an extension of one month from the expiry of the Completion Period or such further period mutually agreed between the Parties in writing ("Extended Completion Period") to pay the Balance Purchase Consideration or any outstanding part thereof subject to the condition that the Trustee shall pay to the Vendor a late payment charge at the rate of 8% per annum on the Balance Purchase Consideration or the unpaid balance thereof calculated on a daily basis from the date immediately following the expiry of the Completion Period until the date of full payment of the Balance Purchase Consideration, such late payment charge to be paid simultaneously with the payment of the Balance Purchase Consideration.</p> <p>2.3 The completion of the SPA shall take place on the Completion Date.</p>	<p>We wish to highlight, that in the event the Conditions Precedent are not fulfilled within the stipulated period in the SPA, the Deposit together with the accrued profit will be refunded by the Vendor to the Trustee.</p> <p>We also noted that the quantum of the Deposit i.e. 10%, is similar to other property-related transactions.</p> <p>We also noted that the balance purchase consideration will be paid to the Vendor within 3 months from the date which the SPA becomes unconditional. This required time accounts for the period between the date of presentation of instruments relating to dealing in a land transaction and the registration of the same to the land offices in Malaysia which typically take several months.</p> <p>We noted that the quantum of the late payment charge i.e. 8% on the balance purchase consideration is similar to other property-related transactions.</p>
3.	<p>Conditions Precedent</p> <p>3.1 The sale and purchase of the Hypermarkets / Retail Complexes is conditional upon the following Conditions Precedent having been fulfilled or obtained within the CP Period:</p> <p>(a) the Trustee having obtained the written approval or a letter of no-objection from the Economic Planning Unit of the Prime Minister's Office for the Proposed Acquisition;</p> <p>(b) the Vendor having obtained the approval from the state authority for the application by the Vendor for amendment of restriction in interest for the Plentong Land 2;</p>	<p>Reasonable</p> <p>We noted that these terms are to ensure the following:</p> <p>(i) necessary requisite approvals are obtained to give effect to the completion of the Proposed Acquisition;</p> <p>(ii) the interest of the Trustee is safeguarded and able to proceed with the transaction in view that the Lessee have waived all its first rights of refusal (under the relevant Lease Agreements) to the changes in ownership structures of the Kinrara Property, Putra</p>

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No	Salient terms of the SPA	Kenanga IB's comments
	<p>(c) Sunway REIT having obtained the approval of the Unitholders at a Unitholders' meeting to be convened for the Proposed Acquisition;</p> <p>(d) the Vendor having procured the Lessee to expressly waive all first rights of refusal to which the Lessee is entitled for the Kinrara Property, Putra Heights Property and the USJ Property under the relevant Lease Agreements;</p> <p>(e) the Vendor having procured the written consent of the Lessee for the transfer of the Kinrara Property, Putra Heights Property and Plentong Property ("Lessee's Consent"), for purpose of presentation of the original issue documents of title which shall include any new issue document of title issued in respect of the Hypermarkets / Retail Complexes, the original copy of the Lessee's Consent, the certified true copies of the quit rent and assessment receipts of the Hypermarkets / Retail Complexes for the current year and all other documents which it is incumbent upon the Vendor to produce as documents necessary to enable registration (collectively, "Title Documents") at the relevant land registry for registration;</p> <p>(f) the Parties and the Lessee having mutually agreed and executed the Novation Agreements and the executed copies of the Novation Agreements having been deposited with the Vendor's solicitors to be held and dealt with under the terms of the SPA; and</p> <p>(g) the Trustee being satisfied with the documents in respect of the buildings or structures on one or more of the Hypermarkets / Retail Complexes as set out in the SPA and having issued its confirmation in writing to the Vendor that this Condition Precedent is either fulfilled or waived.</p> <p>3.2 If any of the Conditions Precedent is not fulfilled within the CP Period, then either Party may by notice in writing to the other Party terminate the SPA whereupon the Deposit paid by the Trustee to the Vendor together with the profit accrued for the Balance Deposit which is to be placed by the Vendor in a profit bearing Shariah deposit account pursuant to the terms of the SPA ("Accrued Profit") thereon shall be refunded under the terms of the SPA subject to the Trustee returning all relevant documents including the valid and registrable memorandum of transfer for the Hypermarkets / Retail Complexes, duly executed by the Vendor in favour of the Trustee ("Transfer") with the</p>	<p>Heights Property and the USJ Property, pursuant to the Proposed Acquisition.</p> <p>(iii) to ensure that the registration of transaction at the land office in Malaysia can be completed thereby allowing the Trustee to be recognised as the legal owner of the Hypermarkets / Retail Complexes;</p> <p>(iv) to ensure that the Trustee will fully recognise the benefits arising from the Hypermarkets / Retail Complexes pursuant to the novation of the Lease Agreements from the Vendor to the Trustee;</p> <p>(v) to ensure that the Vendor furnishes the outstanding documents and in turn allowing the Trustee to assess the suitability of occupancy and compliance to local council requirements for the Hypermarkets / Retail Complexes; and</p> <p>(vi) to safeguard the Trustee whereby the Deposit together with the accrued profit will be refunded by the Vendor in the event the SPA is terminated pursuant to non-fulfilment of the Conditions Precedent within the CP Period.</p>

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No	Salient terms of the SPA	Kenanga IB's comments
	<p>Vendor's interest therein intact and removing all encumbrances including any caveats lodged over the Hypermarkets / Retail Complexes by the Trustee. Thereafter, neither Party shall have any further right, obligation and claims against the other under the SPA and the Vendor shall be at liberty to sell or deal with the Hypermarkets / Retail Complexes as they deem fit upon the termination of the SPA.</p> <p>3.3 The SPA shall become unconditional on the Unconditional Date.</p>	
4.	<p>Leases of the Hypermarkets / Retail Complexes</p> <p>4.1 The Hypermarkets / Retail Complexes are sold subject to the Lease Agreements existing and subsisting as at the Completion Date. The Trustee shall be deemed to accept and purchase with full knowledge and notice of the terms of the Lease Agreements.</p> <p>4.2 Upon Completion, the Vendor shall cause the Vendor's solicitors to release to the Trustee's solicitors the Novation Agreements duly executed by the Parties and the Lessee. The Vendor's solicitors shall be authorised to complete and date the Novation Agreements for it to take effect from the Completion Date.</p> <p>4.3 All rent and other money due or payable by the Lessee under the Lease Agreements prior to the Completion Date shall belong to the Vendor. Subject to the terms of the SPA, all rent and other money due or payable by the Lessee under the Lease Agreements for the period on or after the Completion Date shall belong to the Trustee.</p> <p>4.4 From the date of the SPA until the Completion Date, the Vendor and the Lessee shall not amend, vary or supplement any terms of the Lease Agreements without the prior approval of the Trustee.</p>	<p>Reasonable</p> <p>We noted that these terms allow the benefits and obligations of the Lease Agreements to transfer to the Trustee upon completion of the Proposed Acquisition.</p> <p>We noted that the Hypermarkets / Retail Complexes are still income generating. Upon the completion of the Proposed Acquisition, the Trustee will be the beneficiary of the income generated from the Hypermarkets / Retail Complexes. Accordingly, the Trustee will be entitled to receive all income generated from the Hypermarkets / Retail Complexes after the Completion Date.</p> <p>We noted this term is to ensure the benefits to receive and obligations to discharge under the Lease Agreements at the point of time the SPA is entered into until the completion of the Proposed Acquisition remains the same.</p>

No	Salient terms of the SPA	Kenanga IB's comments
5.	<p>Lift Replacement Contract</p> <p>5.1 If the lift replacement contract entered into between the Vendor and the contractor for the lift replacement at Ulu Kelang Property ("Lift Replacement Contract") cannot be completed on the Completion Date, the Vendor shall, with the consent of the lift contractor, novate or transfer to the Trustee the Lift Replacement Contract and the Trustee shall accept and assume all the rights and obligations of the Lift Replacement Contract with effect from the Completion Date.</p> <p>5.2 The Vendor shall pay and be responsible for settling the entire contract sum payable to the lift contractor under the Lift Replacement Contract and reimburse the Trustee within 21 business days of demand by the Trustee for any amount remaining payable to the lift contractor under the Lift Replacement Contract which is paid by the Trustee after the Completion, provided that the Trustee shall indemnify the Vendor against any costs, proceedings, claims, damages, liabilities, demands and expenses incurred by the Vendor as a result of any failure by the Trustee in fulfilment of its obligations under the Lift Replacement Contract after the Completion Date.</p>	<p>Reasonable</p> <p>We noted this term is to ensure that the Lift Replacement Contract continues to remain in effect, after the Completion Date, so that the lift replacement work can be completed thus the Trustee and the Lessee is able to enjoy the benefits arising from the enhanced infrastructure systems and facilities at the Ulu Kelang Property.</p> <p>We noted that this term is to ensure that the Vendor remains responsible for the settlement of contract sum arising from the lift replacement work, notwithstanding the novation of the Lift Replacement Contract after the Completion Date.</p>
6.	<p>Termination and Default</p> <p>6.1 Default by Trustee</p> <p>6.1.1 If the Trustee defaults in the satisfaction of the Purchase Consideration or breaches any of the terms of SPA, the Vendor shall be entitled to terminate the SPA by serving a written notice of termination on the Trustee and forfeit the Deposit as agreed liquidated damages. Thereupon, within 21 business days of the receipt of the written notice of termination by the Trustee:</p> <ul style="list-style-type: none"> (i) the Vendor shall refund to the Trustee the balance of all other monies paid by the Trustee under the SPA, if any; and (ii) the Trustee shall re-deliver legal or vacant possession (as the case may be) of the Hypermarkets / Retail Complexes to the Vendor, remove the caveat and any other encumbrances attributable to the Trustee or the Trustee's financier, return to the Vendor the Transfer, the Title Documents 	<p>Reasonable</p> <p>In the event of termination of the SPA by the Vendor, the Vendor will be entitled to terminate the SPA by written notice to the Trustee, and forfeit the deposit as agreed liquidated damages, if the Trustee defaults in the satisfaction of the Purchase Consideration or breaches any of the terms and conditions under the SPA.</p> <p>Conversely, in the event of default by the Vendor, we noted that the Trustee has the right to request for specific performance to complete the sale of the Hypermarkets / Retail Complexes in accordance with the SPA and claim for damages. The Vendor shall refund to the Trustee all sums paid by the Trustee towards the Purchase Consideration together with</p>


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No	Salient terms of the SPA	Kenanga IB's comments
	<p>and all other relevant documents free from all encumbrances with the Vendor's interest therein intact, refund and repay to the Vendor all the rent and all other monies paid under the Lease Agreements and received by the Trustee and if the Novation Agreements and/or Lift Replacement Contract have become effective, provide the valid and duly executed deeds of assignment to assign back to the Vendor all rights, title, interest and benefits in and under the Lease Agreements and / or Lift Replacement Contract in the form to be mutually agreed between the Parties with effect from the date of termination.</p> <p>Notwithstanding the assignment mentioned in Section 6.1.1(ii) above, the Trustee shall nevertheless thereafter use its best endeavours to as soon as practicable deliver to the Vendor the Novation Agreements duly signed by the Lessee and the Trustee novating and transferring to the Vendor all rights and obligations in and under the Lease Agreements and / or Lift Replacement Contract with effect from the date of termination, in the form to be mutually agreed between the Parties and the Lessee. For the avoidance of doubt, the novation or transfer back of the Vendor's rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract is not subject to the 21 business days period mentioned above.</p> <p>Thereafter, the SPA shall cease to have further effect and neither Party shall have any further claims or actions whatsoever against the other under the SPA. Upon the termination of the SPA, the Vendor shall be at liberty to dispose of and deal with the Hypermarkets / Retail Complexes in whatever manner as the Vendor thinks fit.</p> <p>6.2 Default by the Vendor</p> <p>6.2.1 If the Vendor breaches any of the terms, conditions, undertakings or obligations under the SPA or fails to complete the sale of the Hypermarkets / Retail Complexes, the Trustee shall be entitled to:</p> <p>(i) compel the Vendor by way of specific performance to complete the sale of the Hypermarkets / Retail Complexes and claim for damages for the Vendor's breach of the SPA; or</p>	<p>accrued profit and pay to the Trustee an additional amount equivalent to the deposit as agreed liquidated damages. This term serves to safeguard the interest of Sunway REIT.</p>


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No	Salient terms of the SPA	Kenanga IB's comments
	<p>(ii) terminate the SPA by serving a notice of termination on the Vendor, whereupon:</p> <p>(a) the Vendor shall, within 21 business days from receipt of the notice of termination, refund to the Trustee all sums paid by the Trustee towards the Purchase Consideration and within 45 business days from receipt of the notice of termination, pay to the Trustee an additional amount equivalent to the Deposit as agreed liquidated damages; and</p> <p>(b) the Trustee shall, within 21 business days from receipt of the notice of termination by the Vendor, re-deliver legal or vacant possession of the Hypermarkets / Retail Complexes to the Vendor, remove the caveat and any other encumbrances attributable to the Trustee or the Trustee's financier, return to the Vendor the Transfer, the Title Documents and all other relevant documents free from all encumbrances with the Vendor's interest therein intact, refund and repay to the Vendor all the rent and all other monies paid under the Lease Agreements and received by the Trustee and if the Novation Agreements and/or Lift Replacement Contract have become effective, provide to the Vendor valid and duly executed deeds of assignment to assign back to the Vendor all rights, title, interest and benefits in and under the Lease Agreements and/or Lift Replacement Contract in the form to be mutually agreed between the Parties with effect from the date of termination.</p> <p>Notwithstanding the assignment mentioned in Section 6.2.1(ii)(b) above, the Trustee shall nevertheless thereafter use its best endeavours to as soon as practicable deliver to the Vendor the Novation Agreements duly signed by the Lessee and the Trustee novating and transferring to the Vendor all rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract with effect from the date of termination, in the form to be mutually agreed between the Parties and the Lessee. For the avoidance of doubt, the novation or transfer back of the Vendor's rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract is not subject to the</p>	

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No	Salient terms of the SPA	Kenanga IB's comments
	<p>21 business days period mentioned above. Thereafter, the SPA shall cease to have further effect and neither Party shall have any further claims or actions whatsoever against the other under the SPA. Upon the termination of the SPA, the Vendor shall be at liberty to dispose of and deal with the Hypermarkets / Retail Complexes in whatever manner as they see fit.</p> <p>6.3 Non-Registration of Transfer</p> <p>6.3.1 If the Transfer is not or cannot be registered in the name of the Trustee due to no fault on the part of the Parties and which cannot be rectified by either Party, either Party shall be entitled by notice in writing to terminate the SPA, whereupon within 21 business days of the receipt of the notice of termination by the other Party:</p> <ul style="list-style-type: none"> (i) the Vendor shall refund to the Trustee all monies paid by the Trustee towards the Purchase Consideration under the SPA; (ii) the Trustee shall re-deliver legal or vacant possession of the Hypermarkets / Retail Complexes to the Vendor, remove the caveat and any other encumbrances attributable to the Trustee or the Trustee's financier, return to the Vendor the Transfer, the Title Documents and all other relevant documents free from all encumbrances with the Vendor's interest therein intact, refund and repay to the Vendor all the rent and all other monies paid under the Lease Agreements and received by the Trustee and if the Novation Agreements and/or Lift Replacement Contract have become effective, provide to the Vendor valid and duly executed deeds of assignment to assign back to the Vendor all rights, title, interest and benefits in and under the Lease Agreements and/or Lift Replacement Contract in the form to be mutually agreed between the Parties with effect from the date of termination. <p>Notwithstanding the assignment mentioned in Section 6.3.1(ii) above, the Trustee shall thereafter use its best endeavours to as soon as practicable deliver to the Vendor the Novation Agreements duly signed by the Lessee and Trustee novating and transferring to the Vendor all rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract with effect from the</p>	

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No	Salient terms of the SPA	Kenanga IB's comments
	<p>date of termination, in the form to be mutually agreed between the Parties and the Lessee. For the avoidance of doubt, the novation or transfer back of the Vendor's rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract is not subject to the 21 business days period mentioned above.</p> <p>Thereafter, the SPA shall cease to have further effect and neither Party shall have any further claims or actions whatsoever against the other (save and except for any antecedent breach of the SPA). Upon the termination of the SPA, the Vendor shall be at liberty to dispose of and deal with the Hypermarkets / Retail Complexes in whatever manner as they see fit.</p>	
7.	<p>Delivery of Possession</p> <p>Upon Completion, the Trustee shall be deemed to have taken legal possession of the Hypermarkets / Retail Complexes together with all fixtures and fittings fixed to or located or used in the Hypermarkets / Retail Complexes, and services infrastructure systems and facilities as stated in the SPA, on an 'as is where is' basis subject to the Hypermarkets / Retail Complexes being free from all encumbrances and claims whatsoever but subject to the Lease Agreements which are subsisting as of the Completion Date.</p>	<p>Reasonable</p> <p>We noted that this term outlines the physical, financial and legal "condition" of the Hypermarkets / Retail Complexes that Sunway REIT has agreed to purchase from the Vendor pursuant to the SPA.</p>
8.	<p>Real Property Gains Tax</p> <p>The Vendor is exempted from payment of the real property gains tax pursuant to the Real Property Gains Tax (Exemption) (No. 4) Order 2003 in which the Minister of Finance has exempted any person from payment of real property gains tax for chargeable gains accruing on the disposal of any chargeable assets to a real estate investment trust or a real property trust fund which is approved by the SC.</p>	<p>Reasonable</p> <p>We noted that this term serves to comply with the requirements of the relevant governing tax laws, in view that the disposal of the Hypermarkets / Retail Complexes is to Sunway REIT, which is approved by the SC.</p>

Based on our review of the SPA in entirety, particularly the salient terms as set out above, we are of the view that the overall terms of the SPA are **reasonable** and **not detrimental** to the non-interested Unitholders.

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6.4 Proposed salient terms of the Novation Agreements

We noted that, as at the LPD, the Trustee, Vendor and Lessee have yet to finalise the terms of the Novation Agreements. Accordingly, we noted the following proposed salient terms of the Novation Agreements, which consist of standard provisions typically included in such agreements, are subject to change. We further noted that there may be additional specific terms to be included into each of the Novation Agreements for the respective Hypermarkets / Retail Complexes.

We have evaluated the proposed salient terms of the Novation Agreements, as disclosed in **Appendix VI of the Circular**, summarised as follows:

No	Proposed salient terms of the Novation Agreements	Kenanga IB's comments
1.	the Vendor shall assign, novate, transfer, and convey to the Trustee, all its rights, interest, benefits, duties and obligations whatsoever vested in the Vendor under the Lease Agreements;	<p>Reasonable</p> <p>We noted that this term ensures the rights and benefits of the Lease Agreements are transferred from the Vendor to the Trustee from the Completion Date.</p> <p>Further, as the Novation Agreements are to take effect from the Completion Date, serves to protect the interest of the Vendor, as it ensures that the rights and benefits of the Lease Agreements are transferred from the Vendor to the Trustee only from the Completion Date.</p>
2.	the Vendor shall cease to be a party to the Lease Agreements and the Trustee shall become a party to it in place of the Vendor. The Vendor shall be released from all covenants, obligations and liabilities under the Lease Agreements and shall have no rights and interest under the Lease Agreements;	
3.	the Trustee undertakes with the Vendor and the Lessee to accept, observe, perform and discharge all covenants and obligations of the Vendor and all other terms, conditions, stipulations and agreements on the part of the Vendor to be performed or complied with pursuant to the Lease Agreements in substitution of the Vendor;	
4.	the Trustee agrees and consents to the Novation Agreements and to the substitution of the Trustee in place of the Vendor effective from the Completion Date (" Effective Date ") and that the Trustee shall be entitled to exercise and enjoy all benefits, rights and interest imposed upon and vested in the Vendor under the Lease Agreements in substitution of the Vendor. The Lessee shall undertake:	

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No	Proposed salient terms of the Novation Agreements	Kenanga IB's comments
4.	<p>(a) to continue to perform the Lease Agreements and to be bound by its terms in all respects and make payment to the Trustee of the rentals and any other moneys payable under the Lease Agreements for the period after the Effective Date; and</p> <p>(b) to procure and deliver to the Trustee a bank guarantee (renewable annually) made in favour of the Trustee for a sum equivalent to the aggregate of three months' rent of the Properties payable as security deposit under the terms of the Lease Agreements.</p>	
5.	<p>the Lessee confirms that the Lessee does not have any claims, demand, action, proceeding or litigation against the Vendor by reason or on account of any non-observance of all or any of the stipulations on the part of the Vendor to be so observed and performed under the Lease Agreements or otherwise howsoever arising before and up to the day falling immediately before the Effective Date.</p>	

Based on our review of the Novation Agreements in entirety, particularly the proposed salient terms as set out above, we are of the view that the overall terms of the Novation Agreements are **reasonable** and **not detrimental** to the non-interested Unitholders.

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6.5 Effects of the Proposed Acquisition

We take cognisance of the effects of the Proposed Acquisition in **Section 6, Part A of the Circular**. Our commentaries on the effects are summarised as follow:

Effects	Kenanga IB's comments
Unitholders' capital and substantial Unitholders' unitholdings	<p>The Proposed Acquisition will not have any effect on the Unitholders' capital and substantial Unitholders' unitholdings in Sunway REIT as no new units of Sunway REIT will be issued for the Proposed Acquisition.</p>
Earnings, EPU and DPU	<p>The Proposed Acquisition is expected to contribute positively to the earnings and EPU of Sunway REIT for the FYE 31 December 2023, mainly arising from the net unrealised fair value gain of RM66.2 million which is immediately recognised upon the completion of the Proposed Acquisition.</p> <p>For illustration purposes only, assuming the Proposed Acquisition was completed on 1 January 2022, and taking into effect of the SMC Disposal:</p> <ul style="list-style-type: none"> (i) the income distribution of Sunway REIT for the FYE 31 December 2022 is expected to increase to RM326,187,000 from RM315,767,000; and (ii) the DPU of Sunway REIT for the FYE 31 December 2022 is expected to increase to 9.52 sen, from 9.22 sen, <p>based on the incremental net distributable income contributed by the Hypermarkets / Retail Complexes, as set out in Section 6.2, Part A of the Circular.</p> <p>Since the Proposed Acquisition is only expected to be completed by the fourth quarter of 2023, the Proposed Acquisition is not expected to have any material effect on the DPU of Sunway REIT for the FYE 31 December 2023.</p> <p>Nevertheless, the Manager expects the income generated from the Hypermarkets / Retail Complexes to contribute positively to the earnings, EPU and DPU of Sunway REIT after the FYE 2023.</p>
NAV and NAV per unit	<p>For illustration purposes only, assuming the Proposed Acquisition was completed on 31 December 2022, Sunway REIT's NAV per unit will increase to RM1.5342 from RM1.5149, after taking into consideration the net unrealised fair value gain on the Hypermarkets / Retail Complexes of approximately RM66.2 million as set out in Section 2.2(ii), Part A of the Circular.</p>

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Effects	Kenanga IB's comments
Gearing	<p>For illustration purposes only, assuming the Proposed Acquisition was completed on 31 December 2022, and taking into effect the SMC Disposal, the gearing level of Sunway REIT is expected to increase from 37.6% to 38.0% as at 31 December 2022, pursuant to the Proposed Acquisition being fully financed by borrowings.</p> <p>Notwithstanding the increase, we noted that the gearing level of Sunway REIT is still within the limit prescribed under Paragraph 8.32 of the Guidelines on Listed Real Estate Investment Trusts as issued by the Securities Commission Malaysia i.e. Sunway REIT's total borrowings must not exceed 50% of its total asset value at the time the borrowings are incurred. This is also in line with Sunway REIT's capital management policy (as per the Annual Report 2022).</p>

Premised on the above, we are of the opinion that the pro forma effects of the Proposed Acquisition are **reasonable** and are **not detrimental** to the interests of the non-interested Unitholders.

6.6 Prospects and outlook

We take cognisance of the industry overview and outlook, and prospects of the Hypermarkets / Retail Complexes as set out in **Section 4, Part A of the Circular** and our commentaries are as set out below:

(i) Prospects of the Klang Valley Retail Market

The retail industry rebounded in 2021, posting a smaller annual contraction of 2.3% (2020: -16.3%) following gradual easing of strict containment measures in the fourphase National Recovery Plan (NRP). With higher footfall at shopping malls coupled with the Chinese New Year festival, the retail industry started the new year on a positive note with retail sales recording a promising growth rate of 18.3% in 1Q2022. For the entire year of 2022, the country's retail sales growth has been revised upwards from 6.3% to 13.1% following the country's transition to the endemic phase on 1 April 2022. The MIER Consumer Sentiments Index (CSI) improved to record at 108.9 points in 1Q2022, surpassing the 100-point optimism threshold. The positive index was driven by consumers' optimism for better income and employment opportunities despite growing inflationary pressures.

With the changing landscape in consumers attitudes, behaviours and purchasing habits, retailers are placing greater emphasis on convenience and accessibility as well as on creating immersive experiences to drive footfall.

Shopping malls have seen encouraging recovery in footfall and retail sales, but rising inflation and slower economic growth following disruptive changes arising from the on-going Russia-Ukraine war and supply chain bottleneck may cloud consumer sentiments and weigh on their purchasing power. Moving forward, rental growth is expected to remain subdued with growing pressure on overall occupancy level due to the incoming supply of retail space as well as the lingering effects of the COVID-19 pandemic.

(Source: Knight Frank – Real Estate Highlights 1st Half 2022)

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(ii) Prospects of the Johor Retail Market

Meanwhile, the reopening of the country's border since 1 April 2022 bodes well for the gradual recovery of the tourism and retail related markets – a high number of visitors enter Johor daily through the Singapore – Malaysia Causeway, one the busiest border crossings in the world or via the Tuas Second Link. The improving footfall in shopping malls is positive for the state's retail market.

(Source: Knight Frank – Real Estate Highlights 1st Half 2022)

Notwithstanding that rental rates are expected to remain subdued, as well as growing pressure on overall occupancy level due to the incoming supply of retail space, the Hypermarkets / Retail Complexes are located within the vicinity of established residential areas and townships / commercial areas / industrial properties, hence the Hypermarkets / Retail Complexes would be able to benefit from the foot traffic of the surrounding population.

In addition, as consumer behaviours and purchasing habits changes vis-a-vis the Malaysian economic activity continues to normalise with the easing of containment measures, greater emphasis is placed on convenience and accessibility, therefore the Hypermarkets / Retail Complexes are expected to benefit from this change, being located within the vicinities of residential areas and townships / commercial areas / industrial properties.

Based on the above, we believe that moving forward, barring any unforeseen circumstances, the prospects of the Hypermarkets / Retail Complexes should be **generally positive** due to the strategic locations of the Hypermarkets / Retail Complexes, as well as the benefits derived from the Lease Agreements.

Nonetheless, we wish to highlight that the Proposed Acquisition, is subject to risks and uncertainties which are not within Sunway REIT's control such as tenancy renewal risk, increased competition from other retail properties / hypermarkets within close vicinity and e-commerce, pandemic risk, adverse changes in economic conditions and the inability of the Lessee to attract and retain quality sub-tenants with favourable rental yields. The occurrence of any of such events may impact Sunway REIT's revenue and earnings to be derived from the Proposed Acquisition. There shall also be no guarantee that the anticipated benefits from the Proposed Acquisition will be realised by Sunway REIT in the foreseeable future.

6.7 Risk factors in relation to the Proposed Acquisition

In considering the Proposed Acquisition, the non-interested Unitholders are advised to give careful consideration to the risks of the Proposed Acquisition as set out in **Section 5, Part A of the Circular** and as summarised as follows:

(i) Inability of the Lessee to make timely payments to Sunway REIT

The following factors may amongst others, could have an adverse effect on the Lessee's operations and financial performance:

- (a) outbreak of infectious diseases which include the COVID-19 pandemic;
- (b) unfavourable changes in statutory laws, regulations or government policies;
- (c) general downturn in the global and Malaysian economy;
- (d) bankruptcy, insolvency or downturn in the business of the Lessee;
- (e) increased competition from other retail properties / hypermarkets within close vicinity and e-commerce; and

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- (f) inability of the Lessee to attract and retain quality retail sub-tenants with favourable rental yields.

We noted that the Manager will closely monitor and assess any late or decline in rental payments caused by the factors mentioned. Further, we note that if the Lessee fails to pay the lease payments under the Lease Agreements, Sunway REIT shall amongst others, be entitled to charge late payment interest on the outstanding amount due, call on the bank guarantees provided by the Lessee as security or terminate the Lease Agreements.

(ii) Risk of non-renewal and termination of Lease Agreements

We take note of the risk of:

- (a) non-renewal of Lease Agreements;
- (b) renewal on less favourable terms than existing Lease Agreements; and
- (c) Sunway REIT being unable to secure tenant(s) on timely basis,

upon the expiry of the respective Lease Agreements.

We take note of the Manager, upon the completion of the Proposed Acquisition, will work closely with the Lessee to build a strong relationship to reduce the potential of non-renewal or early termination of the Lease Agreements. Further, we note the Manager will use its best endeavours to leverage on the positive attributes of the Hypermarkets / Retail Complexes (as per **Section 4.3, Part A of the Circular**), as well as the Manager's track record in mall management, to secure new tenants for the Hypermarkets / Retail Complexes, in the event the Lessee does not renew the Lease Agreements.

Based on further discussions with the Manager, we understand that in the event a replacement lessee or tenant(s) is required, the approximate time to procure such replacement ranges between 6 to 12 months.

(iii) Risk of early termination of the USJ Property Lease Agreement

We noted that despite the Early Termination Notice, and pending the finalisation of the settlement terms relating to the early termination of the USJ Property Lease Agreement, the Lessee is still obligated to continue to pay rent under the Lease Agreement, and thus has continued to pay rent for the USJ Property. The terms of the settlement relating to the early termination of the USJ Property Lease Agreement will take into account the right of the Vendor (or the Trustee) to be compensated for the remaining rental payable in respect of the USJ Property Lease, in accordance with the terms of the USJ Property Lease Agreement.

Furthermore, given the strategic location of the USJ Property (as per **Section 4.3, Part A of the Circular**), as well as the Manager's track record in mall management, the Manager believes that they are able to secure such replacement lessee in a timely manner to continue to occupy the USJ Property following the early termination of the USJ Property Lease Agreement.

(iv) Financing risks and limitation on borrowings

Sunway REIT will mainly depend on external financing for the Proposed Acquisition. Hence, the limitation on borrowings may have the following consequences on Sunway REIT:

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- (a) the inability to fund capital expenditure requirements in relation to Sunway REIT's existing asset portfolio or in relation to future acquisition of properties by Sunway REIT;
- (b) the inability to incur additional borrowings should there be a decline in the value of Sunway REIT's existing asset portfolio which causes the borrowing limit to be exceeded; and
- (c) the cash flow shortages which Sunway REIT might otherwise be able to resolve through borrowings.

We noted that the Manager will take all reasonable steps to prevent the failure of Sunway REIT to fulfil its payment obligations including closely monitoring its cash flows and gearing level, which are currently at a healthy level and thereby mitigating the risk of breaching covenants which could lead to events of default resulting in foreclosure of Sunway REIT's properties. Further, we understand from the Manager that Sunway REIT has available and sufficient financing facilities to fully settle the Purchase Consideration.

(v) Delay or non-completion of the Proposed Acquisition

We noted that the completion of the Proposed Acquisition is conditional upon the fulfilment of the Conditions Precedent under the SPA as set out in Appendix II of the Circular.

We noted that the Trustee / Manager will ensure that all reasonable steps will be taken to ensure that the Conditions Precedent within their responsibility under the SPA are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals or consents and confirmations to give effect to the completion of the Proposed Acquisition within the timeframe permitted by the SPA.

(vi) Delay in the transfer of the Hypermarkets / Retail Complexes in the name of the Trustee

We noted that the period between the date of presentation of instruments relating to dealing in a land transaction and the registration of the same to the land offices in Malaysia could typically take several months. As such, there could be a potential delay and therefore uncertainty in the registration of the Trustee as the registered owner of the Hypermarkets / Retail Complexes. Further, we understand from the Manager that the transfer of title in Selangor and Johor requires approximately 3 months and 6 months respectively.

We noted the Manager will endeavour to follow up closely with the respective land offices on the progress of the transfers of titles of the Hypermarkets / Retail Complexes and rectify any administrative deficiencies. Further, the SPA allows the Trustee or the Vendor to issue a notice to terminate the SPA if the title of the Hypermarkets / Retail Complexes cannot be registered in the name of the Trustee due to no fault of the Trustee or the Vendor whereby such non-registration cannot be rectified by either party.

(vii) Valuation assumptions

We noted that the appraised market value of the Hypermarkets / Retail Complexes by the Valuer does not, in anyway, serve as a guarantee of the current and future sale price of the Hypermarkets / Retail Complexes. As such, the price at which the Trustee is able to dispose the Hypermarkets / Retail Complexes in the future may be lower than the Purchase Consideration.

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We noted that, if the Manager decides to dispose the Hypermarkets / Retail Complexes in the future, the Manager will endeavour to obtain the highest possible sale price after taking into consideration, amongst others, the market conditions, cost of investment of the Hypermarkets / Retail Complexes, and expenses incurred by Sunway REIT for the Hypermarkets / Retail Complexes.

(viii) Sunway REIT's proforma income distribution and DPU are not a guarantee of the actual financial results

We noted that the effects of the Proposed Acquisition is based on certain assumptions of the Manager including the assumption that the Proposed Acquisition was completed on 1 January 2022 (being the beginning of the FYE 2022).

We also noted that the assumptions used by the Manager may not be realised and the actual financial results may differ from the proforma results.

In view of the Manager's track record in managing Sunway REIT's property portfolio, which includes retail malls, and a hypermarket (i.e. SunCity Ipoh Hypermarket). As such, the Proposed Acquisition is **not expected to expose Sunway REIT to any significant changes to its business risks profile.**

While we note that measures will be taken by Manager to mitigate such risks associated with the Proposed Acquisition, no assurance can be given that one or a combination of the risk factors will not occur and give rise to material adverse impact on the business and operation of Sunway REIT, its financial performance or prospects thereon.

In evaluating the Proposed Acquisition, non-interested Unitholders should carefully consider the said risk factors and their respective mitigating factors prior to voting on the resolutions pertaining to the Proposed Acquisition at the forthcoming Unitholders' Meeting of Sunway REIT. Non-interested Unitholders should also note that the risk factors mentioned in Section 5, Part A of the Circular and this IAL are not meant to be exhaustive.

7. CONCLUSION AND RECOMMENDATION

The non-interested Unitholders should carefully consider the justifications for the Proposed Acquisition based on all relevant and pertinent factors including those set out in this IAL as well as those set out in **Part A of the Circular** together with the accompanying appendices before voting on the ordinary resolution pertaining to the Proposed Acquisition at the forthcoming Unitholders' Meeting.

Premised on our evaluation of the Proposed Acquisition in Section 6 of this IAL, we are of the opinion that the Proposed Acquisition is **fair** and **reasonable** and **not detrimental** to the interests of non-interested Unitholders.

Accordingly, we recommend that the non-interested Unitholders to vote **in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

Yours faithfully,
For and on behalf of
KENANGA INVESTMENT BANK BERHAD

DATUK CHAY WAI LEONG
Group Managing Director

DATUK ROSLAN HJ TIK
Executive Director, Head
Group Investment Banking & Islamic Banking

APPENDIX I – FURTHER INFORMATION

The defined terms as set out in the Definitions section and this Appendix I of this Circular shall be applicable throughout this Appendix.

1. RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by the Board and the Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to the Vendor and EPF in this Circular have been extracted from information provided by them or available publicly, and the Board's responsibility is restricted to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS AND CONFLICTS OF INTEREST

2.1. RHB Investment Bank

RHB Investment Bank, being the Sole Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad, and the subsidiaries and associated companies of RHB Bank Berhad ("**RHB Banking Group**") form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses in its ordinary course of business with Sunway REIT Group. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for Sunway REIT Group in addition to the roles set out in the Circular.

Furthermore, in the ordinary course of business, any member of RHB Banking Group may at any time offer or provide its services to or engage in any transactions (whether on its own account or otherwise) with any member of Sunway REIT Group, hold long or short positions in the securities offered by any member of Sunway REIT Group, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of Sunway REIT Group.

In addition:

- (i) EPF is a major shareholder and unitholder of RHB Bank Berhad and Sunway REIT respectively and is also the sole shareholder of the Vendor. However, EPF is not involved in the day-to-day operations of RHB Banking Group and Sunway REIT Group;
- (ii) Tan Sri Dr Rebecca Fatima Sta Maria, an Independent Non-Executive Director of RHB Bank Berhad and RHB Investment Bank, is also an Independent Non-Executive Director of Sunway Berhad, which is a major Unitholder of Sunway REIT and major shareholder of the Manager. Nevertheless, in view of her role as a non-executive director in RHB Bank Berhad, RHB Investment Bank and Sunway Berhad, she is not involved in these Companies' day-to-day operations;

APPENDIX I – FURTHER INFORMATION

- (iii) Kumpulan Wang Persaraan (Diperbadankan) (“KWAP”) is a substantial Unitholder of Sunway REIT and a substantial shareholder of RHB Bank Berhad. However, KWAP is not involved in the day-to-day operations of RHB Banking Group and Sunway REIT Group; and
- (iv) Dato’ Mohamad Nasir Ab Latif, a Non-Independent Non-Executive Director of RHB Bank Berhad, is also the chairman of the investment panel in KWAP. Nevertheless:
 - (a) he is not involved in the day-to-day operations of RHB Banking Group in view of his role as non-executive director in RHB Bank Berhad; and
 - (b) KWAP is not involved in the day-to-day operations of RHB Banking Group and Sunway REIT Group.

Further, as at the LPD, RHB Islamic Bank Berhad (a company within RHB Banking Group) is one of the subscribers to Sunway Treasury Sukuk Sdn Bhd’s Islamic medium term note programme of up to RM10.0 billion in nominal value (“**Sukuk Programme**”). As at the LPD, RHB Islamic Bank Berhad holds RM750.0 million in nominal value of the notes under the Sukuk Programme and the notes are secured by, amongst others, 105,000,000 units of Sunway REIT. The holding of the notes under the Sukuk Programme is in the ordinary course of business of RHB Banking Group, and RHB Banking Group do not have any interest, whether direct or indirect, in any voting units of Sunway REIT as at the LPD.

The Trustee, which is a company within RHB Banking Group, provides trustee services to Sunway REIT. Notwithstanding the above and as at the LPD, RHB Investment Bank, as part of RHB Banking Group is not aware of any conflict of interests which exists or is likely to exist in its capacity as the Sole Principal Adviser for the Proposed Acquisition on the basis that:

- (i) RHB Investment Bank is a licensed investment bank and its appointment as the Sole Principal Adviser for the Proposed Acquisition is in the ordinary course of its business. RHB Investment Bank does not have any interest in the Proposed Acquisition other than as the Sole Principal Adviser based on the terms of engagement which are mutually agreed between both parties. Further, RHB Investment Bank does not receive or derive any financial interest or benefit save for the professional fees received in relation to its appointment as the Sole Principal Adviser for the Proposed Acquisition;
- (ii) the Trustee is a registered trust company under the Trust Companies Act, 1949 and also registered with the SC and its appointment as the trustee to Sunway REIT is in the ordinary course of its business;
- (iii) the corporate finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese Wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and
- (iv) the conduct of RHB Banking Group’s business is regulated strictly by the Financial Services Act, 2013, the Capital Markets and Services Act, 2007 and RHB Banking Group’s own internal controls and checks, which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

Save for the above, RHB Investment Bank is not aware of any existing or potential interest or any circumstances which would give rise to a conflict of interest by virtue of its role as the Sole Principal Adviser for the Proposed Acquisition.

APPENDIX I – FURTHER INFORMATION

2.2. Knight Frank Malaysia Sdn Bhd

Knight Frank Malaysia Sdn Bhd, being the Valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent for the inclusion of its name, Valuation Letter, Valuation Certificate, Valuation Reports and all references thereto in the form and context in which they appear in this Circular.

The Valuer is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of its role as the independent registered valuer for the Proposed Acquisition.

2.3. BDO PLT

BDO PLT, being the Reporting Accountants, has given and has not subsequently withdrawn its written consent for the inclusion of its name, letter on the proforma consolidated statement of financial position of Sunway REIT and all references thereto in the form and context in which it appears in this Circular.

BDO PLT is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of its role as the Reporting Accountants.

2.4. Kenanga IB

Kenanga IB, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent for the inclusion of its name, the IAL and all references thereto in the form and context in which it appears in this Circular.

Kenanga IB confirms that there is no existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of its role as the Independent Adviser for the Proposed Acquisition.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**3.1. Material commitments**

Save as disclosed below, as at 31 March 2023, being the latest practicable date at which such amount is publicly available before the printing of this Circular, the Board is not aware of any other material commitments incurred or known to be incurred by Sunway REIT, which may have a material impact on the financial position of Sunway REIT:

	<u>RM'000</u>
Capital expenditure	
Subsequent expenditure of investment properties:	
Approved and contracted for (including Balance Purchase Consideration)	662,319
Approved but not contracted for	588,120
	<u>1,250,439</u>

3.2. Contingent liabilities

As at 31 March 2023, being the latest practicable date at which such amount is publicly available before the printing of this Circular, save for the material litigation disclosed in Section 5 of this Appendix I of this Circular, the Board is not aware of any contingent liabilities incurred or known to be incurred by Sunway REIT which, upon becoming enforceable, may have a material impact on the financial position of Sunway REIT.

4. HISTORICAL SHARE PRICES

The monthly highest and lowest closing market prices of Sunway REIT units as transacted on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

Month	Highest RM	Lowest RM
2022		
May	1.56	1.45
June	1.57	1.46
July	1.51	1.44
August	1.54	1.49
September	1.49	1.38
October	1.44	1.38
November	1.45	1.38
December	1.47	1.43
2023		
January	1.60	1.46
February	1.66	1.55
March	1.61	1.54
April	1.62	1.59
Last transacted market price on 15 March 2023, being the last market day immediately before the first announcement of the Proposed Acquisition on 16 March 2023		1.57
Last transacted market price as at the LPD		1.60

(Source: Bloomberg)

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As warranted by the Vendor under the terms of the SPA, there is no material litigation, claim or arbitration involving the Hypermarkets / Retail Complexes.

Save as disclosed below, as at the LPD, Sunway REIT Group are not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Board has no knowledge of any proceedings which materially and adversely affect the financial position or business of Sunway REIT Group:

Metroplex Holdings Sdn Bhd (“Metroplex”) v Trustee and Manager (collectively, the “Defendants”)

On 28 September 2015, Metroplex filed a writ of summons and a statement of claim against the Defendants to claim, amongst others, damages for various chattels and movable items (i.e. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) (“**Chattels and Movable Items**”) which Metroplex alleged the Chattels and Movable Items were acquired and owned by them and were not removed when the Defendants took possession of the hotel at Sunway Putra on 27 September 2011. Metroplex has in its statement of claim alleged that the Chattels and Movable Items were worth in excess of RM80 million as at September 2011.

On 3 November 2017, the High Court of Malaya (“**High Court**”) allowed Metroplex’s claim on liability in which the damages to be awarded to Metroplex shall be assessed (“**High Court’s Decision**”).

Subsequently, the Defendants appealed to the Court of Appeal against the High Court’s Decision on 6 November 2017. The Court of Appeal allowed the Defendants’ appeal and the High Court’s Decision was set aside on 22 January 2019 (“**Court of Appeal’s Decision**”).

APPENDIX I – FURTHER INFORMATION

On 20 February 2019, Metroplex filed a motion for leave to appeal to the Federal Court against the Court of Appeal's Decision ("**Motion**"). The Motion was allowed on 25 November 2019. Subsequently, Metroplex filed a notice of appeal to the Federal Court to appeal against the Court of Appeal's Decision on 2 December 2019 ("**Appeal**"). The hearing for the Appeal was fixed on 31 March 2021.

On 31 March 2021, the Federal Court allowed the Appeal by setting aside the Court of Appeal's Decision, thereby restoring the High Court's Decision and ordered the matter for assessment of damages in respect of the Chattels and Movable Items against the Defendants to proceed in the High Court. Upon conclusion of the trial for the assessment of damages, the Defendants and Metroplex appeared before the High Court for oral submissions on 9 May 2023 and 15 May 2023 and thereafter, the High Court directed that it would deliver its decision on 3 August 2023.

Under the said proceedings, Metroplex is claiming for the following sums against the Defendants:

- (i) RM63,187,211.24 as replacement costs for Metroplex's operational Chattels and Movable Items;
- (ii) RM24,636,000.00 as loss of opportunity in relation to the economic benefit gained by the Defendants at Metroplex's expense; and
- (iii) RM307,041,000.00, being the value of the alleged antiques and artworks converted by the Defendants.

The solicitors for the Defendants are of the opinion that the Defendants will be liable to pay Metroplex damages for the conversion of the Chattels and Movable Items. However, as at the LPD, the exact figure or quantum which the Defendants have to pay is still pending the decision of the High Court, which is scheduled to be delivered on 3 August 2023.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for your inspection at the registered office of the Manager at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from Monday to Friday (except public holidays) following the date of this Circular up to and including the date of the forthcoming Unitholders' Meeting:

- (i) the Deed;
- (ii) the audited consolidated financial statements of Sunway REIT for the financial period ended ("**FPE**") 31 December 2021 and FYE 31 December 2022, and the latest unaudited consolidated results for the 3-month FPE 31 March 2023;
- (iii) the letters of consent referred to in Section 2 of Appendix I of this Circular;
- (iv) the SPA;
- (v) the Valuation Certificate attached as Appendix IV of this Circular, Valuation Letter and Valuation Reports;
- (vi) the relevant cause papers on the material litigation referred to in Section 5 of this Appendix I of this Circular; and
- (vii) the Reporting Accountants' letter on the proforma consolidated statement of financial position attached as Appendix V of this Circular.

APPENDIX II – FURTHER INFORMATION ON THE HYPERMARKETS / RETAIL COMPLEXES

The defined terms as set out in the Definitions section and this Appendix II of this Circular shall be applicable throughout this Appendix.

(i) Kinrara Property

A summary of the information on the land and building of the Kinrara Property as at the Material Date of Valuation (unless otherwise stated) is set out below:

Information on the land of the Kinrara Property	
Land area	: Approximately 29,540 square metres (317,966 square feet)
Tenure	: Freehold
Category of use	: Building
Express condition	: Commercial building
Restriction in interest	: Nil
Encumbrances	: A lease granted in favour of the Lessee for a period of 15 years commencing from 1 December 2009 and expiring on 30 November 2024 under presentation no. 122033/2010 registered on 18 November 2010
Chargee	: Not applicable
Information on the building of the Kinrara Property	
Postal address	: Giant Hypermarket Bandar Kinrara, Jalan BK 5A/1, Bandar Kinrara, 47810 Puchong, Selangor
Age of buildings	: Approximately 15 years from its original issuance date of the CFO dated 17 August 2007
GFA / NLA	: Approximately 47,285 square metres (508,970 square feet)
Occupancy rate	: Solely leased by the Lessee
Annual gross rental income (current term)	: RM9,852,336.00
Other information	
Net book value as at 31 December 2022 ⁽¹⁾	: RM81,367,287.19
Market value ⁽²⁾	: RM138,000,000.00
Salient terms of the lease agreement for the Kinrara Property	
Commencement date	: 1 December 2009

APPENDIX II – FURTHER INFORMATION ON THE HYPERMARKETS / RETAIL COMPLEXES

Term and lease renewal	:	(i)	The initial fixed term of the lease shall be 15 years comprising three terms of five years each starting from the commencement date with an option to renew granted to the Lessee for a further period of 15 years comprising three terms of five years each at monthly rental of an amount of 9% above the rental rate of the last preceding term;
		(ii)	the option to renew may be exercised by the Lessee at the Lessee's absolute discretion provided that the Lessee gives six months prior notice in writing setting out its intention to exercise the option before the expiry of the current term; and
		(iii)	the option to renew shall be on the same covenants, terms and provisions of the lease agreement save for the renewal rental rate.
Rental rate	:	Years	Rental per annum (RM)
		1 - 5	8,292,504.00
		6 - 10	9,038,832.00
		11 – 15 (current term)	9,852,336.00 ⁽³⁾
		16 – 20 (renewal term)	10,739,052.00
		21 – 25 (renewal term)	11,705,568.00
		26 – 30 (renewal term)	12,759,072.00
		There is a step-up in rental per annum of 9% every 5 years	
First right of refusal	:	The Vendor shall grant the Lessee first right of refusal to purchase the Kinrara Property (or any part thereof) by way of issuance of a written notice to the Lessee setting out the terms for the sale of the Kinrara Property	
Break option	:	Nil	

Notes:

- (1) Based on the audited financial statements of the Vendor for the FYE 31 December 2022.
- (2) As ascribed by the Valuer in its Valuation Certificate.
- (3) The rental under the current term represents RM1.61 per square feet ("**psf**") per month or RM17.36 per square metre ("**psm**") per month over the GFA of the Kinrara Property. Based on the Valuer's assessment, the current rental is below the market rental rate of RM1.75 psf per month or RM18.84 psm per month. Please refer to the Valuation Certificate for further details on the rental analysis by the Valuer in arriving at the market rental rate.

(ii) Putra Heights Property

A summary of the information on the land and building of the Putra Heights Property as at the Material Date of Valuation (unless otherwise stated) is set out below:

Information on the land of the Putra Heights Property	
Land area	: Approximately 17,859 square metres (192,233 square feet)
Tenure	: Freehold
Category of use	: Building
Express condition	: Commercial building
Restriction in interest	: Nil
Encumbrances	: A lease granted in favour of the Lessee for a period of 15 years commencing from 1 December 2009 and expiring on 30 November 2024 under presentation no. 62562/2010 registered on 18 June 2010
Chargee	: Not applicable
Information on the building of the Putra Heights Property	
Postal address	: Giant Hypermarket Putra Heights, Persiaran Putra Perdana, Putra Heights, 47650 Subang Jaya, Selangor
Age of buildings	: Approximately 14 years from its original issuance date of the certificate of completion and compliance (“CCC”) dated 31 December 2008
GFA / NLA	: Approximately 23,934 square metres (257,627 square feet)
Occupancy rate	: Solely leased by the Lessee
Annual gross rental income (current term)	: RM5,386,572.00
Other information	
Net book value as at 31 December 2022 ⁽¹⁾	: RM44,483,845.00
Market value ⁽²⁾	: RM66,000,000.00
Salient terms of the lease agreement for the Putra Heights Property	
Commencement date	: 1 December 2009
Term and lease renewal	: (i) The initial fixed term of the lease shall be 15 years comprising three terms of five years each starting from the commencement date with an option to renew granted to the Lessee for a further period of 15 years comprising three terms of five years each at monthly rental of an amount of 9% above the rental rate of the last preceding term;

APPENDIX II – FURTHER INFORMATION ON THE HYPERMARKETS / RETAIL COMPLEXES

	(ii)	the option to renew may be exercised by the Lessee at the Lessee's absolute discretion provided that the Lessee gives six months prior notice in writing setting out its intention to exercise the option before the expiry of the current term; and	
	(iii)	the option to renew shall be on the same covenants, terms and provisions of the lease agreement save for the renewal rental rate.	
Rental rate	:	<u>Years</u>	<u>Rental per annum</u> (RM)
		1 - 5	4,533,756.00
		6 - 10	4,941,804.00
		11 – 15 (current term)	5,386,572.00 ⁽³⁾
		16 – 20 (renewal term)	5,871,372.00
		21 – 25 (renewal term)	6,399,804.00
		26 – 30 (renewal term)	6,975,792.00
		There is a step-up in rental per annum of 9% every 5 years	
First right of refusal	:	The Vendor shall grant the Lessee first right of refusal to purchase the Putra Heights Property (or any part thereof) by way of issuance of a written notice to the Lessee setting out the terms for the sale of the Putra Heights Property	
Break option	:	Nil	

Notes:

- (1) Based on the audited financial statements of the Vendor for the FYE 31 December 2022.
- (2) As ascribed by the Valuer in its Valuation Certificate.
- (3) The rental under the current term represents RM1.74 psf per month or RM18.75 psm per month over the GFA of the Putra Heights Property. Based on the Valuer's assessment, the current rental is in line with the market rental rate of RM1.70 psf per month or RM18.30 psm per month. Please refer to the Valuation Certificate for further details on the rental analysis by the Valuer in arriving at the market rental rate.

(iii) USJ Property

A summary of the information on the land and building of the USJ Property as at the Material Dates of Valuation (unless otherwise stated) is set out below:

Information on the land of the USJ Property	
Land area	: Approximately 22,570 square metres (242,941 square feet)
Tenure	: Freehold
Category of use	: Building
Express condition	: Supermarket
Restriction in interest	: Nil
Encumbrances	: Nil
Chargee	: Not applicable
Information on the building of the USJ Property	
Postal address	: Giant Shopping Complex USJ 1, Persiaran Subang Permai, 47500 Subang Jaya, Selangor
Age of buildings	: Approximately 10 years from its original issuance date of the CCC dated 10 January 2013
GFA / NLA	: Approximately 41,213 square metres (443,608 square feet)
Occupancy rate ⁽¹⁾	: As at the Material Date of Valuation, the majority of the premise has been vacated and is unoccupied, save and except for a retail space (measuring about 26,996 square feet or about 6.09% of the GFA of the USJ Property) occupied and operated by a single sub-tenant. As at 26 April 2023, the Lessee and its sub-tenants have occupied portions of the USJ Property to undertake retail operations.
Annual gross rental income (current term)	: RM8,187,888.60
Other information	
Net book value as at 31 December 2022 ⁽²⁾	: RM75,781,526.61
Market value ⁽³⁾	: RM103,000,000.00
Salient terms of the USJ Property Lease Agreement	
Commencement date	: 22 August 2013

APPENDIX II – FURTHER INFORMATION ON THE HYPERMARKETS / RETAIL COMPLEXES

Term and lease renewal	:	(i)	The term of the lease shall be a period of three terms of five years each, with an option to renew for a further period of 15 years comprising another three terms of five years each at a monthly rental to be mutually agreed on and of an amount of 10% above the rental rate of the last preceding term;
		(ii)	the option to renew may be exercised by the Lessee at the Lessee's absolute discretion provided that the Lessee gives six months prior notice in writing setting out its intention to exercise the option before the expiry of the initial term; and
		(iii)	the option to renew shall be on the same covenants, terms and provisions of the Lease Agreement save for the renewal rental rate.
Rental rate	:	Years	Rental per annum ⁽⁴⁾ (RM)
		1 - 3	8,488,272.10
		4 - 5	8,828,995.10
		6 - 8	9,337,098.60
		9 – 10 (current term)	8,187,888.60 ⁽⁵⁾⁽⁶⁾
		11 - 15	9,006,677.50
First right of refusal	:		The Vendor shall grant the Lessee first right of refusal to purchase the USJ Property (or any part thereof) by way of issuance of a written notice to the Lessee setting out the terms for the sale of the USJ Property
Break option	:		Nil

Notes:

- (1) Please refer to Section 5(iii) of this Circular for further details on the Early Termination Notice.
- (2) Based on the audited financial statements of the Vendor for the FYE 31 December 2022.
- (3) As ascribed by the Valuer in its Valuation Certificate.
- (4) Based on the supplemental lease agreement for the USJ Property dated 29 October 2013.
- (5) The rental under the current term represents RM1.54 psf per month or RM16.56 psm per month over the GFA of the USJ Property. Based on the Valuer's assessment, the current rental is in line with the market rental rate of RM1.50 psf per month or RM16.15 psm per month. Please refer to the Valuation Certificate for further details on the rental analysis by the Valuer in arriving at the market rental rate.
- (6) The rental per annum in Years 9 to 10 declined from its preceding year. For information purposes, the rental per annum in Years 9 to 10 was commercially negotiated between the Vendor and the Lessee and took into consideration the (i) market value of the USJ Property before its redevelopment and (ii) the redevelopment cost.

(iv) Klang Property

A summary of the information on the land and building of the Klang Property as at the Material Date of Valuation (unless otherwise stated) is set out below:

Information on the land of the Klang Property							
Land area	: Approximately 64,424 square metres (693,454 square feet)						
Tenure	: Freehold						
Category of use	: Building						
Express condition	: Commercial building						
Restriction in interest	: Nil						
Encumbrances	: A lease granted in favour of the Lessee for a period of 15 years commencing from 17 December 2005 and expired on 16 December 2020 under presentation no. 121838/2012 registered on 19 November 2012						
Chargee	: Not applicable						
Information on the building of the Klang Property							
Postal address	: Giant Shopping Complex / Hypermarket Klang, Persiaran Batu Nilam, Bandar Bukit Tinggi, 41200 Klang, Selangor						
Age of buildings	: Approximately 20 years from its original issuance date of the CFO dated 21 November 2002						
GFA / NLA	: Approximately 17,716 square metres (190,689 square feet)						
Occupancy rate	: Solely leased by the Lessee						
Annual gross rental income (current term)	: RM4,590,864.00						
Other information							
Net book value as at 31 December 2022 ⁽¹⁾	: RM54,874,235.24						
Market value ⁽²⁾	: RM74,000,000.00						
Salient terms of the lease agreement for the Klang Property							
Commencement date	: 17 December 2020						
Term and lease renewal	: Fixed term of 10 years with no renewal option						
Rental rate	: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: center;"><u>Years</u></th> <th style="text-align: center;"><u>Rental per annum</u> (RM)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1 – 5 (current term)</td> <td style="text-align: center;">4,590,864.00</td> </tr> <tr> <td style="text-align: center;">6 - 10</td> <td style="text-align: center;">5,049,950.40 ⁽³⁾</td> </tr> </tbody> </table>	<u>Years</u>	<u>Rental per annum</u> (RM)	1 – 5 (current term)	4,590,864.00	6 - 10	5,049,950.40 ⁽³⁾
<u>Years</u>	<u>Rental per annum</u> (RM)						
1 – 5 (current term)	4,590,864.00						
6 - 10	5,049,950.40 ⁽³⁾						
First right of refusal	: Nil						

APPENDIX II – FURTHER INFORMATION ON THE HYPERMARKETS / RETAIL COMPLEXES

Break option	: The Vendor grants the Lessee an option to terminate the lease at the expiry of five years calculated from the commencement date (“ Fifth Year ”) provided that the Lessee shall serve upon the Vendor a notice in writing setting out its intention to exercise the option at least 18 months before the expiry of the Fifth Year
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Notes:

- (1) Based on the audited financial statements of the Vendor for the FYE 31 December 2022.
- (2) As ascribed by the Valuer in its Valuation Certificate.
- (3) The rental under the current term represents RM2.01 psf per month or RM21.60 psm per month over the GFA of the Klang Property. Based on the Valuer’s assessment, the current rental is in line with the market rental rate of RM1.50 psf per month or RM16.15 psm per month (excluding the Klang Property Car Park Space). Please refer to the Valuation Certificate for further details on the rental analysis by the Valuer in arriving at the market rental rate.

APPENDIX II – FURTHER INFORMATION ON THE HYPERMARKETS / RETAIL COMPLEXES

(v) Ulu Kelang Property

A summary of the information on the land and building of the Ulu Kelang Property as at the Material Date of Valuation (unless otherwise stated) is set out below:

Information on Ulu Kelang Land 1	
Land area	: Approximately 4,491 square metres (48,341 square feet)
Tenure	: Freehold
Category of use	: Building
Express condition	: Commercial building
Restriction in interest	: Nil
Encumbrances	: Nil
Chargee	: Not applicable
Information on Ulu Kelang Land 2	
Land area	: Approximately 3,101 square metres (33,379 square feet)
Tenure	: Freehold
Category of use	: Building
Express condition	: Commercial building
Restriction in interest	: Nil
Encumbrances	: Nil
Chargee	: Not applicable
Information on the building of the Ulu Kelang Property	
Postal address	: Giant Superstore Ulu Kelang, Jalan Changkat Permata, Taman Permata, 53300 Kuala Lumpur
Age of buildings	: Approximately 36 years based on publicly available information
GFA / NLA	: Approximately 20,868 square metres (224,622 square feet)
Occupancy rate	: Solely leased by the Lessee
Annual gross rental income (current term)	: RM3,826,540.00
Other information	
Net book value as at 31 December 2022 ⁽¹⁾	: RM19,269,808.16
Market value ⁽²⁾	: RM53,000,000.00

Salient terms of the lease agreement for the Ulu Kelang Property

Commencement date	:	17 December 2020	
Term and lease renewal	:	Fixed term of 10 years with no renewal option	
Rental rate	:	<u>Years</u>	<u>Rental per annum</u> (RM)
		1 – 5 (current term)	3,826,540.00
		6 - 10	4,209,194.00 ⁽³⁾
First right of refusal	:	Nil	
Break option	:	The Vendor grants the Lessee an option to terminate the lease at the expiry of the Fifth Year provided that the Lessee shall serve upon the Vendor a notice in writing setting out its intention to exercise the option at least 18 months before the expiry of the Fifth Year	

Notes:

- (1) Based on the audited financial statements of the Vendor for the FYE 31 December 2022.
- (2) As ascribed by the Valuer in its Valuation Certificate.
- (3) The rental under the current term represents RM1.42 psf per month or RM15.28 psm per month over the GFA of the Ulu Kelang Property. Based on the Valuer's assessment, the current rental is below the market rental rate of RM1.50 psf per month or RM16.15 psm per month. Please refer to the Valuation Certificate for further details on the rental analysis by the Valuer in arriving at the market rental rate.

(vi) Plentong Property

A summary of the information on the land and building of the Plentong Property as at the Material Date of Valuation (unless otherwise stated) is set out below:

Information on Plentong Land 1	
Land area	: Approximately 52,490 square metres (564,998 square feet)
Tenure	: Freehold
Category of use	: Building
Express condition	: (i) This land shall be used for permanent business complex / hypermarket which is built according to the plans approved by the relevant local authority (ii) All dirt and pollution as a result of the said activities shall be channelled / disposed of to the locations that have been determined by the relevant authority (iii) All policies and conditions that have been set and enforced from time to time by the relevant authority shall be complied with
Restriction in interest	: The owner of the land is not allowed to sell the building units (parcels) that will be built on this land unless the construction of the building is in accordance with the plans approved by the relevant local authority
Encumbrances	: A lease granted in favour of the Lessee for a period of 30 years commencing from 17 December 2005 and expiring on 16 December 2035 under presentation no. 57770/2006 registered on 30 August 2006
Chargee	: Not applicable
Information on Plentong Land 2	
Land area	: Approximately 19,156 square metres (206,193 square feet)
Tenure	: Freehold
Category of use	: Industrial
Express condition	: (i) This land shall be used for factory for light industry and other relevant purposes, which is built according to the plans approved by the relevant local authority (ii) All dirt and pollution as a result of the said activities shall be channelled / disposed of to the locations that have been determined by the relevant authority (iii) All policies and conditions that have been set and enforced from time to time by the relevant authority shall be complied with

Restriction in interest	:	The land contained in this title shall not be transferred in any way whatsoever unless the construction of the factory building is in accordance with the plans approved by the relevant local authority ⁽¹⁾
Encumbrances	:	A lease granted in favour of the Lessee for a period of 30 years commencing from 17 December 2005 and expiring on 16 December 2035 under presentation no. 57770/2006 registered on 30 August 2006
Chargee	:	Not applicable
Information on Plentong Land 3		
Land area	:	Approximately 14,852 square metres (159,866 square feet)
Tenure	:	Freehold
Category of use	:	Building
Express condition	:	<ul style="list-style-type: none"> (i) This land shall be used for high-rise buildings for commercial purposes, which is built according to the plans approved by the relevant local authority (ii) All dirt and pollution as a result of the said activities shall be channelled / disposed of to the locations that have been determined by the relevant authority (iii) All policies and conditions that have been set and enforced from time to time by the relevant authority shall be complied with
Restriction in interest	:	The owner of the land is not allowed to sell the building units (parcels) that will be built on this land unless the construction of the building is in accordance with the plans approved by the relevant local authority. Once the ownership of the building plots erected on this land is transferred to a bumiputera / bumiputera company, the building plots cannot then be sold, leased or transferred in any way whatsoever to a non-bumiputera / non-bumiputera company without the consent of the state authority. Building plots erected on this land cannot be sold or transferred in any way to non-citizens / foreign companies without the consent of the state authority
Encumbrances	:	A lease granted in favour of the Lessee for a period of 30 years commencing from 17 December 2005 and expiring on 16 December 2035 under presentation no. 57770/2006 registered on 30 August 2006
Chargee	:	Not applicable
Information on the building of the Plentong Property		
Postal address	:	Giant Hypermarket Plentong, Jalan Masai Lama, Taman Perindustrian Plentong, 81750 Masai, Johor
Age of buildings	:	Approximately 24 years from the original issuance date of the CFO dated 22 June 1998

APPENDIX II – FURTHER INFORMATION ON THE HYPERMARKETS / RETAIL COMPLEXES

GFA / NLA	:	Approximately 67,459 square metres (726,120 square feet)						
Occupancy rate	:	Solely leased by the Lessee						
Annual gross rental income (current term)	:	RM10,279,123.00						
Other information								
Net book value as at 31 December 2022 ⁽²⁾	:	RM74,990,583.16						
Market value ⁽³⁾	:	RM159,000,000.00						
Salient terms of the lease agreement for the Plentong Property								
Commencement date	:	17 December 2020						
Term and lease renewal	:	Fixed term of 10 years with no renewal option						
Rental rate	:	<table border="1"> <thead> <tr> <th><u>Years</u></th> <th><u>Rental per annum</u> <u>(RM)</u></th> </tr> </thead> <tbody> <tr> <td>1 – 5 (current term)</td> <td>10,279,123.00</td> </tr> <tr> <td>6 - 10</td> <td>11,307,035.30⁽⁴⁾</td> </tr> </tbody> </table>	<u>Years</u>	<u>Rental per annum</u> <u>(RM)</u>	1 – 5 (current term)	10,279,123.00	6 - 10	11,307,035.30 ⁽⁴⁾
<u>Years</u>	<u>Rental per annum</u> <u>(RM)</u>							
1 – 5 (current term)	10,279,123.00							
6 - 10	11,307,035.30 ⁽⁴⁾							
First right of refusal	:	Nil						
Break option	:	The Vendor grants the Lessee an option to terminate the lease at the expiry of the Fifth Year provided that the Lessee shall serve upon the Vendor a notice in writing setting out its intention to exercise the option at least 18 months before the expiry of the Fifth Year						

Notes:

- (1) On 23 May 2023, the Vendor has obtained the approval from the state authority for the application for amendment of restriction in interest for the Plentong Land 2 to be as follows:

“This land cannot be sold or transferred in any way to non-citizens / foreign companies without the consent of the state authority.”
- (2) Based on the audited financial statements of the Vendor for the FYE 31 December 2022.
- (3) As ascribed by the Valuer in its Valuation Certificate.
- (4) The rental under the current term represents RM1.18 psf per month or RM12.70 psm per month over the GFA of the Plentong Property. Based on the Valuer’s assessment, the current rental is below the market rental rate of RM1.20 psf per month or RM12.92 psm per month. Please refer to the Valuation Certificate for further details on the rental analysis by the Valuer in arriving at the market rental rate.

APPENDIX III – SALIENT TERMS OF THE SPA

The defined terms as set out in the Definitions section and this Appendix III of this Circular shall be applicable throughout this Appendix.

The salient terms of the SPA are as follows:

(i) Agreement for Sale

- (a) The Vendor hereby sells, and the Trustee hereby purchases the Hypermarkets / Retail Complexes together with all fixtures and fittings fixed to or located or used in the Hypermarkets / Retail Complexes, and services infrastructure systems and facilities as stated in the SPA at the Purchase Consideration.
- (b) The sale and purchase of the Hypermarkets / Retail Complexes are inter-conditional with each other and unless otherwise agreed upon by the Vendor and the Trustee (individually referred to as “**Party**” and collectively as the “**Parties**”) in writing and unless otherwise provided in the SPA, the sale and purchase of the Hypermarkets / Retail Complexes shall be completed simultaneously.

(ii) Manner of payment of the Purchase Consideration

- (a) The Purchase Consideration shall be paid by the Trustee in the following manner:
 - (A) the Trustee had prior to the date of the SPA, paid to the Vendor the amount of RM10,400,000 as earnest deposit (“**Earnest Deposit**”);
 - (B) upon execution of the SPA, the Trustee shall pay to the Vendor the sum of RM41,600,000 (“**Balance Deposit**”) to be held and dealt with by the Vendor under the terms of the SPA; and

(The Earnest Deposit and the Balance Deposit are collectively referred to as the “**Deposit**”)

- (C) the Balance Purchase Consideration shall be paid by the Trustee to the Vendor’s solicitors as stakeholders to hold and deal with under the terms of the SPA, within a period of three months commencing from the Unconditional Date (“**Completion Period**”).
- (b) If the Trustee requires more time to pay the Balance Purchase Consideration or any part thereof, the Vendor shall automatically grant the Trustee an extension of one month from the expiry of the Completion Period or such further period mutually agreed between the Parties in writing (“**Extended Completion Period**”) to pay the Balance Purchase Consideration or any outstanding part thereof subject to the condition that the Trustee shall pay to the Vendor a late payment charge at the rate of 8% per annum on the Balance Purchase Consideration or the unpaid balance thereof calculated on a daily basis from the date immediately following the expiry of the Completion Period until the date of full payment of the Balance Purchase Consideration, such late payment charge to be paid simultaneously with the payment of the Balance Purchase Consideration.
- (c) The completion of the SPA shall take place on the Completion Date.

(iii) Conditions Precedent

- (a) The sale and purchase of the Hypermarkets / Retail Complexes is conditional upon the following Conditions Precedent having been fulfilled or obtained within the CP Period:
 - (A) the Trustee having obtained the written approval or a letter of no-objection from the Economic Planning Unit of the Prime Minister’s Office for the Proposed Acquisition;

APPENDIX III – SALIENT TERMS OF THE SPA

- (B) the Vendor having obtained the approval from the state authority for the application by the Vendor for amendment of restriction in interest for the Plentong Land 2;
 - (C) Sunway REIT having obtained the approval of the Unitholders at a Unitholders' meeting to be convened for the Proposed Acquisition;
 - (D) the Vendor having procured the Lessee to expressly waive all first rights of refusal to which the Lessee is entitled for the Kinrara Property, Putra Heights Property and the USJ Property under the relevant Lease Agreements;
 - (E) the Vendor having procured the written consent of the Lessee for the transfer of the Kinrara Property, Putra Heights Property and Plentong Property ("**Lessee's Consent**"), for purpose of presentation of the original issue documents of title which shall include any new issue document of title issued in respect of the Hypermarkets / Retail Complexes, the original copy of the Lessee's Consent, the certified true copies of the quit rent and assessment receipts of the Hypermarkets / Retail Complexes for the current year and all other documents which it is incumbent upon the Vendor to produce as documents necessary to enable registration (collectively, "**Title Documents**") at the relevant land registry for registration;
 - (F) the Parties and the Lessee having mutually agreed and executed the Novation Agreements and the executed copies of the Novation Agreements having been deposited with the Vendor's solicitors to be held and dealt with under the terms of the SPA; and
 - (G) the Trustee being satisfied with the documents in respect of the buildings or structures on one or more of the Hypermarkets / Retail Complexes as set out in the SPA and having issued its confirmation in writing to the Vendor that this Condition Precedent is either fulfilled or waived.
- (b) If any of the Conditions Precedent is not fulfilled within the CP Period, then either Party may by notice in writing to the other Party terminate the SPA whereupon the Deposit paid by the Trustee to the Vendor together with the profit accrued for the Balance Deposit which is to be placed by the Vendor in a profit bearing Shariah deposit account pursuant to the terms of the SPA ("**Accrued Profit**") thereon shall be refunded under the terms of the SPA subject to the Trustee returning all relevant documents including the valid and registrable memorandum of transfer for the Hypermarkets / Retail Complexes, duly executed by the Vendor in favour of the Trustee ("**Transfer**") with the Vendor's interest therein intact and removing all encumbrances including any caveats lodged over the Hypermarkets / Retail Complexes by the Trustee. Thereafter, neither Party shall have any further right, obligation and claims against the other under the SPA and the Vendor shall be at liberty to sell or deal with the Hypermarkets / Retail Complexes as they deem fit upon the termination of the SPA.
- (c) The SPA shall become unconditional on the Unconditional Date.

(iv) **Leases of the Hypermarkets / Retail Complexes**

- (a) The Hypermarkets / Retail Complexes are sold subject to the Lease Agreements existing and subsisting as at the Completion Date. The Trustee shall be deemed to accept and purchase with full knowledge and notice of the terms of the Lease Agreements.
- (b) Upon Completion, the Vendor shall cause the Vendor's solicitors to release to the Trustee's solicitors the Novation Agreements duly executed by the Parties and the Lessee. The Vendor's solicitors shall be authorised to complete and date the Novation Agreements for it to take effect from the Completion Date.

APPENDIX III – SALIENT TERMS OF THE SPA

- (c) All rent and other money due or payable by the Lessee under the Lease Agreements prior to the Completion Date shall belong to the Vendor. Subject to the terms of the SPA, all rent and other money due or payable by the Lessee under the Lease Agreements for the period on or after the Completion Date shall belong to the Trustee.
- (d) From the date of the SPA until the Completion Date, the Vendor and the Lessee shall not amend, vary or supplement any terms of the Lease Agreements without the prior approval of the Trustee.

(v) Lift Replacement Contract

- (a) If the lift replacement contract entered into between the Vendor and the contractor for the lift replacement at Ulu Kelang Property ("**Lift Replacement Contract**") cannot be completed on the Completion Date, the Vendor shall, with the consent of the lift contractor, novate or transfer to the Trustee the Lift Replacement Contract and the Trustee shall accept and assume all the rights and obligations of the Lift Replacement Contract with effect from the Completion Date.
- (b) The Vendor shall pay and be responsible for settling the entire contract sum payable to the lift contractor under the Lift Replacement Contract and reimburse the Trustee within 21 business days of demand by the Trustee for any amount remaining payable to the lift contractor under the Lift Replacement Contract which is paid by the Trustee after the Completion, provided that the Trustee shall indemnify the Vendor against any costs, proceedings, claims, damages, liabilities, demands and expenses incurred by the Vendor as a result of any failure by the Trustee in fulfilment of its obligations under the Lift Replacement Contract after the Completion Date.

(vi) Termination and Default

- (a) Default by the Trustee

If the Trustee defaults in the satisfaction of the Purchase Consideration or breaches any of the terms of SPA, the Vendor shall be entitled to terminate the SPA by serving a written notice of termination on the Trustee and forfeit the Deposit as agreed liquidated damages. Thereupon, within 21 business days of the receipt of the written notice of termination by the Trustee:

- (A) the Vendor shall refund to the Trustee the balance of all other monies paid by the Trustee under the SPA, if any; and
- (B) the Trustee shall re-deliver legal or vacant possession (as the case may be) of the Hypermarkets / Retail Complexes to the Vendor, remove the caveat and any other encumbrances attributable to the Trustee or the Trustee's financier, return to the Vendor the Transfer, the Title Documents and all other relevant documents free from all encumbrances with the Vendor's interest therein intact, refund and repay to the Vendor all the rent and all other monies paid under the Lease Agreements and received by the Trustee and if the Novation Agreements and/or Lift Replacement Contract have become effective, provide the valid and duly executed deeds of assignment to assign back to the Vendor all rights, title, interest and benefits in and under the Lease Agreements and/or Lift Replacement Contract in the form to be mutually agreed between the Parties with effect from the date of termination.

APPENDIX III – SALIENT TERMS OF THE SPA

Notwithstanding the assignment mentioned in Section vi(a)(B) above, the Trustee shall nevertheless thereafter use its best endeavours to as soon as practicable deliver to the Vendor the Novation Agreements duly signed by the Lessee and the Trustee novating and transferring to the Vendor all rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract with effect from the date of termination, in the form to be mutually agreed between the Parties and the Lessee. For the avoidance of doubt, the novation or transfer back of the Vendor's rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract is not subject to the 21 business days period mentioned above.

Thereafter, the SPA shall cease to have further effect and neither Party shall have any further claims or actions whatsoever against the other under the SPA. Upon the termination of the SPA, the Vendor shall be at liberty to dispose of and deal with the Hypermarkets / Retail Complexes in whatever manner as the Vendor thinks fit.

(b) Default by the Vendor

If the Vendor breaches any of the terms, conditions, undertakings or obligations under the SPA or fails to complete the sale of the Hypermarkets / Retail Complexes, the Trustee shall be entitled to:

- (A) compel the Vendor by way of specific performance to complete the sale of the Hypermarkets / Retail Complexes and claim for damages for the Vendor's breach of the SPA; or
- (B) terminate the SPA by serving a notice of termination on the Vendor, whereupon:
 - (1) the Vendor shall, within 21 business days from receipt of the notice of termination, refund to the Trustee all sums paid by the Trustee towards the Purchase Consideration and within 45 business days from receipt of the notice of termination, pay to the Trustee an additional amount equivalent to the Deposit as agreed liquidated damages; and
 - (2) the Trustee shall, within 21 business days from receipt of the notice of termination by the Vendor, re-deliver legal or vacant possession of the Hypermarkets / Retail Complexes to the Vendor, remove the caveat and any other encumbrances attributable to the Trustee or the Trustee's financier, return to the Vendor the Transfer, the Title Documents and all other relevant documents free from all encumbrances with the Vendor's interest therein intact, refund and repay to the Vendor all the rent and all other monies paid under the Lease Agreements and received by the Trustee and if the Novation Agreements and/or Lift Replacement Contract have become effective, provide to the Vendor valid and duly executed deeds of assignment to assign back to the Vendor all rights, title, interest and benefits in and under the Lease Agreements and/or Lift Replacement Contract in the form to be mutually agreed between the Parties with effect from the date of termination.

Notwithstanding the assignment mentioned in Section vi(b)(B)(2) above, the Trustee shall nevertheless thereafter use its best endeavours to as soon as practicable deliver to the Vendor the Novation Agreements duly signed by the Lessee and the Trustee novating and transferring to the Vendor all rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract with effect from the date of termination, in the form to be mutually agreed between the Parties and the Lessee. For the avoidance of doubt, the novation or transfer back of the Vendor's rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract is not subject to the 21 business days period mentioned above.

Thereafter, the SPA shall cease to have further effect and neither Party shall have any further claims or actions whatsoever against the other under the SPA. Upon the termination of the SPA, the Vendor shall be at liberty to dispose of and deal with the Hypermarkets / Retail Complexes in whatever manner as they see fit.

(c) Non-Registration of Transfer

If the Transfer is not or cannot be registered in the name of the Trustee due to no fault on the part of the Parties and which cannot be rectified by either Party, either Party shall be entitled by notice in writing to terminate the SPA, whereupon within 21 business days of the receipt of the notice of termination by the other Party –

- (A) the Vendor shall refund to the Trustee all monies paid by the Trustee towards the Purchase Consideration under the SPA;
- (B) the Trustee shall re-deliver legal or vacant possession of the Hypermarkets / Retail Complexes to the Vendor, remove the caveat and any other encumbrances attributable to the Trustee or the Trustee's financier, return to the Vendor the Transfer, the Title Documents and all other relevant documents free from all encumbrances with the Vendor's interest therein intact, refund and repay to the Vendor all the rent and all other monies paid under the Lease Agreements and received by the Trustee and if the Novation Agreements and/or Lift Replacement Contract have become effective, provide to the Vendor valid and duly executed deeds of assignment to assign back to the Vendor all rights, title, interest and benefits in and under the Lease Agreements and/or Lift Replacement Contract in the form to be mutually agreed between the Parties with effect from the date of termination.

Notwithstanding the assignment mentioned in Section vi(c)(B) above, the Trustee shall thereafter use its best endeavours to as soon as practicable deliver to the Vendor the Novation Agreements duly signed by the Lessee and Trustee novating and transferring to the Vendor all rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract with effect from the date of termination, in the form to be mutually agreed between the Parties and the Lessee. For the avoidance of doubt, the novation or transfer back of the Vendor's rights and obligations in and under the Lease Agreements and/or Lift Replacement Contract is not subject to the 21 business days period mentioned above.

Thereafter, the SPA shall cease to have further effect and neither Party shall have any further claims or actions whatsoever against the other (save and except for any antecedent breach of the SPA). Upon the termination of the SPA, the Vendor shall be at liberty to dispose of and deal with the Hypermarkets / Retail Complexes in whatever manner as they see fit.

(vii) Delivery of Possession

Upon Completion, the Trustee shall be deemed to have taken legal possession of the Hypermarkets / Retail Complexes together with all fixtures and fittings fixed to or located or used in the Hypermarkets / Retail Complexes, and services infrastructure systems and facilities as stated in the SPA, on an 'as is where is' basis subject to the Hypermarkets / Retail Complexes being free from all encumbrances and claims whatsoever but subject to the Lease Agreements which are subsisting as of the Completion Date.

(viii) Real Property Gains Tax

The Vendor is exempted from payment of the real property gains tax pursuant to the Real Property Gains Tax (Exemption) (No. 4) Order 2003 in which the Minister of Finance has exempted any person from payment of real property gains tax for chargeable gains accruing on the disposal of any chargeable assets to a real estate investment trust or a real property trust fund which is approved by the SC.



PRIVATE & CONFIDENTIAL

RHB Trustees Berhad
(as Trustee for Sunway Real Estate Investment Trust)
Level 11, Tower Three
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur

Date: 16 March 2023

Reference No.: V/COR/22/0133(A) - (E) & V/JP/22/096

Dear Sir / Madam,

VALUATION CERTIFICATE FOR FIVE (5) HYPERMARKETS / RETAIL COMPLEXES LOCATED WITHIN STATE OF SELANGOR DARUL EHSAN IDENTIFIED AS "GIANT HYPERMARKET BANDAR KINRARA", "GIANT HYPERMARKET USJ 1", "GIANT HYPERMARKET KLANG", "GIANT HYPERMARKET PUTRA HEIGHTS", "GIANT SUPERSTORE ULU KELANG" (COLLECTIVELY REFERRED TO AS "SELANGOR ASSETS") AND ONE (1) HYPERMARKET / RETAIL COMPLEX LOCATED WITHIN STATE OF JOHOR DARUL TAKZIM IDENTIFIED AS "GIANT HYPERMARKET PLENTONG" (REFERRED TO AS "JOHOR ASSET") (COLLECTIVELY HEREINAFTER REFERRED TO AS THE "SUBJECT PROPERTIES")

We were instructed by RHB Trustees Berhad [as trustee of Sunway Real Estate Investment Trust ("Sunway REIT")] (hereinafter referred to as the "Client") to ascertain the Market Value of the respective legal interests in the Subject Properties listed herein.

This valuation certificate is prepared for inclusion in the circular to unitholders of Sunway REIT in relation to the proposed acquisition of Selangor Assets and Johor Asset by RHB Trustee Berhad on behalf of Sunway REIT.

This valuation certificate is prepared in conformity with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

This valuation certificate is prepared in accordance with the general principles adopted and limiting conditions as enclosed at the end of our formal valuation reports. For all intents and purposes, this valuation certificate should be read in conjunction with our formal valuation reports.

We have conducted the site inspection on various occasions; being the latest on **27 February 2023 ("Selangor Assets")** and **24 February 2023 ("Johor Asset")**. We have been specifically instructed by the Client to assess the Market Value(s) of the Subject Properties at the material date of valuation as of **15 February 2023**.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In arriving at our opinion of the Market Value(s) of the Subject Properties, we have adopted the **Income Approach by Investment Method** as the primary approach supported by the **Comparison Approach**.

Brief details of the methodology adopted are defined overleaf.

Knight Frank Malaysia Sdn Bhd Co. Reg. No. 200201017816 (585479-A) (VE (1) 0141)

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a) **Income Approach by Investment Method**

This approach 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.

In undertaking our assessment of value by the Income Approach, we have generally adopted the concluded rentals in the existing lease agreement(s) as a means of deriving the income and value under the current term. Our assessment of the market rent of the property is based on the market rental payable (with master lease arrangement) of other selected hypermarket / retail mall assets located within Klang Valley of other selected hypermarket / retail mall assets located within Klang Valley (gross rentals ranging from RM1.79 per square foot to RM2.82 per square foot over the respective floor area). Our investigation revealed that the above rentals payable are based on single / double net basis whereby the lessor is responsible for most (if not all) property related expenses including levies and taxes, thus in arriving at the estimated net rental, we have allowed for and deducted the estimated property outgoings based on the respective assets' historical performance.

Rental Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Rental Comparable 1	Rental Comparable 2	Rental Comparable 3
Property / Location	Undisclosed hypermarket located within Seri Kembangan, Selangor	Undisclosed hypermarket located within Setapak, Kuala Lumpur	Undisclosed retail mall within Rawang, Selangor
Tenure	Leasehold interest	Leasehold interest	Interest in perpetuity
Approximate GFA	172,176 sf	136,599 sf	517,991 sf
Age of Building	Approximately 12 years	Approximately 6 years	Approximately 11 years
Current Passing Gross Rental (RM psf / month over GFA)	RM2.65 psf	RM2.82 psf	RM1.79 psf
Rental Period	For the period from 1 March 2020 to 28 February 2025 (Year 6 to Year 10)	For the period from 22 April 2021 to 21 April 2026 (Year 6 to Year 10)	For the period from 19 September 2022 to 18 September 2027 (Year 11 to Year 15)
Source	Knight Frank Research		
Estimated Outgoings ⁽¹⁾	30% of Gross Rental	30% of Gross Rental	15% of Gross Rental
Estimated Current Net Rental (RM psf / month over GFA)	RM1.86 psf	RM1.97 psf	RM1.52 psf

Note:

(1) In arriving at the estimated current outgoings, we have considered the ratio of the Rental Comparables' outgoings incurred over their gross rental income received which stands at 11%, 22% and 26%. Accordingly, we have estimated current outgoings at 15% and 30% of the Rental Comparables' gross rental income as fair and adequate.

Under the reversionary term, a 10.00% void allowance is adopted to reflect rental for voids, vacancy periods between rent reviews, which include the rent free, fitting out periods and possibility of bad debts. Typically for multiple tenancies, a void allowance of 3.00% - 5.00% (depending on the occupancy rate achieved along with its tenant profile) are adopted to reflect unforeseen vacancies, possible rent-free periods, fitting out periods and possibility of bad debts. However, for properties which are committed and secure with a single operator, a higher provision for void allowance will be allowed for risk of unforeseen vacancy etc.

For outgoings, under term valuation, we have adopted 2.00% of gross rental as provisional cost to cater for any reinstatement works on the hypermarket / retail complex that may be undertaken by the lessor under a force majeure event pursuant to the “Reinstatement and Abatement of Rent Following Damage or Destruction” clause stipulated in the various lease agreements. For reversionary period, we have adopted a 3.00% of gross income as the projected allocation for miscellaneous expenses (which include provision for structural works (limited to Reinforced Concrete (RC) Works only); excluding all quit rent, assessment, fire insurance charges and other rates imposed as fair representation. We have benchmarked such expenses against any typical replacement / reserve fund allocation (approx. 2.0% - 3.0% of annual income) that will be set aside for similar and / or comparable asset class.

The yields of hypermarkets / retail malls are dependent on many factors including prevailing market condition, catchment population, maturity of the mall and tenure. From our findings, we have noted that the estimated historical transacted net yields of selected hypermarkets and retail malls within Klang Valley are in the region of about 7.18% to 8.95%.

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Location	Batu 9 Cheras, Selangor	Jalan Kebun, Klang, Selangor	Bandar Baru Bangi, Selangor
Tenure	Interest in perpetuity	Interest in perpetuity	Leasehold interest
Approximate GFA	296,799 sf	114,190 sf	681,570 sf
Consideration	RM72,100,000	RM30,500,000	RM130,000,000
Estimated Annual Net Income	RM5,174,000 ⁽¹⁾	RM2,310,000 ⁽¹⁾	RM11,631,000 ⁽²⁾
Year of Transaction	2021	2020	2016
Analysed Yield	7.18%	7.57%	8.95%
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH) / Knight Frank Research	Jabatan Penilaian dan Perkhidmatan Harta (JPPH) / Knight Frank Research	Bursa Malaysia Securities Berhad / Prospectus dated 30 December 2016 / Knight Frank Research

Notes:

- (1) Based on the committed gross rental in accordance with the respective committed lease agreement, and after deducting the estimated property outgoings amounting to 30% of gross rental (computed based on the property's historical performance).
- (2) Net Property Income for Financial Year of 2016.

In view of limited recorded yield transactions of hypermarkets or retail malls in the current market condition and it is not possible to identify exactly similar properties to benchmark and / or reference to, we have thus adopted an adjusted net yield of 6.75% (Giant Hypermarket Bandar Kinrara) and 7.00% (Giant Hypermarket USJ 1, Giant Hypermarket Klang, Giant Hypermarket Putra Heights, Giant Superstore Ulu Kelang and Giant Hypermarket Plentong) as the most probable expected rate of return and fair representation after having considered factors, amongst others, relating to the maturity of the mall, catchment area, tenure and prevailing market condition.

b) **Comparison Approach**

This approach considers the sale of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued is compared with sale of similar properties that have been transacted in the open market. Listings and offerings may also be considered for this approach.

Sales Comparison and Analysis of Hypermarket Transactions			
	Comparable 1	Comparable 2	Comparable 3
Name and Address	Lotus's Kajang, Persiaran Saujana Impian, Taman Saujana Impian, 43000 Kajang, Selangor Darul Ehsan	Giant Hypermarket Cheras, Lebuhraya Cheras - Kajang, 43200 Cheras, Selangor Darul Ehsan	Giant Hypermarket Jalan Kebun, Jalan Kebun / KS 7, Taman Maznah, 41000 Klang, Selangor Darul Ehsan
Legal Description	Lot PT 72421 held under Title No. HSD 142607, Bandar Kajang, District of Hulu Langat, Selangor Darul Ehsan	Lot 33924 held under Title No. GM 7004, Locality of Batu 9 ¼, Jalan Cheras - Kuala Lumpur (Lama), Pekan Cheras, District of Hulu Langat, Selangor Darul Ehsan	Lot PT 128699 held under HSM 47252, Locality of 3 ½ Mile Jalan Kebun, Mukim and District of Klang, Selangor Darul Ehsan
Type of Property	A purpose-built double-storey hypermarket	A purpose-built double-storey hypermarket with 400 car parking bays together with a mezzanine floor and roof level	A purpose-built one-and-a-half (1½)-storey hypermarket with 326 car parking bays
Gross Floor Area	⁽¹⁾ 313,944 square feet	296,799 square feet	114,190 square feet
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM79,900,000	RM72,100,000	RM30,500,000
Date of Transaction	24 September 2021	8 March 2021	10 November 2020
Analysis (Over GFA)	RM254.50 per square foot	RM242.93 per square foot	RM267.10 per square foot
Vendor	PNBC Permodalan Harta Sdn Bhd	Guardian Health and Beauty Sdn Bhd	Guardian Health and Beauty Sdn Bhd
Purchaser	Amanahraya Trustees Berhad	NSK Property Sdn Bhd	Ruby Glaze Sdn Bhd
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta (JPPH) / Knight Frank Research	Jabatan Penilaian dan Perkhidmatan Harta (JPPH) / Knight Frank Research

Note: (1) Knight Frank Research

c) Reconciliation of Values

Taking into consideration that the Subject Properties are commercial and income generating, we have adopted the Market Value(s) as derived from the Income Approach by Investment Method as a fair representation for the Subject Properties supported by the Market Value(s) derived from the Comparison Approach.

In a valuation of a homogeneous real estate such as vacant lands and residential homes, the Comparison Approach is the most appropriate method of valuation as there are less adjustments and analysis on comparable(s). However, in the case of more complex real estate such as shopping complexes / hypermarkets, hotels, office buildings and other income generating or investment properties, qualitative and quantitative adjustments are more difficult to be computed or gauged to reflect the differences of the comparable(s) and the property being valued. Therefore, we have considered the Income Approach by Investment Method as the preferred method of valuation in our final opinion of Market Value(s) for the Subject Properties

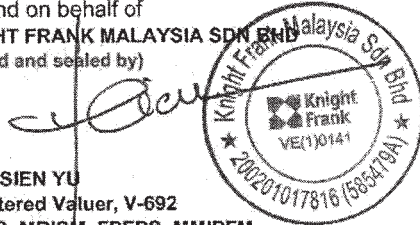
APPENDIX IV – VALUATION CERTIFICATE



Summary of the Subject Properties are as attached below.

No.	Reference No.	Identification of Property	Market Value
1.	V/COR/22/0133(A)	Giant Hypermarket Bandar Kinrara, Selangor	RM138,000,000
2.	V/COR/22/0133(B)	Giant Hypermarket USJ 1, Selangor	RM103,000,000
3.	V/COR/22/0133(C)	Giant Hypermarket Klang, Selangor	RM74,000,000
4.	V/COR/22/0133(D)	Giant Hypermarket Putra Heights, Selangor	RM66,000,000
5.	V/COR/22/0133(E)	Giant Superstore Ulu Kelang, Selangor	RM53,000,000
6.	V/JB/22/096	Giant Hypermarket Plentong, Johor	RM159,000,000
Total Market Value			RM593,000,000

For and on behalf of
KNIGHT FRANK MALAYSIA SDN BHD
 (signed and sealed by)



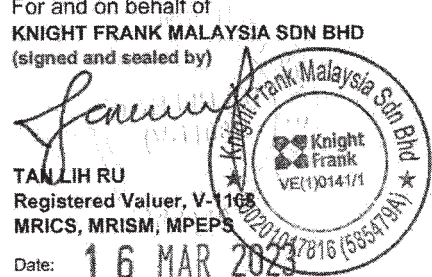
O OI HSIEN YU
 Registered Valuer, V-692
 MRICS, MRISM, FPEPS, MMIPFM

Date: **16 MAR 2023**

Notes: -

- i) Please note that this certificate shall only be valid provided always that a signature of our authorised signatory and an official seal have been affixed hereto.
- ii) The above valuation is peer reviewed by Knight Frank Malaysia Sdn Bhd (Head Office), Mr. Justin Chee Ting Hwang (Registered Valuer, V-774).

For and on behalf of
KNIGHT FRANK MALAYSIA SDN BHD
 (signed and sealed by)



TAN LIH RU
 Registered Valuer, V-1168
 MRICS, MRISM, MPEPS

Date: **16 MAR 2023**

Notes: -

- i) Please note that this certificate shall only be valid provided always that a signature of our authorised signatory and an official seal have been affixed hereto.
- ii) The above valuation is peer reviewed by Knight Frank Malaysia Sdn Bhd (Head Office), Mr. Justin Chee Ting Hwang (Registered Valuer, V-774).

1.0 V/COR/22/0133(A) – GIANT HYPERMARKET BANDAR KINRARA

1.1 IDENTIFICATION OF PROPERTY

Interest Valued / Type of Property	Legal interest in a two-and-a-half (2½)-storey hypermarket / retail complex with car parking facilities along with fixtures, fittings, equipment, and systems affixed and installed therein and other supporting facilities and amenities attached thereto; erected upon Lot PT 37328 held under Title No. HSD 105861, Mukim and District of Petaling, Selangor Darul Ehsan.
Name and Address	Giant Hypermarket Bandar Kinrara, Jalan BK 5A/1, Bandar Kinrara, 47180 Puchong, Selangor Darul Ehsan.
Locality	Strategically located within Bandar Kinrara, Puchong, which is sited off the southern (left) side of the Bukit Jalil Highway, travelling from Bukit Jalil towards Puchong. Geographically the Kuala Lumpur City Centre is situated approximately 14 kilometres due north-east of Giant Hypermarket Bandar Kinrara.
Title Particulars	The following table outlines the title particulars of Giant Hypermarket Bandar Kinrara:

Summary of Title Particulars

Lot No. / Mukim / District / State	: PT 37328, Mukim and District of Petaling, Selangor Darul Ehsan.
Title No.	: HSD 105861.
Tenure	: Interest in perpetuity.
Land Area ^(Note)	: 25,934.0248 square metres (317,912 square feet).
Quit Rent (Land Tax)	: RM97,670.00 per annum.
Registered Proprietor	: Kwasa Properties Sdn Bhd.
Category of Land Use	: "Bangunan".
Express Condition	: "Bangunan Perniagaan".
Restriction-In-Interest	: "Tiada".
Encumbrance	: Nil.
Endorsement	: "Pajakan Seluruh Tanah" to GCH Retail (Malaysia) Sdn Bhd for a term of fifteen (15) years commencing on 1 December 2009 and expiring on 30 November 2024 vide Presentation No. 122033/2010, registered on 18 November 2010.

Note: Based on the Certified Plan No. PA 74127, we note that Lot PT 37328 will be re-designated as Lot 449; with surveyed land area of 2.954 hectares. For the purpose of this Valuation, we have adopted the surveyed land area of 2.954 hectares in our Valuation.

1.2 PROPERTY DESCRIPTION

Building Description

General Building Description

Structures	:	Reinforced concrete frame with brick infills rendered externally and plastered internally supporting steel portals.
Roofs	:	Metal deck roofing sheets.
Façade	:	Cement plaster finished with weather-resistant emulsion paint and aluminium framed glass curtain walling.
Ceilings	:	Plaster ceiling incorporating downlights, cement plaster and ceiling boards incorporating recessed lightings.
Wall Finishes	:	Plastered brickwalls, gypsum boards and ceramic tiles.
Floor Finishes	:	Porcelain tiles, homogenous tiles, ceramic tiles and cement screed.
Doors	:	Sliding aluminium framed glass doors, fire-rated timber doors, flushed timber incorporating glass panels, flushed timber doors and metal roller shutters.

Gross Floor Area (GFA)

Description	GFA	
	Square Metres	Square Feet
Ground Floor	19,723.69	212,304
First Floor	18,783.09	202,180
Second Floor *	8,778.07	94,486
Total	47,284.85	508,970

Notes:

- (1) Inclusive of covered car parking area measuring approximately 13,934.70 square metres (149,992 square feet).
- (2) Inclusive of roof area and mechanical and electrical space measuring approximately 1,101.60 square metres (11,858 square feet)

Car Parking Bays

774 car parking bays (inclusive of covered and surface car parking bays). Designated motorcycle parking lots are also provided within the building.

Age of Building

Approximately fifteen (15) years old from the issuance date of the Certificate of Fitness for Occupation (CFO) dated 17 August 2007.

State of Repair

Appears to be in good condition that commensurate with its age and use.

Occupancy Status

Solely leased to GCH Retail (Malaysia) Sdn Bhd ("Lessee") for three (3) terms of five (5) years each commencing on 1 December 2009 with committed rental tabulated overleaf (on a triple net basis); with option(s) to renew for further three (3) terms of five (5) years each, subject to the terms and conditions stipulated in the Lease Agreement made between Kwasa Properties Sdn Bhd ("Lessor") and the Lessee dated 1 December 2009.

Term	Lease Period	Committed Rental Per Annum
Year 1 – Year 5	1 December 2009 – 30 November 2014	RM8,292,504.00
Year 6 – Year 10	1 December 2014 – 30 November 2019	RM9,038,832.00
Year 11 – Year 15 (Current Term)	1 December 2019 – 30 November 2024	RM9,852,336.00

1.2 PROPERTY DESCRIPTION (CONT'D)

Planning Designated for commercial use; and was issued with a CFO by Majlis Perbandaran Subang Jaya (now known as Majlis Bandaraya Subang Jaya) bearing Certificate No. MPSJ.S.BGN-01-B 24272 dated 17 August 2007.

1.3 MARKET VALUE

Date of Valuation 15 February 2023.

Valuation Methodology In arriving at our opinion of the Market Value of the Subject Property, we have adopted the **Income Approach by Investment Method** as the primary approach and supported by the **Comparison Approach**.

Reconciliation of Values	Method of Valuation	Derivation of Values
	Income Approach by Investment Method	RM138,000,000
	Comparison Approach	RM136,000,000

Market Value RM138,000,000.

Income Approach by Investment Method A summary of parameters adopted in undertaking our assessment is scheduled below.

Summary of Parameters	
Gross Rental Income	Term: RM1.61 psf / month over total GFA. This is based on the committed rental (on triple net basis) of the unexpired term in accordance to the Lease Agreement.
	Reversionary: RM1.75 psf / month over total GFA. We have adopted an adjusted rental of RM1.75 per square foot after having considered and made diligent adjustment for differences including but not limited to the location / accessibility, market catchment, building condition / age, building design / specification and size.
Void Allowance (Reversionary)	10.00%.
Allowance of Outgoings	Term: 2.00% of Gross Rental Income.
	Reversionary: 3.00% of Gross Rental Income.
Capitalisation Rate	Term: 6.50% . The yield adopted under Term are benchmarked against prevailing market rate and adjusted +/- 25 basis point for every RM0.09 psf differences from market rent (analysed to be about 5% variance from Market Rent of RM1.75 psf) to reflect whether committed rental rates are under, over or at market rent.
	Reversionary 6.75% . We have adopted an adjusted net yield of 6.75% as the most probable expected rate of return as fair after having considered factors, amongst others, relating to the catchment area, maturity of the mall, tenure and prevailing market condition.

1.3 MARKET VALUE (CONT'D)

Rental and Yield Analysis The rental and yield analysis adjustment(s) as shown below and overleaf.

Rental Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Rental Comparable 1	Rental Comparable 2	Rental Comparable 3
Property / Location	Undisclosed hypermarket located within Seri Kembangan, Selangor	Undisclosed hypermarket located within Setapak, Kuala Lumpur	Undisclosed retail mall within Rawang, Selangor
Current Passing Gross Rental (RM psf / month over GFA)	RM2.65 psf	RM2.82 psf	RM1.79 psf
Estimated Outgoings	30% of Gross Rental	30% of Gross Rental	15% of Gross Rental
Estimated Current Net Rental (RM psf / month over GFA)	RM1.86 psf	RM1.97 psf	RM1.52 psf
Adjustments	General adjustments are made for location / accessibility, building design / specification and size	General adjustments are made for location / accessibility, building condition / age, building design / specification and size	General adjustments are made for location / accessibility and building design / specification
Adjusted Analysis	RM1.76 psf	RM1.78 psf	RM1.75 psf
Adopted Fair Rental	RM1.75 psf		

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Year of Transaction	2021	2020	2016
Analysed Yield	7.18%	7.57%	8.95%
Commentary	<p>We have considered Giant Hypermarket Cheras as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is located within walking distance to an LRT station coupled with the fact that there is no direct competitor within its surrounding vicinity, hence it is able to capitalise on a larger catchment area as compared to Giant Hypermarket Cheras.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Cheras.</p>	<p>We have considered Giant Hypermarket Jalan Kebun as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is located within walking distance to an LRT station coupled with the fact that there is no direct competitor within its surrounding vicinity, hence it is able to capitalise on a larger catchment area as compared to Giant Hypermarket Jalan Kebun.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Jalan Kebun.</p>	<p>We have considered KIPMall Bangi as a dated sale and the transacted yield should have been compressed for improved market condition since year 2016, as such a downward adjustment of 50 basis point is made for prevailing market condition.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is located within walking distance to an LRT station coupled with the fact that there is no direct competitor within its surrounding vicinity, hence it is able to capitalise on a larger catchment area as compared to KIPMall Bangi.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to KIPMall Bangi.</p>

1.3 MARKET VALUE (CONT'D)

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley (Cont'd)			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Commentary (Cont'd)	No adjustment was made for tenure as Giant Hypermarket Cheras similarly conveys interest in perpetuity.	No adjustment was made for tenure as Giant Hypermarket Jalan Kebun similarly conveys interest in perpetuity.	A downward adjustment of 50 basis point was considered as the Subject Property conveys an interest in perpetuity.
Adjusted Yield	6.68%	6.82%	7.20%
Adopted Yield	6.75%		

Comparison Approach The adjustments made for the selected sales evidences of hypermarket and summarised the details in the table below.

Sales Comparison and Analysis of Hypermarket Transactions			
	Comparable 1	Comparable 2	Comparable 3
Name	Lotus's Kajang	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun
Consideration	RM79,900,000	RM72,100,000	RM30,500,000
Date of Transaction	24 September 2021	8 March 2021	10 November 2020
Analysis (Over GFA)	RM254.50 per square foot	RM242.93 per square foot	RM267.10 per square foot
Adjustments	General adjustment is made for location, gross floor area and building specifications / quality / design / layout	General adjustment is made for location, accessibility, gross floor area and building specifications / quality / design / layout	General adjustment is made for location, accessibility, gross floor area and building specifications / quality / design / layout
Adjusted Value	RM267.23 per square foot	RM267.22 per square foot	RM280.45 per square foot

Valuation Rationale From the above adjusted values, we note that the derived values ranged between RM267.22 per square foot and RM280.45 per square foot. In view of limited recorded transactions of identical hypermarkets in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

Although total adjustments (in excess of 45%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as most of the selected comparable(s) are considered to have relatively similar attributes as compared to the Subject Property. With total effective adjustments made for all Comparable(s); we have placed greater reliance on Comparable 2 after having considered it to be with the least dissimilarities (excluding Comparable 1). We did not adopt Comparable 1 albeit being the latest sale transaction because the sale transaction has not been fully concluded as at the date of valuation. Based on the foregoing, we have thus adopted a round-up value of RM136,000,000 (analysed to be RM267.21 per square foot over GFA) in our valuation as fair representation by using Comparison Approach.

2.0 V/COR/22/0133(B) – GIANT HYPERMARKET USJ 1

2.1 IDENTIFICATION OF PROPERTY

Interest Valued / Type of Property	Legal interest in a three-and-a-half (3½)-storey hypermarket / retail complex with car parking facilities along with fixtures, fittings, equipment, and systems affixed and installed therein and other supporting facilities and amenities attached thereto; erected upon Lot PT 15216 held under Title No. HSM 11317, Locality of Pekan Subang Jaya, Mukim Damansara, District of Petaling, Selangor Darul Ehsan.
Name and Address	Giant Hypermarket USJ 1, Persiaran Subang Permai, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan.
Locality	Strategically located within USJ 1, Subang Jaya, which is sited off the southern (left) side of the KESAS Highway, travelling from Puchong towards Shah Alam. Geographically, the Kuala Lumpur City Centre is situated approximately 17 kilometres due north-east of Giant Hypermarket USJ 1.
Title Particulars	The following table outlines the title particulars of Giant Hypermarket USJ 1:

Summary of Title Particulars

Lot No. / Mukim / District / State	:	PT 15216, Locality of Pekan Subang Jaya, Mukim Damansara, District of Petaling, Selangor Darul Ehsan.
Title No.	:	HSM 11317.
Tenure	:	Interest in perpetuity.
Land Area ^(Note)	:	22,530 square metres.
Quit Rent (Land Tax)	:	RM23,770.00 per annum.
Registered Proprietor	:	Hartanah Progresif Sdn Bhd.
Category of Land Use	:	"Bangunan".
Express Condition	:	Supermarket.
Restriction-In-Interest	:	"Tiada".
Encumbrance	:	Nil.
Endorsement	:	Nil.

Note: Based on the Certified Plan No. PA 247424, we note that Lot PT 15216 will be re-designated as Lot 92199; with surveyed land area of 2.257 hectares. For the purpose of this Valuation, we have adopted the surveyed land area of 2.257 hectares in our Valuation.

2.2 PROPERTY DESCRIPTION

Building Description

General Building Description	
Structures	: Reinforced concrete frame with brick infills rendered externally and plastered internally supporting steel portals.
Roofs	: Metal deck roofing sheets.
Façade	: Cement plaster finished with weather-resistant emulsion paint and aluminium framed glass curtain walling.
Ceilings	: Plaster ceiling incorporating downlights, cement plaster and ceiling boards incorporating recessed lightings.
Wall Finishes	: Plastered brickwalls, gypsum boards and ceramic tiles.
Floor Finishes	: Porcelain tiles, homogenous tiles, ceramic tiles and cement screed.
Doors	: Sliding aluminium framed glass doors, fire-rated timber doors, flushed timber incorporating glass panels, flushed timber doors and metal roller shutters.

Gross Floor Area (GFA)

Description	GFA	
	Square Metres	Square Feet
Ground Floor	15,113.46 ⁽¹⁾	162,680
First Floor	11,472.68 ⁽²⁾	123,491
Second Floor	13,259.11	142,720
Mezzanine Floor	1,309.63	14,097
Ancillary Buildings	57.63	620
Total	41,212.51	443,608

Notes:

- (1) Inclusive of covered car parking area measuring approximately 7,082.99 square metres (76,240 square feet).
- (2) Inclusive of covered car parking area measuring approximately 9,775.44 square metres (105,222 square feet).

Car Parking Bays

792 car parking bays (inclusive of covered and surface car parking bays). Designated motorcycle parking lots are also provided within the building.

Age of Building

Approximately ten (10) years from the first issuance date of Certificate of Completion and Compliance (CCC) dated 10 January 2013

State of Repair

Appears to be in good condition that commensurate with its age and use.

Occupancy Status

As of the date of inspection, we note that majority of the premise has been vacated and currently unoccupied, save and except for a retail space (measuring about 26,996 square feet | 6.09% of Gross Floor Area) occupied and operated by Decathlon, which is a sub-tenant of the Lessee.

Planning

Designated for commercial use; and was issued with CCCs by Lembaga Arkitek Malaysia bearing Certificate No. LAM/ S/No. 9362 dated 10 January 2013 and Certificate No. LAM/S/No. 18735 dated 26 June 2018 respectively.



2.2 PROPERTY DESCRIPTION (CONT'D)

Occupancy Status Solely leased to the Lessee for a total fixed term of fifteen (15) years and an option to renew the lease for further term of fifteen (15) years comprising three (3) terms of five (5) years each at a monthly rent mutually agreed and of an increase of an amount of 10% above the rental rate of the last preceding term, subject to the terms and conditions stipulated in the Lease Agreement and Supplemental Lease Agreement made between the Lessor and the Lessee dated 22 August 2011 and 29 October 2013 respectively.

Term	Lease Period	Committed Rental Per Annum
Year 1 – Year 3	22 August 2013 – 21 August 2016	RM8,488,272.00
Year 4 – Year 5	22 August 2016 – 21 August 2018	RM8,828,995.00
Year 6 – Year 8	22 August 2018 – 21 August 2021	RM9,337,099.00
Year 9 – Year 10 (Current Term)	22 August 2021 – 21 August 2023	RM8,187,889.00
Year 11 – Year 15	22 August 2023 – 21 August 2028	RM9,006,678.00

Based on a letter of intent for termination dated 15 August 2022 made available to us, we note that the Lessee will cease their business operation on 31 December 2022 and to deliver vacant possession on or before 31 March 2023.

2.3 MARKET VALUE

Date of Valuation 15 February 2023.

Valuation Methodology In arriving at our opinion of the Market Value of the Subject Property, we have adopted the **Income Approach by Investment Method** as the primary approach and supported by the **Comparison Approach**.

Reconciliation of Values	Method of Valuation	Derivation of Values
	Income Approach by Investment Method	RM103,000,000
	Comparison Approach	RM102,000,000

Market Value RM103,000,000.



2.3 MARKET VALUE (CONT'D)

Income Approach by Investment Method

A summary of parameters adopted in undertaking our assessment is scheduled below.

Summary of Parameters	
Gross Rental Income	<p>Term: RM1.54 psf / month over total GFA.(Current Term)</p> <p>RM1.69 psf / month over total GFA.(Future Term)</p> <p>This is based on the committed rental (on triple net basis) of the unexpired term in accordance to the Lease Agreement.</p>
	<p>Reversionary: RM1.50 psf / month over total GFA.</p> <p>We have adopted an adjusted rental of RM1.50 per square foot after having considered and made diligent adjustment for differences including but not limited to the location / accessibility, market catchment, building condition / age, building design / specification and size.</p>
Void Allowance (Reversionary)	10.00%.
Allowance of Outgoings	Term: 2.00% of Gross Rental Income.
	Reversionary: 3.00% of Gross Rental Income.
Capitalisation Rate	<p>Term: 10.50% - 11.00%.</p> <p>Typically, the yield adopted under Term is benchmarked against prevailing market rate and adjusted +/- 25 basis point for every RM0.08 psf differences from market rent (analysed to be about 5% variance from Market Rent of RM1.50 psf) to reflect whether committed rental rates are under, over or at market rent. Taking into consideration the current status of the Subject Property, we have further allowed additional 350 basis point to account for the additional risk for uncertainty, possibility of early termination (with existing intent for termination), time cost for replacement of new lessee and potential contribution from landlord for fit-out and capital expenditure to the new lessee.</p>
	<p>Reversionary 7.00%.</p> <p>We have adopted an adjusted net yield of 7.00% as the most probable expected rate of return as fair after having considered factors, amongst others, relating to the maturity of the mall, tenure and prevailing market condition.</p>

Rental and Yield Analysis

The rental and yield analysis adjustment(s) as shown overleaf.



2.3 MARKET VALUE (CONT'D)

Rental Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Rental Comparable 1	Rental Comparable 2	Rental Comparable 3
Property / Location	Undisclosed hypermarket located within Seri Kembangan, Selangor	Undisclosed hypermarket located within Setapak, Kuala Lumpur	Undisclosed retail mall within Rawang, Selangor
Current Passing Gross Rental (RM psf / month over GFA)	RM2.65 psf	RM2.82 psf	RM1.79 psf
Estimated Outgoings	30% of Gross Rental	30% of Gross Rental	15% of Gross Rental
Estimated Current Net Rental (RM psf / month over GFA)	RM1.86 psf	RM1.97 psf	RM1.52 psf
Adjustments	General adjustments are made for location / accessibility, catchment area and size	General adjustments are made for location / accessibility, catchment area, building condition / age and size	General adjustments are made for location / accessibility, catchment area, building design / specification
Adjusted Analysis	RM1.48 psf	RM1.48 psf	RM1.52 psf
Adopted Fair Rental	RM1.50 psf		

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Year of Transaction	2021	2020	2016
Analysed Yield	7.18%	7.57%	8.95%
Commentary	<p>We have considered Giant Hypermarket Cheras as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is located within close proximity to LRT and BRT station.</p> <p>An upward adjustment of 25 basis point was made as the Subject Property is located within close proximity with 3 direct competitors.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Cheras.</p>	<p>We have considered Giant Hypermarket Jalan Kebun as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is located within close proximity to LRT and BRT station.</p> <p>An upward adjustment of 25 basis point was made as the Subject Property is located within close proximity with 3 direct competitors.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Jalan Kebun.</p>	<p>We have considered KIPMall Bangi as a dated sale and the transacted yield should have been compressed for improved market condition since year 2016, as such a downward adjustment of 50 basis point is made for prevailing market condition.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is located within close proximity to LRT and BRT station.</p> <p>An upward adjustment of 25 basis point was made as the Subject Property is located within close proximity with 3 direct competitors.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to KIPMall Bangi.</p>

2.3 MARKET VALUE (CONT'D)

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley (Cont'd)			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Commentary (Cont'd)	No adjustment was made for tenure as Giant Hypermarket Cheras similarly conveys interest in perpetuity.	No adjustment was made for tenure as Giant Hypermarket Jalan Kebun similarly conveys interest in perpetuity	A downward adjustment of 50 basis point was considered as the Subject Property conveys an interest in perpetuity.
Adjusted Yield	6.93%	7.07%	7.45%
Adopted Yield	7.00%		

Comparison Approach The adjustments made for the selected sales evidences of hypermarket and summarised details are shown in the table below.

Sales Comparison and Analysis of Hypermarket Transactions			
	Comparable 1	Comparable 2	Comparable 3
Name	Lotus's Kajang	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun
Consideration	RM79,900,000	RM72,100,000	RM30,500,000
Date of Transaction	24 September 2021	8 March 2021	10 November 2020
Analysis (Over GFA)	RM254.50 per square foot	RM242.93 per square foot	RM267.10 per square foot
Adjustments	General adjustments are made for catchment area, gross floor area and building specification / quality / design	General adjustments are made for accessibility, catchment area, gross floor area and building specifications / quality / design	General adjustments are made for location, accessibility, catchment area, gross floor area and building specifications / quality / design
Adjusted Value	RM229.05 per square foot	RM230.78 per square foot	RM240.39 per square foot

Valuation Rationale From the above adjusted values, we note that the derived values ranged between RM229.05 per square foot and RM240.39 per square foot. In view of limited recorded transactions of identical hypermarkets in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

Although total adjustments (in excess of 40%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as most of the selected comparable(s) are considered to have relatively similar attributes as compared to the Subject Property. With total effective adjustments made for all Comparable(s); we have placed greater reliance on Comparable 2 after having considered it to be with the least dissimilarities (excluding Comparable 1). We did not adopt Comparable 1 albeit being the latest sale transaction because the sale transaction has not been fully concluded as at the date of valuation. Based on the foregoing, we have thus adopted a round-up value of RM102,000,000 (analysed to be RM229.93 per square foot over GFA) in our valuation as fair representation by using Comparison Approach.



3.0 V/COR/22/0133(C) – GIANT HYPERMARKET KLANG

3.1 IDENTIFICATION OF PROPERTY

Interest Valued / Type of Property	Legal interest in a single-storey supermarket / retail complex with a mezzanine floor and car parking facilities, along with fixtures, fittings, equipment, and systems affixed and installed therein with other supporting facilities and amenities attached thereto; erected upon part of Lot 83639 held under Title No. GRN 128054, Pekan Pandamaran, District of Klang, Selangor Darul Ehsan.
Name and Address	Giant Hypermarket Klang, Persiaran Batu Nilam, Bandar Bukit Tinggi, 41200 Klang, Selangor Darul Ehsan.
Locality	Strategically located within Bandar Bukit Tinggi, Klang, which is sited off the northern (right) side of the Pulau Indah Highway, travelling from Bukit Rimau towards Pulau Indah. Geographically, the Kuala Lumpur City Centre and Klang town is situated approximately 35 kilometres and 4 kilometres due north-east respectively of the Subject Property.
Title Particulars	The following table outlines the title particulars of Giant Hypermarket Klang:

Summary of Title Particulars

Lot No./Mukim / District / State	:	Lot 83639, Pekan Pandamaran, District of Klang, Selangor Darul Ehsan.
Title No.	:	GRN 128054.
Tenure	:	Interest in perpetuity.
Land Area	:	64,424 square metres.
Quit Rent (Land Tax)	:	RM118,347.00 per annum.
Registered Proprietor	:	Kwasa Properties Sdn Bhd.
Category of Land Use	:	"Bangunan".
Express Condition	:	"Bangunan Pemiagaan".
Restriction-In-Interest	:	"Tiada".
Encumbrance	:	Nil.
Endorsement	:	"Pajakan Seluruh Tanah" to GCH Retail (Malaysia) Sdn Bhd for a term of fifteen (15) years commencing on 17 December 2005 and expiring on 16 December 2020 vide Presentation No. 121838/2012, registered on 19 November 2012.



3.2 PROPERTY DESCRIPTION

Building Description

General Building Description

Structures	:	Reinforced concrete frame with brick infills rendered externally and plastered internally supporting steel portals.
Roofs	:	Metal deck roofing sheets.
Façade	:	Cement plaster finished with weather-resistant emulsion paint.
Ceilings	:	Plaster ceiling incorporating downlights, cement plaster and ceiling boards incorporating recessed lightings.
Wall Finishes	:	Plastered brickwalls, gypsum boards and ceramic tiles.
Floor Finishes	:	Porcelain tiles, homogenous tiles, ceramic tiles and cement screed.
Doors	:	Sliding aluminium framed glass doors, fire-rated timber doors, flushed timber incorporating glass panels, flushed timber doors and metal roller shutters.

Gross Floor Area (GFA)

Description	GFA	
	Square Metres	Square Feet
Ground Floor	17,612.18	189,576
Mezzanine Floor	103.44	1,113
Total	17,715.62	190,689

Car Parking Bays

1,100 surface car parking bays Designated motorcycle parking lots are also provided.

Age of Building

Approximately twenty (20) years from the issuance date of CFO dated 21 November 2002.

State of Repair

Appears to be in good condition that commensurate with its age and use.

Occupancy Status

Solely leased to the Lessee for a fixed term of ten (10) years commencing on 17 December 2020 with committed rental tabulated below (on a triple net basis), subject to the terms and conditions stipulated in the Lease Agreement made between the Lessor and the Lessee dated 8 April 2021.

Term	Lease Period	Committed Rental Per Annum
Year 1 – Year 5 (Current Term)	17 December 2020 – 16 December 2025	RM4,590,864.00
Year 6 – Year 10	17 December 2025 – 16 December 2030	RM5,049,950.00

Planning

Designated for commercial use; and was issued with a CFO by Majlis Perbandaran Klang bearing Certificate No. 2000-0278 dated 21 November 2002.

3.3 MARKET VALUE

Date of Valuation 15 February 2023.

Valuation Methodology In arriving at our opinion of the Market Value of the Subject Property, we have adopted the **Income Approach by Investment Method** as the primary approach and supported by the **Comparison Approach**.

Reconciliation of Values

Method of Valuation	Derivation of Values
Income Approach by Investment Method	RM74,000,000
Comparison Approach	RM75,000,000

Market Value RM74,000,000.

Income Approach by Investment Method – Giant Hypermarket Klang A summary of parameters adopted in undertaking our assessment is scheduled below.

Summary of Parameters	
Gross Rental Income	Term: RM2.01 psf / month over total GFA. (Current Term) RM2.21 psf / month over total GFA. (Future Term) This is based on the committed rental (on triple net basis) of the unexpired term in accordance to the Lease Agreement. We note that the committed rentals are for the entirety of the Subject Property (Giant Hypermarket and the Undeveloped land) as expressly stipulated in the lease agreement.
	Reversionary: RM1.50 psf / month over total GFA. (for Giant Hypermarket only, excluding the undeveloped land) We have adopted an adjusted rental of RM1.50 per square foot after having considered and made diligent adjustment for differences including but not limited to the location / accessibility, market catchment, building condition / age, building design / specification and size.
Void Allowance (Reversionary)	10.00%.
Allowance of Outgoings	Term: 2.00% of Gross Rental Income.
	Reversionary: 3.00% of Gross Rental Income.
Capitalisation Rate	Term: 7.00% to 7.50% . A range of yield adopted under Term are benchmarked against prevailing market rate and adjusted +/- 25 basis point for every RM0.08 psf differences from market rent (analysed to be about 5% variance from Market Rent of RM1.50 psf only for hypermarket portion) to reflect whether committed rental rates are under, over or at market rent. Presently, the current committed rentals are for the entirety of the Subject Property (Giant Hypermarket and the Undeveloped land) as stipulated in the lease agreement. In our analysis, the current passing rent of RM2.01 psf is deemed fair after having considered (i) the rental of the hypermarket (approximately RM1.50psf) after having benchmarked against the current rental of other selected retail malls / hypermarket buildings (ranging from RM1.79 psf to RM2.82 psf) within Klang Valley along with (ii) the rental of undeveloped land (analysed to be at approximately RM0.41 psf) by comparing with other similar land(s) with ground lease located within Klang Valley (ranging from RM0.40 psf to RM0.60 psf depending on the location, category of land use and tenure of the lease).

3.3 MARKET VALUE (CONT'D)

Income Approach by Investment Method – Giant Hypermarket Klang (Cont'd)	Summary of Parameters	
	Capitalisation Rate (Cont'd)	<p>Reversionary 7.00%.</p> <p>We have adopted an adjusted net yield of 7.00% as the most probable expected rate of return as fair after having considered factors, amongst others, relating to the maturity of the mall, tenure and prevailing market condition.</p>

Rental and Yield Analysis The rental and yield analysis adjustment(s) as shown below and overleaf.

Rental Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Rental Comparable 1	Rental Comparable 2	Rental Comparable 3
Property / Location	Undisclosed hypermarket located within Seri Kembangan, Selangor	Undisclosed hypermarket located within Setapak, Kuala Lumpur	Undisclosed retail mall within Rawang, Selangor
Current Passing Gross Rental (RM psf / month over GFA)	RM2.65 psf	RM2.82 psf	RM1.79 psf
Estimated Outgoings	30% of Gross Rental	30% of Gross Rental	15% of Gross Rental
Estimated Current Net Rental (RM psf / month over GFA)	RM1.86 psf	RM1.97 psf	RM1.52 psf
Adjustments	General adjustments are made for location / accessibility and size	General adjustments are made for location / accessibility and building condition / age	General adjustments are made for location / accessibility, building design / specification and size
Adjusted Analysis	RM1.48 psf	RM1.48 psf	RM1.52 psf
Adopted Fair Rental	RM1.50 psf		

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Year of Transaction	2021	2020	2016
Analysed Yield	7.18%	7.57%	8.95%
Commentary	We have considered Giant Hypermarket Cheras as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.	We have considered Giant Hypermarket Jalan Kebun as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.	We have considered KIPMall Bangi as a dated sale and the transacted yield should have been compressed for improved market condition since year 2016, as such a downward adjustment of 50 basis point is made for prevailing market condition.

3.3 MARKET VALUE (CONT'D)

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley (Cont'd)			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Commentary (Cont'd)	<p>Hypermarket Cheras similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Cheras.</p> <p>No adjustment was made for tenure as Giant Hypermarket Cheras similarly conveys interest in perpetuity.</p>	<p>No adjustment was made for catchment as Giant Hypermarket Jalan Kebun similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Jalan Kebun.</p> <p>No adjustment was made for tenure as Giant Hypermarket Jalan Kebun similarly conveys interest in perpetuity.</p>	<p>No adjustment was made for catchment as KIPMall Bangi similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to KIPMall Bangi.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property conveys an interest in perpetuity.</p>
Adjusted Yield	6.93%	7.07%	7.45%
Adopted Yield	7.00%		

Comparison Approach The adjustments made for the selected sales evidences of hypermarket and summarised the details in the table below.

Sales Comparison and Analysis of Hypermarket Transactions			
	Comparable 1	Comparable 2	Comparable 3
Name	Lotus's Kajang	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun
Consideration	RM79,900,000	RM72,100,000	RM30,500,000
Date of Transaction	24 September 2021	8 March 2021	10 November 2020
Analysis (Over GFA)	RM254.50 per square foot	RM242.93 per square foot	RM267.10 per square foot
Adjustments	General adjustments are made for accessibility, gross floor area and condition / age of building	General adjustments are made for gross floor area and condition / age of building	General adjustments are made for location and condition / age of building
Adjusted Value	RM241.78 per square foot	RM242.93 per square foot	RM267.10 per square foot

Valuation Rationale - Hypermarket

From the above adjusted values, we note that the derived values ranged between RM241.78 per square foot and RM267.10 per square foot. In view of limited recorded transactions of identical hypermarkets in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

3.3 MARKET VALUE (CONT'D)

Valuation Rationale –
Hypermarket (Cont'd)

Although total adjustments (in excess of 15%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as most of the selected comparable(s) are considered to have relatively similar attributes as compared to the Subject Property. With total effective adjustments made for all Comparable(s); we have placed greater reliance on Comparable 2 after having considered it to be the latest transaction with the least dissimilarities (excluding Comparable 1). We did not adopt Comparable 1 albeit being the latest sale transaction because the sale transaction has not been fully concluded as at the date of valuation.

We have further added the extra land value for the undeveloped land which is currently being used as additional / surplus open car park space. Based on the ABP, we noted a surplus of 830 bays situated on the said vacant land portion as opposed to the overall minimum car park requirement of 269 bays. Thus, we have assessed the undeveloped land on its highest and best use as a parcel of redevelopment commercial land.

The adjustments made for the selected sales evidences of vacant commercial land and summarised details are shown in the table below.

Sales Comparison and Analysis of Commercial Land Transactions			
	Comparable 1	Comparable 2	Comparable 3
Legal Description	Lot 168850 held under Title No. Geran 331488, Mukim Klang, District of Klang, Selangor Darul Ehsan	Lot No(s). 83189, 84200 & 84201 held under Title No(s). GRN 59808, GRN 94932 & GRN 95201 respectively, all located within Pekan Pandamaran, District of Klang, Selangor Darul Ehsan	Lot 186033, Geran 338084, (formerly known as GRN 155575 Lot 118324), Mukim Klang, District of Klang, Selangor Darul Ehsan
Type of Property	A parcel of commercial land	Three (3) parcels of commercial land	A parcel of commercial land
Land Area	643,089 square feet	699,159 square feet	284,813 square fee
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM64,308,921	RM69,915,903	RM55,000,000
Date of Transaction	8 March 2021	1 March 2021	2 December 2019
Analysis	RM100.00 per square foot	RM100.00 per square foot	RM193.11 per square foot
Vendor	Gabungan Efektif Sdn Bhd	Labur Bina Sdn Bhd	Gemilang Waras Sdn Bhd
Purchaser	OIB Properties (C) Sdn Bhd	Kristaljaya Sdn Bhd	CB Land Sdn Bhd
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)		
Adjustments	General adjustments are made for location and land size	General adjustments are made for exposure / visibility and land size	General adjustments are made for location, accessibility and exposure / visibility
Adjusted Value	RM120.00 per square foot	RM125.00 per square foot	RM135.18 per square foot

3.3 MARKET VALUE (CONT'D)

Valuation Rationale –
Undeveloped Land + Land
Erected with Non-
Approved Structure

From the above adjusted values, and we note that the derived values ranged between RM120.00 per square foot and RM135.18 per square foot. In view of limited recorded transactions of identical land sales transactions in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued. Although total adjustments (in selected comparable(s) are up to 30%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as the selected comparable(s) are located within the same locality and to have relatively similar attributes as compared to the Subject Property.

With total effective adjustments made for all Comparable(s), we have placed greater reliance on Comparable 2 (being located closest to our Subject Property) after having considered and made diligent adjustments for exposure / visibility and land size.

Based on the foregoing, we have adopted RM125.00 per square foot as fair representation and have further allocated and considered a quantitative adjustment amounting to RM72,280 to be incurred over 3 months period (works relating to demolition of the existing non-approved structures erected thereon and discounted at a rate of 4.00%). A development period of 3 months was considered to reflect the time required to reinstate the land prior any development being able to take place. After having considered the industry average costing as derived from analysis of other awarded contracts of similar work (ranging from RM5.00 per square foot to RM15.00 per square foot), we have allocated RM10.00 per square foot over the total GFA of the existing non-approved structures constructed thereon as fair and adequate.

In our opinion, the lack of land transactions (as investment asset) in the market has resulted in continued difficulties in assessing a benchmark for yields. From our investigation and informal survey from land owners, the most probable expected return would be in the region of 3.00% - 4.00%; and thus, we have adopted 4.00% as fair representation.

The value derived from our Comparison Approach together with the costing stated above is summarised as below:

Description	Adopted Value / Cost	Value
Total Land Area: 235,224 sf (Undeveloped Land + Land Erected with Non-Approved Structure)	RM125.00 per square foot	RM29,403,001
(Less) Demolition Cost of Non-Approved Structures: 7,228 sf	RM10.00 per square foot	(RM72,280)
Sub-Total		RM29,330,721
Present Value at a Discount Rate of 4.00% for a period of 0.25 years		0.9902
Market Value of Undeveloped Land + Land Erected with Non-Approved Structure		RM29,044,534



3.3 MARKET VALUE (CONT'D)

Valuation Rationale – Undeveloped Land + Land Erected with Non-Approved Structure (Cont'd) We have then added the extra land value of RM 29,044,534 to the Market Value of the hypermarket of RM46,323,274, and arrived at a total Market Value of RM 75,367,808. Based on the foregoing, we have thus adopted a rounded value of RM75,000,000 (analysed to be RM393.31 per square foot over GFA) in our valuation as fair representation by using Comparison Approach.

4.0 V/COR/22/0133(D) – GIANT HYPERMARKET PUTRA HEIGHTS

4.1 IDENTIFICATION OF PROPERTY

Interest Valued / Type of Property Legal interest in a two (2)-storey hypermarket / retail complex with a single-storey mezzanine floor and car park facilities along with fixtures, fittings, equipment, and systems affixed and installed therein and other supporting facilities and amenities attached thereto; erected upon Lot PT 21523 held under Title No. HSD 151035, Mukim Damansara, District of Petaling, Selangor Darul Ehsan.

Name and Address Giant Hypermarket Putra Heights, Persiaran Putra Perdana, Putra Heights, 47650 Subang Jaya, Selangor Darul Ehsan.

Locality Strategically located within Putra Heights, which is sited off the western (left) side of the ELITE Highway, travelling from Bandar Saujana Putra towards Putra Heights. Geographically, the Kuala Lumpur City Centre is situated approximately 24 kilometres due north-east of Putra Heights Property.

Title Particulars The following table outlines the title particulars of Giant Hypermarket Putra Heights:-

Summary of Title Particulars	
Lot No. / Mukim / District / State	: PT 21523, Mukim Damansara, District of Petaling, Selangor Darul Ehsan.
Title No.	: HSD 151035.
Tenure	: Interest in perpetuity.
Land Area ^(Note)	: 17,805.05 square metres.
Quit Rent (Land Tax)	: RM37,907.00 per annum.
Registered Proprietor	: Kwasa Properties Sdn Bhd.
Category of Land Use	: "Bangunan".
Express Condition	: "Bangunan Perniagaan".
Restriction-In-Interest	: "Tiada".
Encumbrance	: Nil.

4.1 IDENTIFICATION OF PROPERTY (CONT'D)

Title Particulars (Cont'd)	Summary of Title Particulars (Cont'd)
Endorsement	: "Pajakan Seluruh Tanah" to GCH Retail (Malaysia) Sdn Bhd for a term of fifteen (15) years commencing on 1 December 2009 and expiring on 30 November 2024 vide Presentation No. 62562/2010, registered on 18 June 2010.

Note: Based on the Certified Plan No. PA 95530, we note that Lot PT 21523 will be re-designated as Lot 63842; with surveyed land area of 17,859 square metres. For the purpose of this Valuation, we have adopted the surveyed land area of 17,859 square metres in our Valuation.

4.2 PROPERTY DESCRIPTION

Building Description	General Building Description
Structures	: Reinforced concrete frame with brick infills rendered externally and plastered internally supporting steel portals.
Roofs	: Metal deck roofing sheets.
Façade	: Cement plaster finished with weather-resistant emulsion paint and aluminium framed glass curtain walling.
Ceilings	: Plaster ceiling incorporating downlights, cement plaster and ceiling boards incorporating recessed lightings.
Wall Finishes	: Plastered brickwalls, gypsum boards and ceramic tiles.
Floor Finishes	: Porcelain tiles, homogenous tiles, ceramic tiles and cement screed.
Doors	: Sliding aluminium framed glass doors, fire-rated timber doors, flushed timber incorporating glass panels, flushed timber doors and metal roller shutters.

Gross Floor Area (GFA)

Description	GFA	
	Square Metres	Square Feet
Ground Floor	11,136.07 *	119,868
First Floor	10,627.11	114,389
Mezzanine Floor	2,050.33	22,069
Roof Level	109.31	1,177
Ancillary Buildings	11.52	124
Total	23,934.34	257,627

* Note : Inclusive of covered car parking area measuring approximately 6,173.93 square metres (66,456 square feet).

Car Parking Bays	423 car parking bays (inclusive of covered and surface car parking bays). Designated motorcycle parking lots are also provided within the building.
Age of Building	Approximately fourteen (14) years old from the issuance date of the CCC dated 31 December 2008.



4.2 PROPERTY DESCRIPTION (CONT'D)

State of Repair	Appears to be in good condition that commensurate with its age and use.												
Occupancy Status	Solely leased to the Lessee for three (3) terms of five (5) years each commencing on 1 December 2009 with committed rental tabulated below (on a triple net basis); with option(s) to renew for further three (3) terms of five (5) years each, subject to the terms and conditions stipulated in the Lease Agreement made between the Lessor and the Lessee dated 1 December 2009.												
	<table border="1"> <thead> <tr> <th>Term</th> <th>Lease Period</th> <th>Committed Rental Per Annum</th> </tr> </thead> <tbody> <tr> <td>Year 1 – Year 5</td> <td>1 December 2009 – 30 November 2014</td> <td>RM4,533,756.00</td> </tr> <tr> <td>Year 6 – Year 10</td> <td>1 December 2014 – 30 November 2019</td> <td>RM4,941,804.00</td> </tr> <tr> <td>Year 11 – Year 15 (Current Term)</td> <td>1 December 2019 – 30 November 2024</td> <td>RM5,386,572.00</td> </tr> </tbody> </table>	Term	Lease Period	Committed Rental Per Annum	Year 1 – Year 5	1 December 2009 – 30 November 2014	RM4,533,756.00	Year 6 – Year 10	1 December 2014 – 30 November 2019	RM4,941,804.00	Year 11 – Year 15 (Current Term)	1 December 2019 – 30 November 2024	RM5,386,572.00
Term	Lease Period	Committed Rental Per Annum											
Year 1 – Year 5	1 December 2009 – 30 November 2014	RM4,533,756.00											
Year 6 – Year 10	1 December 2014 – 30 November 2019	RM4,941,804.00											
Year 11 – Year 15 (Current Term)	1 December 2019 – 30 November 2024	RM5,386,572.00											
Planning	Designated for commercial use; and was issued with a CCC by Lembaga Arkitek Malaysia bearing Certificate No. LAM/S/0016 dated 31 December 2008.												

4.3 MARKET VALUE

Date of Valuation	15 February 2023.						
Valuation Methodology	In arriving at our opinion of the Market Value of the Subject Property, we have adopted the Income Approach by Investment Method as the primary approach and supported by the Comparison Approach .						
Reconciliation of Values	<table border="1"> <thead> <tr> <th>Method of Valuation</th> <th>Derivation of Values</th> </tr> </thead> <tbody> <tr> <td>Income Approach by Investment Method</td> <td>RM66,000,000</td> </tr> <tr> <td>Comparison Approach</td> <td>RM66,000,000</td> </tr> </tbody> </table>	Method of Valuation	Derivation of Values	Income Approach by Investment Method	RM66,000,000	Comparison Approach	RM66,000,000
Method of Valuation	Derivation of Values						
Income Approach by Investment Method	RM66,000,000						
Comparison Approach	RM66,000,000						
Market Value	RM66,000,000.						
Income Approach by Investment Method	A summary of parameters adopted in undertaking our assessment is scheduled below and overleaf.						

Summary of Parameters

Gross Rental Income	Term: RM1.74 psf / month over total GFA. This is based on the committed rental (on triple net basis) of the unexpired term in accordance to the Lease Agreement.
	Reversionary: RM1.70 psf / month over total GFA. We have adopted an adjusted rental of RM1.70 per square foot after having considered and made diligent adjustment for differences including but not limited to the location / accessibility, market catchment, building condition / age, building design / specification and size.

4.3 MARKET VALUE (CONT'D)

Income Approach by Investment Method (Cont'd)	Summary of Parameters (Cont'd)	
Void Allowance (Reversionary)	10.00%.	
Allowance of Outgoings	Term:	2.00% of Gross Rental Income.
	Reversionary:	3.00% of Gross Rental Income.
Capitalisation Rate	Term:	7.00%. The yield adopted under Term are benchmarked against prevailing market rate and adjusted +/- 25 basis point for every RM0.09 psf differences from market rent (analysed to be about 5% variance from Market Rent of RM1.70 psf) to reflect whether committed rental rates are under, over or at market rent.
	Reversionary:	7.00%. We have adopted an adjusted net yield of 7.00% as the most probable expected rate of return as fair after having considered factors, amongst others, relating to the maturity of the mall, tenure and prevailing market condition.

Rental and Yield Analysis The rental and yield analysis adjustment(s) as shown below and overleaf.

Rental Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Rental Comparable 1	Rental Comparable 2	Rental Comparable 3
Property / Location	Undisclosed hypermarket located within Seri Kembangan, Selangor	Undisclosed hypermarket located within Setapak, Kuala Lumpur	Undisclosed retail mall within Rawang, Selangor
Current Passing Gross Rental (RM psf / month over GFA)	RM2.65 psf	RM2.82 psf	RM1.79 psf
Estimated Outgoings	30% of Gross Rental	30% of Gross Rental	15% of Gross Rental
Estimated Current Net Rental (RM psf / month over GFA)	RM1.86 psf	RM1.97 psf	RM1.52 psf
Adjustments	General adjustments are made for location / accessibility	General adjustments are made for location / accessibility, building condition / age and size	General adjustments are made for location / accessibility, building condition / age and size
Adjusted Analysis	RM1.67 psf	RM1.68 psf	RM1.52 psf
Adopted Fair Rental	RM1.70 psf		

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Year of Transaction	2021	2020	2016
Analysed Yield	7.18%	7.57%	8.95%

4.3 MARKET VALUE (CONT'D)

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley (Cont'd)

	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Commentary	<p>We have considered Giant Hypermarket Cheras as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>No adjustment was made for catchment as Giant Hypermarket Cheras similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Cheras.</p> <p>No adjustment was made for tenure as Giant Hypermarket Cheras similarly conveys interest in perpetuity.</p>	<p>We have considered Giant Hypermarket Jalan Kebun as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>No adjustment was made for catchment as Giant Hypermarket Jalan Kebun similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Jalan Kebun.</p> <p>No adjustment was made for tenure as Giant Hypermarket Jalan Kebun similarly conveys interest in perpetuity.</p>	<p>We have considered KIPMall Bangi as a dated sale and the transacted yield should have been compressed for improved market condition since year 2016, as such a downward adjustment of 50 basis point is made for prevailing market condition.</p> <p>No adjustment was made for catchment as KIPMall Bangi similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to KIPMall Bangi.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property conveys an interest in perpetuity.</p>
Adjusted Yield	6.93%	7.07%	7.45%
Adopted Yield	7.00%		

Comparison Approach The adjustments made for the selected sales evidences of hypermarket and summarised the details in the table below.

	Comparable 1	Comparable 2	Comparable 3
Name	Lotus's Kajang	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun
Consideration	RM79,900,000.	RM72,100,000.	RM30,500,000.
Date of Transaction	24 September 2021	8 March 2021	10 November 2020
Analysis (Over GFA)	RM254.50 per square foot	RM242.93 per square foot	RM267.10 per square foot
Adjustments	No adjustment was made.	General adjustment is made for accessibility	General adjustments are made for location, accessibility and gross floor area
Adjusted Value	RM254.50 per square foot	RM255.07 per square foot	RM280.45 per square foot



4.3 MARKET VALUE (CONT'D)

Valuation Rationale

From the above adjusted values, we note that the derived values ranged between RM254.50 per square foot and RM280.45 per square foot. In view of limited recorded transactions of identical hypermarkets in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

Although total adjustments (in excess of 15%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as most of the selected comparable(s) are considered to have relatively similar attributes as compared to the Subject Property. With total effective adjustments made for all Comparable(s); we have placed greater reliance on Comparable 2 after having considered it to be with the least dissimilarities (excluding Comparable 1). We did not adopt Comparable 1 albeit being the latest sale transaction because the sale transaction has not been fully concluded as at the date of valuation. Based on the foregoing, we have thus adopted a round-up value of RM66,000,000 (analysed to be RM256.18 per square foot over GFA) in our valuation as fair representation by using Comparison Approach.

5.0 V/COR/22/0133(E) – GIANT SUPERSTORE ULU KELANG

5.1 IDENTIFICATION OF PROPERTY

**Interest Valued /
Type of Property**

Legal interest in a three (3)-storey hypermarket with a two (2)-storey retail complex and one (1) level of basement car park along with fixtures, fittings, equipment, and systems affixed and installed therein and other supporting facilities and amenities attached thereto; erected upon Lot 13793 and Lot 13796 held under Title No. GRN 269978 and GRN 269979 respectively, both located within Section 1 of Bandar Ulu Kelang, District of Gombak, Selangor Darul Ehsan.

Name and Address

Giant Superstore Ulu Kelang, Jalan Changkat Permata, Taman Permata, 53300 Kuala Lumpur.

Locality

Strategically located within Taman Permata, which is sited off the southern (left) side of the Kuala Lumpur Middle Ring Road 2 (MRR2), travelling from Ampang to Taman Melati. Geographically, the Kuala Lumpur City Centre is situated approximately 7 kilometres due south-west of the Subject Property.

Title Particulars

The following table outlines the title particulars of Giant Superstore Ulu Kelang:-

Summary of Title Particulars			
Lot No.	Title No.	Land Area	Quit Rent (Land Tax)
Lot 13793 Section 1	GRN 269978	3,101 square metres	RM10,256.00 per annum
Lot 13796 Section 1	GRN 269979	4,491 square metres	RM14,852.00 per annum

5.1 IDENTIFICATION OF PROPERTY (CONT'D)

Title Particulars (Cont'd)	The following particulars are common to the above title(s) unless otherwise stated:-
Town / District / State	: Bandar Ulu Kelang, District of Gombak, Selangor Darul Ehsan.
Tenure	: Interest in perpetuity.
Registered Proprietor	: Hartanah Progresif Sdn Bhd (now known as Kwasa Properties Sdn Bhd).
Category of Land Use	: "Bangunan".
Express Condition	: "Bangunan Perniagaan".
Restriction-In-Interest	: "Tiada".
Encumbrance	: Nil.
Endorsement	: Nil.

5.2 PROPERTY DESCRIPTION

Building Description

General Building Description

Structures	: Reinforced concrete frame with brick infills rendered externally and plastered internally supporting steel portals.
Roofs	: Metal deck roofing sheets.
Facade	: Cement plaster finished with weather-resistant emulsion paint.
Ceilings	: Plaster ceiling incorporating downlights, cement plaster and ceiling boards incorporating recessed lightings.
Wall Finishes	: Plastered brickwalls, gypsum boards and ceramic tiles.
Floor Finishes	: Porcelain tiles, homogenous tiles, ceramic tiles and cement screed.
Doors	: Sliding aluminium framed glass doors, fire-rated timber doors, flushed timber incorporating glass panels, flushed timber doors and metal roller shutters.

Gross Floor Area (GFA)

Description	GFA	
	Square Metres	Square Feet
Basement Level	6,792.38	73,112
Ground Floor	5,430.80	58,457
First Floor	5,258.24	56,599
Second Floor	3,386.65	36,454
Total	20,868.07	224,622

Car Parking Bays

165 car parking bays located within the basement level. Designated motorcycle parking lots are also provided within the building.



5.2 PROPERTY DESCRIPTION (CONT'D)

Age of Building We were made to understand that details pertaining to the initial building approval and CFO(s) were unavailable. Based on the Lessee’s website, we noted that Giant Superstore Ulu Kelang has commenced operation approximately 36 years ago in 1987 (source: *www.giant.com.my*). We further noted that renovation and refurbishment works have been done to the entirety of the building, which is presently about five (5) years from the issuance date of the CCC in relation to the aforesaid works.

State of Repair Appears to be in good condition that commensurate with its age and use.

Occupancy Status Solely leased to the Lessee for a fixed term of ten (10) years commencing on 17 December 2020 with committed rental tabulated below (on a triple net basis), subject to the terms and conditions stipulated in the Lease Agreement made between the Lessor and the Lessee dated 8 April 2021.

Term	Lease Period	Committed Rental Per Annum
Year 1 – Year 5 (Current Term)	17 December 2020 – 16 December 2025	RM3,826,540.00
Year 6 – Year 10	17 December 2025 – 16 December 2030	RM4,209,194.00

Planning Designated for commercial use; and was issued with a CCC by the Lembaga Arkitek Malaysia bearing Certificate No. LAM/S/No. 18731 dated 26 April 2017 in relation to the renovation and refurbishment works done to the building.

5.3 MARKET VALUE

Date of Valuation 15 February 2023.

Valuation Methodology In arriving at our opinion of the Market Value of the Subject Property, we have adopted the **Income Approach by Investment Method** as the primary approach and supported by the **Comparison Approach**.

Method of Valuation	Derivation of Values
Income Approach by Investment Method	RM53,000,000
Comparison Approach	RM55,000,000

Market Value RM53,000,000.

Income Approach by Investment Method A summary of parameters adopted in undertaking our assessment is scheduled overleaf.



5.3 MARKET VALUE (CONT'D)

Income Approach by Investment Method (Cont'd)	Summary of Parameters	
Gross Rental income	Term:	RM1.42 psf / month over total GFA. (Current Term) RM1.56 psf / month over total GFA. (Future Term) This is based on the committed rental (on triple net basis) of the unexpired term in accordance to the Lease Agreement.
	Reversionary:	RM1.50 psf / month over total GFA. We have adopted an adjusted rental of RM1.50 per square foot after having considered and made diligent adjustment for differences including but not limited to the location / accessibility, market catchment, building condition / age, building design / specification and size.
Void Allowance (Reversionary)	10.00%.	
Allowance of Outgoings	Term:	2.00% of Gross Rental Income.
	Reversionary:	3.00% of Gross Rental Income.
Capitalisation Rate	Term:	6.75% to 7.00% . A range of yield adopted under Term are benchmarked against prevailing market rate and adjusted +/- 25 basis point for every RM0.08 psf differences from market rent (analysed to be about 5% variance from Market Rent of RM1.50 psf) to reflect whether committed rental rates are under, over or at market rent.
	Reversionary	7.00% . We have adopted an adjusted net yield of 7.00% as the most probable expected rate of return as fair after having considered factors, amongst others, relating to the maturity of the mall, tenure and prevailing market condition.

Rental and Yield Analysis The rental and yield analysis adjustment(s) as shown below and overleaf.

Rental Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Rental Comparable 1	Rental Comparable 2	Rental Comparable 3
Property / Location	Undisclosed hypermarket located within Seri Kembangan, Selangor	Undisclosed hypermarket located within Setapak, Kuala Lumpur	Undisclosed retail mall within Rawang, Selangor
Current Passing Gross Rental (RM psf / month over GFA)	RM2.65 psf	RM2.82 psf	RM1.79 psf
Estimated Outgoings	30% of Gross Rental	30% of Gross Rental	15% of Gross Rental
Estimated Current Net Rental (RM psf / month over GFA)	RM1.86 psf	RM1.97 psf	RM1.52 psf
Adjustments	General adjustments are made for location / accessibility and building design / specification	General adjustments are made for location / accessibility, building condition / age, building design / specification and size	General adjustments are made for location / accessibility, building design / specification and size
Adjusted Analysis	RM1.48 psf	RM1.48 psf	RM1.52 psf
Adopted Fair Rental	RM1.50 psf		

5.3 MARKET VALUE (CONT'D)

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Year of Transaction	2021	2020	2016
Analysed Yield	7.18%	7.57%	8.95%
Commentary	<p>We have considered Giant Hypermarket Cheras as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>No adjustment was made for catchment as Giant Hypermarket Cheras similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Cheras.</p> <p>No adjustment was made for tenure as Giant Hypermarket Cheras similarly conveys interest in perpetuity.</p>	<p>We have considered Giant Hypermarket Jalan Kebun as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>No adjustment was made for catchment as Giant Hypermarket Jalan Kebun similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Jalan Kebun.</p> <p>No adjustment was made for tenure as Giant Hypermarket Jalan Kebun similarly conveys interest in perpetuity.</p>	<p>We have considered KIPMall Bangi as a dated sale and the transacted yield should have been compressed for improved market condition since year 2016, as such a downward adjustment of 50 basis point is made for prevailing market condition.</p> <p>No adjustment was made for catchment as KIPMall Bangi similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to KIPMall Bangi.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property conveys an interest in perpetuity.</p>
Adjusted Yield	6.93%	7.07%	7.45%
Adopted Yield	7.00%		

Comparison Approach

The adjustments made for the selected sales evidences of hypermarket and summarised the details in the table below.

Sales Comparison and Analysis of Hypermarket Transactions			
	Comparable 1	Comparable 2	Comparable 3
Name	Lotus's Kajang	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun
Consideration	RM79,900,000	RM72,100,000	RM30,500,000
Date of Transaction	24 September 2021	8 March 2021	10 November 2020
Analysis (Over GFA)	RM254.50 per square foot	RM242.93 per square foot	RM267.10 per square foot
Adjustments	General adjustment is made for accessibility	No adjustment was made	General adjustments are made for location and gross floor area
Adjusted Value	RM241.78 per square foot	RM242.93 per square foot	RM267.10 per square foot

5.3 MARKET VALUE (CONT'D)

Valuation Rationale

From the above adjusted values, we note that the derived values ranged between RM241.78 per square foot and RM267.10 per square foot. In view of limited recorded transactions of identical hypermarkets in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

Although total adjustments (in excess of 10%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as most of the selected comparable(s) are considered to have relatively similar attributes as compared to the Subject Property. With total effective adjustments made for all Comparable(s); we have placed greater reliance on Comparable 2 after having considered it to be with the least dissimilarities (excluding Comparable 1). We did not adopt Comparable 1 albeit being the latest sale transaction because the sale transaction has not been fully concluded as at the date of valuation. Based on the foregoing, we have thus adopted a round-up value of RM55,000,000 (analysed to be RM244.86 per square foot over GFA) in our valuation as fair representation by using Comparison Approach.

6.0 V/COR/22/096 – GIANT HYPERMARKET PLENTONG

6.1 IDENTIFICATION OF PROPERTY

**Interest Valued /
Type of Property**

Legal interest in a one (1)-storey hypermarket with mezzanine floor and three (3)-storey retail complex with car parking facilities along with fixtures, fittings, equipment, and systems affixed and installed therein and other supporting facilities and amenities attached thereto; erected upon Lot 84421 held under Title No. GRN 428511; along with two (2) parcels of land used as carpark known as Lot 121289 and Lot 64279 held under Title Nos. GRN 430454 and GRN 73013 respectively; all within Mukim Plentong, District of Johor Bahru, Johor Darul Takzim.

Name and Address

Giant Hypermarket Plentong, 3, Jalan Masai Lama, Taman Perindustrian Plentong, 81750 Masai, Johor Darul Takzim.

Locality

Strategically located within Plentong, which is sited off the north-eastern (left) side of the Pasir Gudang Highway, travelling from Perling towards Pasir Gudang. Geographically, the Johor Bahru City Centre is situated approximately 16 kilometres due south-west of Plentong Property.

Title Particulars

The following table outlines the title particulars of Giant Hypermarket Plentong:-

Summary of Title Particulars			
Lot No.	Title No.	Land Area	Quit Rent (Land Tax)
Lot 84421	GRN 428511	52,490 square metres	RM308,700.00 per annum
Lot 121289	GRN 430454	14,852 square metres	RM87,612.00 per annum
Lot 64279	GRN 73013	19,156 square metres	RM5,184.00 per annum

6.1 IDENTIFICATION OF PROPERTY (CONT'D)

Title Particulars (Cont'd)	The following particulars are common to the above title(s) unless otherwise stated:-									
Mukim / District / State	:	Mukim Pientong, District of Johor Bahru, Johor Darul Takzim.								
Tenure	:	Interest in perpetuity.								
Registered Proprietor	:	Hartanah Progresif Sdn Bhd (now known as Kwasa Properties Sdn Bhd).								
Category of Land Use	:	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Lot No.</th> <th style="text-align: center;">Category of Land Use</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Lot 84421</td> <td style="text-align: center;">"Bangunan"</td> </tr> <tr> <td style="text-align: center;">Lot 121289</td> <td style="text-align: center;">"Bangunan"</td> </tr> <tr> <td style="text-align: center;">Lot 64279</td> <td style="text-align: center;">"Perusahaan/Perindustrian"</td> </tr> </tbody> </table>	Lot No.	Category of Land Use	Lot 84421	"Bangunan"	Lot 121289	"Bangunan"	Lot 64279	"Perusahaan/Perindustrian"
Lot No.	Category of Land Use									
Lot 84421	"Bangunan"									
Lot 121289	"Bangunan"									
Lot 64279	"Perusahaan/Perindustrian"									
Express Conditions	:	<p><u>Lot 84421</u></p> <ul style="list-style-type: none"> i) "Tanah ini hendaklah digunakan untuk Bangunan Kompleks Perniagaan / Hypermarket jenis kekal, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan". ii) "Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan / dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa berkenaan". iii) "Segala dasar dan syarat yang telah ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa berkenaan hendaklah dipatuhi". <p><u>Lot 121289</u></p> <ul style="list-style-type: none"> i) "Tanah ini hendaklah digunakan untuk Bangunan Bertingkat bagi tujuan Komersil, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan". ii) "Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan / dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan". iii) "Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi". <p><u>Lot 64279</u></p> <ul style="list-style-type: none"> i) "Tanah ini hendaklah digunakan untuk Kilang bagi tujuan Perusahaan Ringan dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan". ii) "Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan / dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan". iii) "Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi". 								
Restrictions-In-Interest	:	<p><u>Lot 84421</u></p> <p>"Tuanpunya tanah tidak dibenarkan menjualkan unit-unit (parcels) bangunan yang akan dibina diatas tanah ini melainkan bangunan telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan".</p>								

6.1 IDENTIFICATION OF PROPERTY (CONT'D)

Title Particulars (Cont'd)

Summary of Title Particulars (Cont'd)

Restrictions-In-Interest	<p>: <u>Lot 121289</u></p> <p>i) "Tuanpunya tanah tidak dibenarkan menjual unit-unit (parcel) bangunan yang akan dibina di atas tanah ini melainkan bangunan telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan".</p> <p>ii) "Petak-petak bangunan yang didirikan di atas tanah ini apabila sahaja bertukar miliknya kepada seorang Bumiputera / Syarikat Bumiputera maka tidak boleh terkemudian daripada itu dijual, dipajak atau dipindahmilik dengan apa cara sekalipun kepada orang bukan Bumiputera / Syarikat bukan Bumiputera tanpa persetujuan Pihak Berkuasa Negeri".</p> <p>iii) "Petak-petak bangunan yang didirikan di atas tanah ini tidak boleh dijual atau dipindahmilik dengan apa cara sekalipun kepada bukan Warganegara / Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri".</p> <p><u>Lot 64279</u></p> <p>"Tanah yang terkandung di dalam hakmilik ini tidak dibenarkan dipindahmilik dengan apa cara sekalipun melainkan bangunan kilang di syarat nyata telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan".</p>
Encumbrance	<p>: Nil.</p>
Endorsements	<p>: "Pajakan Seluruh Tanah" to GCH Retail (Malaysia) Sdn Bhd for a term of thirty (30) years commencing on 17 December 2005 and expiring on 16 December 2035 vide Presentation No. 57770/2006, registered on 30 August 2006, in respect of all titles.</p> <p><u>Lot 84421</u></p> <p>"Cukai tanah dipindah dari RM220,500.00 kepada RM308,700.00 menurut Seksyen 101 Kanun Tanah Negara mulai dari 1 Januari 2020 sebagaimana Warta Kerajaan No. P.U J.P.U. 49 bertarikh 5 Disember 2019".</p> <p><u>Lot 121289</u></p> <p>"Cukai tanah dipindah dari RM62,580.00 kepada RM87,612.00 menurut Seksyen 101 Kanun Tanah Negara mulai dari 1 Januari 2020 sebagaimana Warta Kerajaan No. P.U J.P.U. 49 bertarikh 5 Disember 2019".</p> <p><u>Lot 64279</u></p> <p>i) "Cukai tanah dipindah dari RM3,072.00 kepada RM5,184.00 menurut Seksyen 101 Kanun Tanah Negara mulai dari 1 Januari 2020 sebagaimana Warta Kerajaan No. P.U J.P.U. 49 bertarikh 5 Disember 2019".</p> <p>ii) "Pembetulan 380 - Cukai" vide Presentation No. 5028/2017, registered on 2 November 2017.</p>



6.2 PROPERTY DESCRIPTION

Building Description

General Building Description	
Structures	: Reinforced concrete frame with brick infills rendered externally and plastered internally supporting steel portals.
Roofs	: Metal deck roofing sheets.
Façade	: cement plaster finished with weather-resistant emulsion paint and metal cladding sheets.
Ceilings	: Plaster ceiling incorporating downlights, cement plaster and ceiling boards incorporating recessed lightings.
Wall Finishes	: Plastered brickwalls, gypsum boards and ceramic tiles.
Floor Finishes	: Porcelain tiles, homogenous tiles, ceramic tiles and cement screed.
Doors	: Sliding aluminium framed glass doors, fire-rated timber doors, flushed timber incorporating glass panels, flushed timber doors and metal roller shutters.

Gross Floor Area (GFA)

Description	GFA	
	Square Metres	Square Feet
Ground Floor	42,178.72	454,008
First Floor	12,640.00	136,056
Second Floor / Roof Level	12,640.00	136,056
Total	67,458.72 *	726,120

* Notes: Inclusive car and lorry parking area measuring approximately 22,429.95 square metres (241,434 square feet).

Car Parking Bays

1,239 car parking bays (inclusive of covered, rooftop and surface car parking bays). Designated motorcycle parking lots are also provided within the building.

Age of Building

Approximately 24 years from the first issuance date of CFO dated 22 June 1998.

State of Repair

Appears to be in good condition that commensurate with its age and use.

Occupancy Status

Solely leased to the Lessee for a fixed term of ten (10) years commencing on 17 December 2020 with committed rental tabulated below (on a triple net basis), subject to the terms and conditions stipulated in the Lease Agreement made between the Lessor and the Lessee dated 8 April 2021.

Term	Lease Period	Committed Rental Per Annum
Year 1 – Year 5 (Current Term)	17 December 2020 – 16 December 2025	RM10,279,123.00
Year 6 – Year 10	17 December 2025 – 16 December 2030	RM11,307,035.30

Planning

Lot 84421 and Lot 121289 are designated for commercial use whilst Lot 64279 is designated for industrial use; as expressly stipulated in the respective title documents.



6.2 PROPERTY DESCRIPTION (CONT'D)

Planning (Cont'd) Giant Hypermarket Plentong was issued with the initial CFO by Majlis Daerah Johor Bahru Tengah (now known as Majlis Bandaraya Iskandar Puteri) bearing Certificate No. 376/98 dated 22 June 1998 and CCC by Lembaga Arkitek Malaysia bearing Certificate No. LAM / J / No. 7357 dated 21 November 2016 in relation to the renovation and refurbishment works done to the building.

According to the Rancangan Tempatan Daerah Johor Bahru dan Kulai 2025 (Penggantian), Lot 121289 ad Lot 64279 are currently zoned as "Tempat Letak Kereta".

6.3 MARKET VALUE

Date of Valuation 15 February 2023.

Valuation Methodology In arriving at our opinion of the Market Value of the Subject Property, we have adopted the **Income Approach by Investment Method** as the primary approach and supported by the **Comparison Approach**.

Reconciliation of Values	Method of Valuation	Derivation of Values
	Income Approach by Investment Method	RM159,000,000
	Comparison Approach	RM159,000,000

Market Value RM159,000,000.

Income Approach by Investment Method A summary of parameters adopted in undertaking our assessment is scheduled below and overleaf.

Summary of Parameters	
Gross Rental Income	<p>Term: RM1.18 psf / month over total GFA (Current Term). RM1.30 psf / month over total GFA (Future Term).</p> <p>This is based on the committed rental (on triple net basis) of the unexpired term in accordance to the Lease Agreement. We note that the committed rentals are for the entirety of the Subject Property (Giant Hypermarket and the undeveloped lands) as expressly stipulated in the lease agreement.</p> <p>Reversionary: RM1.20 psf / month over total GFA (for Giant Hypermarket only, excluding the undeveloped lands).</p> <p>We have adopted an adjusted rental of RM1.50 per square foot after having considered and made diligent adjustment for differences including but not limited to the location / accessibility, market catchment, building condition / age, building design / specification and size.</p>
Void Allowance (Reversionary)	10.00%.
Allowance of Outgoings	Term: 2.00% of Gross Rental Income.
	Reversionary: 3.00% of Gross Rental Income.



6.3 MARKET VALUE (CONT'D)

Income Approach by Investment Method (Cont'd)

Summary of Parameters (Cont'd)

Capitalisation Rate	Term: 6.50% to 7.00%. A range of yield adopted under Term are benchmarked against prevailing market rate and adjusted +/- 25 basis point for every RM0.06 psf differences from market rent (analysed to be about 5% variance from Market Rent of RM1.20 psf) to reflect whether committed rental rates are under, over or at market rent. Presently, the current committed rentals are for the entirety of the Subject Property (Giant Hypermarket and the undeveloped lands) as stipulated in the lease agreement. In our analysis, the current passing rent of RM1.18 psf is deemed under market rent after having considered (i) the rental of the hypermarket (approximately RM1.20psf) after having benchmarked against the current rental of other selected retail malls / hypermarket buildings (ranging from RM1.79 psf to RM2.82 psf) within Klang Valley along with (ii) the rental of undeveloped lands (estimated to be at approximately RM0.25 psf) by comparing with other similar land(s) with ground lease located within Johor Bahru (ranging from RM0.12 psf to RM0.69 psf depending on the location, exposure, accessibility, zoning and size).
Reversionary	7.00%. We have adopted an adjusted net yield of 7.00% as the most probable expected rate of return as fair after having considered factors, amongst others, relating to the maturity of the mall, tenure and prevailing market condition.

Rental and Yield Analysis The rental and yield analysis adjustment(s) as shown below and overleaf.

Rental Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Rental Comparable 1	Rental Comparable 2	Rental Comparable 3
Property / Location	Undisclosed hypermarket located within Seri Kembangan, Selangor	Undisclosed hypermarket located within Setapak, Kuala Lumpur	Undisclosed retail mall within Rawang, Selangor
Current Passing Gross Rental (RM psf / month over GFA)	RM2.65 psf	RM2.82 psf	RM1.79 psf
Estimated Outgoings	30% of Gross Rental	30% of Gross Rental	15% of Gross Rental
Estimated Current Net Rental (RM psf / month over GFA)	RM1.86 psf	RM1.97 psf	RM1.52 psf
Adjustments	General adjustments are made for location / accessibility and size	General adjustments are made for location / accessibility, building condition / age and size	General adjustments are made for building design / specification and size
Adjusted Analysis	RM1.21 psf	RM1.18 psf	RM1.22 psf
Adopted Fair Rental	RM1.20 psf		

6.3 MARKET VALUE (CONT'D)

Yield Analysis of Hypermarket / Retail Mall Assets Located Within Klang Valley			
	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun	KIPMall Bangi
Year of Transaction	2021	2020	2016
Analysed Yield	7.18%	7.57%	8.95%
Commentary	<p>We have considered Giant Hypermarket Cheras as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>No adjustment was made for catchment as Giant Hypermarket Cheras similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Cheras.</p> <p>No adjustment was made for tenure as Giant Hypermarket Cheras similarly conveys interest in perpetuity.</p>	<p>We have considered Giant Hypermarket Jalan Kebun as a recent sale and the transacted yield is reflective of current market condition and no adjustment is made for prevailing market condition.</p> <p>No adjustment was made for catchment as Giant Hypermarket Jalan Kebun similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to Giant Hypermarket Jalan Kebun.</p> <p>No adjustment was made for tenure as Giant Hypermarket Jalan Kebun similarly conveys interest in perpetuity.</p>	<p>1.1We have considered KIPMall Bangi as a dated sale and the transacted yield should have been compressed for improved market condition since year 2016 as such a downward adjustment of 50 basis point is made for prevailing market condition. No adjustment was made for catchment as KIPMall Bangi similarly does not have any rail transit stations within walking distance, and with less than two (2) direct competitors within its one (1)-kilometre radius.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property is more matured as compared to KIPMall Bangi.</p> <p>A downward adjustment of 50 basis point was considered as the Subject Property conveys an interest in perpetuity.</p>
Adjusted Yield	6.93%	7.07%	7.45%
Adopted Yield	7.00%		

Comparison Approach

The adjustments made for the selected sales evidences of hypermarket and summarised the details in the table below and overleaf.

Sales Comparison and Analysis of Hypermarket Transactions			
	Comparable 1	Comparable 2	Comparable 3
Name	Lotus's Kajang	Giant Hypermarket Cheras	Giant Hypermarket Jalan Kebun
Consideration	RM79,900,000	RM72,100,000	RM30,500,000
Date of Transaction	24 September 2021	8 March 2021	10 November 2020
Analysis (Over GFA)	RM254.50 per square foot	RM242.93 per square foot	RM267.10 per square foot

6.3 MARKET VALUE (CONT'D)

Sales Comparison and Analysis of Hypermarket Transactions (Cont'd)			
	Comparable 1	Comparable 2	Comparable 3
Adjustments	General adjustments are made for location, accessibility, gross floor area and building specifications / quality / design	General adjustments are made for location, gross floor area and building specifications / quality / design	General adjustments are made for location, gross floor area and building specifications / quality / design
Adjusted Value	RM178.15 per square foot	RM182.19 per square foot	RM186.97 per square foot

Valuation Rationale - Hypermarket

From the above adjusted values, we note that the derived values ranged between RM178.15 per square foot and RM186.97 per square foot. In view of limited recorded transactions of identical hypermarkets in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

Although total adjustments (in excess of 40%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as most of the selected comparable(s) are considered to have relatively similar attributes as compared to the Subject Property. With total effective adjustments made for all Comparable(s); we have placed greater reliance on Comparable 2 after having considered it to be with the least dissimilarities (excluding Comparable 1). We did not adopt Comparable 1 albeit being the latest sale transaction because the sale transaction has not been fully concluded as at the date of valuation. Based on the foregoing, we have thus adopted RM182.19 per square foot to arrive at the hypermarket value of RM 132,294,640.

We have further added the land value for Lot 121289 and Lot 64279 which are currently being used as additional / surplus open car park space. Based on the ABP, we noted a surplus of 263 bays situated on Lot 121289 and a surplus of 279 bays situated on Lot 64279 as opposed to the overall minimum car park requirement of 436 bays. Thus, we have assessed Lot 121289 and Lot 64279 on the highest and best use as a parcel of redevelopment commercial land and a parcel of redevelopment industrial land respectively.

Commercial Land

The adjustments made for the selected sales evidences of vacant commercial land and summarised details are shown in the table below and overleaf.

Sales Comparison and Analysis of Commercial Land Transactions			
	Comparable 1	Comparable 2	Comparable 3
Legal Description	Lot PTD 240098 held under Title No. HSD 599186, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Lots PTD 244132 and PTD 244133 held under Title Nos. HSD 606467 and HSD 606468, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Lot 28073 held under Title No. GRN 504836, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim
Type of Property	A parcel of commercial land	Two (2) parcels of commercial land	A parcel of commercial land
Land Area	153,203 square feet	484,088 square feet	85,132 square feet

6.3 MARKET VALUE (CONT'D)

Sales Comparison and Analysis of Commercial Land Transactions (Cont'd)			
	Comparable 1	Comparable 2	Comparable 3
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM17,848,150	RM40,500,000	RM11,067,120
Date of Transaction	25 March 2022	4 January 2021	2 August 2021
Analysis	RM116.50 per square foot	RM83.66 per square foot	RM130.00 per square foot
Vendor	Syarikat Kim Loong Sdn Bhd	Seri Alam Properties Sdn Bhd	Daiman Development Berhad
Purchaser	TMG Hartanah Sdn Bhd	KII Melodia Sdn Bhd	Sumber Alpha Sdn Bhd
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)		
Adjustments	General adjustments are made for zoning	General adjustments are made for location, land size and zoning	General adjustments are made for land size and zoning
Adjusted Value	RM104.85 per square foot	RM92.03 per square foot	RM110.50 per square foot

Valuation Rationale – Commercial Land

From the above adjusted values, we note that the derived values ranged between RM92.03 per square foot and RM110.50 per square foot. In view of limited recorded transactions of identical land sales transactions in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued. Although total adjustments (in selected comparable(s) are up to 30%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as the selected comparable(s) are located within the same locality and to have relatively similar attributes as compared to the Subject Property.

With total effective adjustments made for all comparable(s), we have placed greater reliance on Comparable 1 (being the most recent sale and least adjusted comparable) after having considered and made diligent adjustments for zoning.

Based on the foregoing, we have adopted RM104.85 per square foot as the commercial land value to arrive at the commercial land value of RM 16,761,936.

Industrial Land

The adjustments made for the selected sales evidences of vacant industrial land and summarised details are shown in the table below and overleaf.

Sales Comparison and Analysis of Industrial Land Transactions			
	Comparable 1	Comparable 2	Comparable 3
Legal Description	Lot 72982 held under Title No. GRN 65297, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Lot 72956 held under Title No. GRN 65272, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Lot 168496 held under Title No. GRN 392941, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim
Type of Property	A parcel of industrial land	A parcel of industrial land	A parcel of industrial land
Land Area	19,095 square feet	17,007 square feet	77,511 square feet

6.3 MARKET VALUE (CONT'D)

Sales Comparison and Analysis of Industrial Land Transactions (Cont'd)			
	Comparable 1	Comparable 2	Comparable 3
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Consideration	RM1,145,710	RM1,100,000	RM5,398,786
Date of Transaction	21 April 2022	3 January 2022	16 October 2021
Analysis	RM60.00 per square foot	RM64.68 per square foot	RM69.65 per square foot
Vendor	Wisdom Lead Import & Export (M) Sdn Bhd	Lee Teoh Yong	Elite Corridor Sdn Bhd
Purchaser	Wong Ka Seng	Lau Siong & Sons Sdn Bhd	Teo Tuan Kwee Sdn Bhd
Source	Jabatan Penilaian dan Perkhidmatan Harta (JPPH)		
Adjustments	General adjustments are made for land size and zoning	General adjustments are made for land size and zoning	General adjustments are made for land size and zoning
Adjusted Value	RM48.00 per square foot	RM51.74 per square foot	RM59.20 per square foot

Valuation Rationale – Industrial Land (erected with temporary buildings)

From the above adjusted values, we note that the derived values ranged between RM48.00 per square foot and RM59.20 per square foot. In view of limited recorded transactions of identical land sales transactions in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly similar properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued. Although total adjustments (in selected comparable(s) are up to 30%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as the selected comparable(s) are located within the same locality and to have relatively similar attributes as compared to the Subject Property.

With total effective adjustments made for all comparable(s), we have placed greater reliance on Comparable 1 (being the most recent sale) after having considered and made diligent adjustments for land size and zoning.

Based on the foregoing, we have adopted RM48.00 per square foot as fair representation of the industrial land value and have further allocated and considered a quantitative adjustment amounting to RM78,760 to be incurred over 3 months period (works relating to demolition of the existing temporary buildings / structures erected thereon and discounted at a rate of 4.00%). A development period of 3 months was considered to reflect the time required to reinstate the land prior any development being able to take place. After having considered the industry average costing as derived from analysis of other awarded contracts of similar work (ranging from RM5.00 per square foot to RM15.00 per square foot), we have allocated RM10.00 per square foot over the total GFA of the existing temporary buildings / structures constructed thereon as fair and adequate.

6.3 MARKET VALUE (CONT'D)

Valuation Rationale –
Industrial Land (erected
with temporary buildings)
(Cont'd)

In our opinion, the lack of land transactions (as investment asset) in the market has resulted in continued difficulties in assessing a benchmark for yields. From our investigation and informal survey from land owners in Malaysia, the most probable expected return would be in the region of 3.00% - 4.00%; and thus, we have adopted 4.00% as fair representation.

Description	Adopted Value / Cost	Value
Total Land Area: 206,193 sf (Industrial land erected with temporary buildings)	RM48.00 per square foot	RM9,897,279
(Less) Demolition Cost of Temporary Buildings : 7,876 sf	RM10.00 per square foot	(RM78,760)
Sub-Total		RM9,818,519
Present Value at a Discount Rate of 4.00% for a period of 0.25 years		0.9902
Market Value of Industrial Land (erected with temporary buildings)		RM9,722,717

We have then added the commercial land value of RM16,761,936 and industrial land value of RM9,722,717 to the Market Value of the hypermarket of RM132,294,640 and arrived at a total Market Value of RM158,779,293. Based on the foregoing, we have thus adopted a rounded value of RM159,000,000 (analysed to be RM218.97 per square foot over GFA) in our valuation as fair representation by using Comparison Approach.

APPENDIX V – REPORTING ACCOUNTANTS’ LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION



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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SUNWAY REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES AS AT 31 DECEMBER 2022 TOGETHER WITH THE REPORTING ACCOUNTANTS’ LETTER

(Prepared for inclusion in the Circular to Unitholders)

RHB Trustees Berhad
(As Trustee for Sunway Real Estate Investment Trust)
Level 11, Tower Three
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur

Board of Directors
Sunway REIT Management Sdn. Bhd.
Level 15, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
47500 Subang Jaya
Selangor Darul Ehsan

31 May 2023

Dear Sirs,

**SUNWAY REAL ESTATE INVESTMENT TRUST (“SUNWAY REIT”)
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statement of financial position of Sunway REIT as at 31 December 2022 (“Pro Forma Consolidated Statement of Financial Position”) together with the notes thereon. The Pro Forma Consolidated Statement of Financial Position as set out in Appendix I (which we have stamped for purpose of identification), have been compiled by the Directors of Sunway REIT Management Sdn. Bhd. (the “Manager”) for inclusion in the Circular to Unitholders of Sunway REIT to be issued in connection with the proposed acquisition of six hypermarkets / retail complexes by RHB Trustees Berhad, on behalf of Sunway REIT from Kwasa Properties Sdn. Bhd. for a total cash consideration of RM520.0 million (“Purchase Consideration”) (“Proposed Acquisition”).

The applicable criteria on the basis of which the Board of Directors of the Manager have compiled the Pro Forma Consolidated Statement of Financial Position are described in Note 2 of Appendix I.

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors of the Manager for illustrative purposes only, to show the effects on the audited Consolidated Statement of Financial Position of Sunway REIT as at 31 December 2022, had the Proposed Acquisition been effected as at 31 December 2022. As part of this process, information in the Pro Forma Consolidated Statement of Financial Position has been extracted from Sunway REIT’s audited Consolidated Statement of Financial Position as at 31 December 2022.

DIRECTORS’ RESPONSIBILITIES FOR THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Board of Directors of the Manager are solely responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis set out in Note 2 of Appendix I.

BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), Chartered Accountants, a Limited Liability Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



OUR QUALITY MANAGEMENT AND INDEPENDENCE

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS’ RESPONSIBILITIES

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material aspects, by the Board of Directors of the Manager on the basis set out in Note 2 of Appendix I.

We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements, and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Manager have compiled, in all material aspects, the Pro Forma Consolidated Statement of Financial Position in accordance with the basis set out in Note 2 of Appendix I.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information or any adjustments made in compiling the Pro Forma Consolidated Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

The purpose of Pro Forma Consolidated Statement of Financial Position included in the Circular to Unitholders of Sunway REIT is solely to illustrate the impact of the Proposed Acquisition on the audited Consolidated Statement of Financial Position of Sunway REIT as at 31 December 2022 as if the Proposed Acquisition had been effected as at 31 December 2022. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material aspects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Manager in the compilation of the Pro Forma Consolidated Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the audited Consolidated Statement of Financial Position of Sunway REIT as at 31 December 2022.



REPORTING ACCOUNTANTS’ RESPONSIBILITIES (continued)

The procedures selected depend on our judgement, having regard to our understanding of the nature of Sunway REIT, the Proposed Acquisition for which the Pro Forma Consolidated Statement of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material aspects, by the Board of Directors of the Manager on the basis set out in Note 2 of Appendix I using the financial statements prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and

Each material adjustment made to the information (extracted from Sunway REIT’s audited Consolidated Statement of Financial Position as at 31 December 2022) used in the preparation of the Pro Forma Consolidated Statement of Financial Position is appropriate for the purpose of preparing the Pro Forma Consolidated Statement of Financial Position.

OTHER MATTERS

The report has been prepared solely for the purpose of inclusion in the Circular to Unitholders of Sunway REIT in connection with the Proposed Acquisition and, as such, this report should not be used for any other purpose. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary of the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink that reads 'BDO PLT'. The letters are slanted and written in a cursive style.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants
Kuala Lumpur

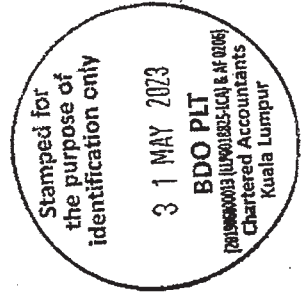
APPENDIX V – REPORTING ACCOUNTANTS’ LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Appendix I

**SUNWAY REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022**

	Audited Consolidated Statement of Financial Position as at 31.12.2022 RM'000	Adjustments for SMC Disposal RM'000	Pro Forma I After the SMC Disposal RM'000	Adjustments for Proposed Acquisition RM'000	Pro Forma II After the Proposed Acquisition RM'000
ASSETS					
Non-current assets					
Investment properties	8,622,501		8,622,501	593,000	9,215,501
Investment properties - accrued lease income	48,499		48,499		48,499
Plant and equipment	15,781		15,781		15,781
Right-of-use asset	795		795		795
	8,687,576		8,687,576		9,280,576
Current assets					
Trade receivables	25,156		25,156		25,156
Other receivables	19,401		19,401		19,401
Cash and bank balances	251,238		251,238	(6,833)	244,405
	295,795		295,795		288,962
Non-current asset held for sale	430,000	(430,000)	-		-
TOTAL ASSETS	9,413,371		8,983,371		9,569,538

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APPENDIX V – REPORTING ACCOUNTANTS’ LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SUNWAY REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

Appendix I

	Note	Audited Consolidated Statement of Financial Position As at 31.12.2022 RM'000	Adjustments for SMC Disposal RM'000	Pro Forma I After the SMC Disposal RM'000	Adjustments for Proposed Acquisition RM'000	Pro Forma II After the Proposed Acquisition RM'000
EQUITY AND LIABILITIES						
Equity						
Unitholders' capital		3,433,864		3,433,864		3,433,864
Undistributed income	4.4	1,754,397		1,754,397	66,167	1,820,564
Total Unitholders' funds		5,188,261		5,188,261		5,254,428
Perpetual note holders' funds		339,717		339,717		339,717
Total equity		5,527,978		5,527,978		5,594,145
Non-current liabilities						
Borrowings	4.5	1,900,000		1,900,000		1,900,000
Long term liabilities		84,964		84,964		84,964
Deferred tax liability	4.6	11,631		11,631		11,631
Lease liability		822		822		822
		1,997,417		1,997,417		1,997,417

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APPENDIX V – REPORTING ACCOUNTANTS’ LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Appendix I

**SUNWAY REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022**

EQUITY AND LIABILITIES (continued)	Note	Audited Consolidated Statement of Financial Position As at 31.12.2022 RM'000	Adjustments for SMC Disposal RM'000	Pro Forma I After the SMC Disposal RM'000	Adjustments for Proposed Acquisition RM'000	Pro Forma II After the Proposed Acquisition RM'000
Current liabilities						
Borrowings	4.5	1,636,777	(416,000)	1,220,777	520,000	1,740,777
Trade payables		16,746		16,746		16,746
Other payables	4.7	218,027	(3,223)	214,804		214,804
Derivatives		5,610		5,610		5,610
Deferred tax liability	4.6	10,777	(10,777)	-		-
Lease liability		39		39		39
		<u>1,887,976</u>		<u>1,457,976</u>		<u>1,977,976</u>
Total liabilities		<u>3,885,393</u>		<u>3,455,393</u>		<u>3,975,393</u>
TOTAL EQUITY AND LIABILITIES		<u>9,413,371</u>		<u>8,983,371</u>		<u>9,569,538</u>
Total asset value		9,413,371		8,983,371		9,569,538
Total gross borrowings	4.5	3,537,013		3,121,013		3,641,013
Gearing (total gross borrowings/total asset value)		<u>37.6%</u>		<u>34.7%</u>		<u>38.0%</u>
Units in circulation ('000)		3,424,808		3,424,808		3,424,808
Net asset value attributable to Unitholders		5,188,261		5,188,261		5,254,428
Net asset value per unit attributable to Unitholders (RM)		<u>1.5149</u>		<u>1.5149</u>		<u>1.5342</u>

Stamped for
 the purpose of
 identification only
 31 MAY 2023
BDO PLT
 Chartered Accountants
 Kuala Lumpur

APPENDIX V – REPORTING ACCOUNTANTS’ LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SUNWAY REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

Appendix I

1. INTRODUCTION

This pro forma consolidated statement of financial position of Sunway Real Estate Investment Trust (“Sunway REIT”) as at 31 December 2022 (“Pro Forma Consolidated Statement of Financial Position”) has been prepared for illustrative purpose only for inclusion in the Circular to Unitholders of Sunway REIT (“Circular”) to be issued in connection with the proposed acquisition of six hypermarkets / retail complexes by RHB Trustees Berhad, on behalf of Sunway REIT from Kwasa Properties Sdn. Bhd. for a total cash consideration of RM520.0 million (“Purchase Consideration”) (“Proposed Acquisition”). The market value of the six hypermarkets / retail complexes ascribed in the valuation certificate by the independent registered valuer appointed by RHB Trustees Berhad, as trustee for Sunway REIT, is RM593.0 million.

The Pro Forma Consolidated Statement of Financial Position is prepared for illustrative purposes only, to show the effects of the Proposed Acquisition on the audited Consolidated Statement of Financial Position of Sunway REIT as at 31 December 2022, had the Proposed Acquisition been effected as at 31 December 2022, as set out in Note 3 below.

As the Pro Forma Consolidated Statement of Financial Position is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Proposed Acquisition on the financial position of Sunway REIT and its subsidiaries (the “Group”) presented had the transactions or events occurred on 31 December 2022. Furthermore, such information does not purport to predict the Group’s future financial position.

2. BASIS OF PREPARATION

The Pro Forma Consolidated Statement of Financial Position, for which the Board of Directors of Sunway REIT Management Sdn. Bhd. (the “Manager”) is solely responsible, are for illustrative purposes only and have been prepared based on:

- a) The audited consolidated statement of financial position of Sunway REIT as at 31 December 2022, which has been prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards;

The accounting policies and bases, which are consistent with those previously adopted in the preparation of the audited financial statements of the Group for the financial year ended 31 December 2022, to show the effects of the Proposed Acquisition on the assumption that the Proposed Acquisition stated in Note 1 had been effected as at 31 December 2022; and

The historical financial information of the Group is presented in Ringgit Malaysia (“RM”), which is also Sunway REIT’s functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

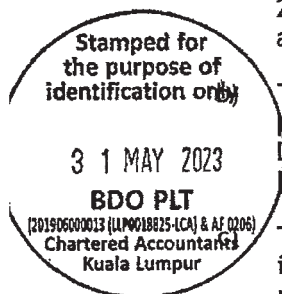
3. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AFTER INCORPORATING THE EFFECTS OF PROPOSED ACQUISITION

Pro Forma I

Pro Forma I is stated after incorporating the effect of the SMC Disposal as follows:

Adjustment for SMC Disposal

The adjustment for SMC disposal illustrates the effect of the proposed disposal of 2 parcels of leasehold lands held under PN 12549 Lot 38160 and PN 12550 Lot 45 situated in Bandar Sunway, Daerah Petaling, Negeri Selangor together with a 7-storey medical centre with a lower ground floor car park, an elevated car park and a convention centre known as Sunway Medical Centre (Tower A & B) (“SMC”) by RHB Trustees Berhad, on behalf of Sunway REIT to Sunway Medical Centre Sdn. Bhd., for a total cash consideration of RM430.0 million (“SMC Disposal”) on the audited Consolidated Statement of Financial Position of the Sunway REIT as at 31 December 2022, which is pending fulfilment of the conditions precedent as at 15 May 2023, being the latest practicable date before the printing of the Circular to Unitholders of Sunway REIT in connection with the Proposed Acquisition.



APPENDIX V – REPORTING ACCOUNTANTS’ LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SUNWAY REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

Appendix I

3. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AFTER INCORPORATING THE EFFECTS OF THE PROPOSED ACQUISITION (continued)

Pro Forma I (continued)

Adjustment for SMC Disposal (continued)

For illustrative purposes, the gross proceeds of RM430,000,000 from the SMC Disposal is to be used for repayment of borrowings and payment of estimated expenses, including real property gains tax in relation to the SMC Disposal, which have been accrued as at 31 December 2022 by Sunway REIT.

Correspondingly, the SMC Disposal would give rise to the following:

- i. decrease in non-current asset held for sale by RM430,000,000;
- ii. decrease in borrowings by RM416,000,000;
- iii. decrease in other payables by RM3,223,000; and
- iv. decrease in deferred tax liability by RM10,777,000.

Pro Forma II

Pro Forma II is stated after Pro Forma I and incorporating the effect of the Proposed Acquisition as follows:

Adjustment for the Proposed Acquisition

The adjustment for the Proposed Acquisition illustrates the effect of the Proposed Acquisition on the audited Consolidated Statement of Financial Position of Sunway REIT as at 31 December 2022.

For illustrative purposes, the purchase consideration of RM520,000,000 for the Proposed Acquisition is to be satisfied in cash via funding from Sunway REIT’s existing debt facilities.

Correspondingly, the Proposed Acquisition would give rise to the following:

- i. increase in investment properties by RM593,000,000 taking into account (1) the Purchase Consideration, (2) the estimated expenses in relation to the Proposed Acquisition of RM6,833,000, which would be capitalised as part of the investment properties, and (3) the net unrealised fair value of approximately RM66,167,000, which is immediately recognised upon the completion of the Proposed Acquisition;
- ii. decrease in cash and bank balances by RM6,833,000;
- iii. increase in borrowings by RM520,000,000; and
- iv. increase in undistributed income by RM66,167,000.

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APPENDIX V – REPORTING ACCOUNTANTS’ LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SUNWAY REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES Appendix I
 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

4. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

4.1 Investment properties

	RM'000
As per audited consolidated statement of financial position (“CSOFP”) of Sunway REIT as at 31 December 2022 / As per Pro Forma I	8,622,501
Acquisition of the six hypermarkets / retail complexes	520,000
Estimated expenses in relation to the Proposed Acquisition	6,833
Net unrealised fair value gain on the six hypermarkets / retail complexes	<u>66,167</u>
As per Pro Forma II	<u><u>9,215,501</u></u>

4.2 Cash and bank balances

	RM'000
As per audited CSOFP of Sunway REIT as at 31 December 2022 / As per Pro Forma I	251,238
Estimated expenses in relation to the Proposed Acquisition	<u>(6,833)</u>
As per Pro Forma II	<u><u>244,405</u></u>

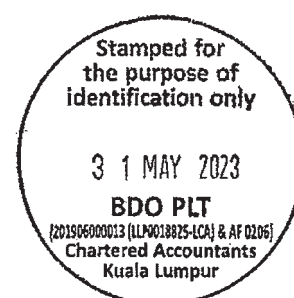
4.3 Non-current asset held for sale

	RM'000
As per audited CSOFP of Sunway REIT as at 31 December 2022	430,000
Disposal of SMC	<u>(430,000)</u>
As per Pro Forma I / Pro Forma II	<u><u>-</u></u>

4.4 Undistributed income

	RM'000
As per audited CSOFP of Sunway REIT as at 31 December 2022 / As per Pro Forma I	1,754,397
Net unrealised fair value gain on the six hypermarkets / retail complexes	<u>66,167</u>
As per Pro Forma II	<u><u>1,820,564</u></u>

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APPENDIX V – REPORTING ACCOUNTANTS’ LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SUNWAY REAL ESTATE INVESTMENT TRUST AND ITS SUBSIDIARIES Appendix I
 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

4. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (continued)

4.5 Borrowings and total gross borrowings

	RM’000
As per audited CSOFP of Sunway REIT as at 31 December 2022	3,536,777
Repayment of borrowings in relation to SMC Disposal	<u>(416,000)</u>
As per Pro Forma I	3,120,777
Drawdown of borrowings in relation to Proposed Acquisition	<u>520,000</u>
As per Pro Forma II	<u><u>3,640,777</u></u>

Reconciliation of the audited carrying amount of borrowings to total gross borrowings as at 31 December 2022:

	RM’000
As per audited CSOFP of Sunway REIT as at 31 December 2022	3,536,777
Unamortised transaction costs	<u>236</u>
Total gross borrowings of Sunway REIT as at 31 December 2022	3,537,013
Repayment of borrowings in relation to SMC Disposal	<u>(416,000)</u>
As per Pro Forma I	3,121,013
Drawdown of borrowings in relation to Proposed Acquisition	<u>520,000</u>
As per Pro Forma II	<u><u>3,641,013</u></u>

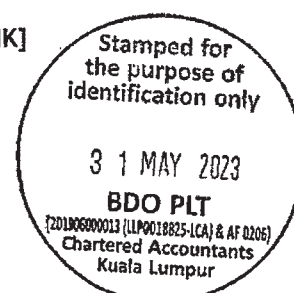
4.6 Deferred tax liability

	RM’000
As per audited CSOFP of Sunway REIT as at 31 December 2022	22,408
Realisation of real property gains tax in relation to SMC Disposal	<u>(10,777)</u>
As per Pro Forma I / Pro Forma II	<u><u>11,631</u></u>

4.7 Other payables

	RM’000
As per audited CSOFP of Sunway REIT as at 31 December 2022	218,027
Estimated expenses in relation to SMC Disposal	<u>(3,223)</u>
As per Pro Forma I / Pro Forma II	<u><u>214,804</u></u>

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APPENDIX VI – PROPOSED SALIENT TERMS OF THE NOVATION AGREEMENTS

As at LPD, the Trustee, Vendor and Lessee have yet to finalise the terms of the Novation Agreements. Accordingly, the following proposed salient terms of the Novation Agreements, which consist of standard provisions typically included in such agreements, are subject to change. Further, there may be additional specific terms to be included into each of the Novation Agreements for the respective Hypermarkets / Retail Complexes.

- (1) the Vendor shall assign, novate, transfer, and convey to the Trustee, all its rights, interest, benefits, duties and obligations whatsoever vested in the Vendor under the Lease Agreements;
- (2) the Vendor shall cease to be a party to the Lease Agreements and the Trustee shall become a party to it in place of the Vendor. The Vendor shall be released from all covenants, obligations and liabilities under the Lease Agreements and shall have no rights and interest under the Lease Agreements;
- (3) the Trustee undertakes with the Vendor and the Lessee to accept, observe, perform and discharge all covenants and obligations of the Vendor and all other terms, conditions, stipulations and agreements on the part of the Vendor to be performed or complied with pursuant to the Lease Agreements in substitution of the Vendor;
- (4) the Trustee agrees and consents to the Novation Agreements and to the substitution of the Trustee in place of the Vendor effective from the Completion Date (“**Effective Date**”) and that the Trustee shall be entitled to exercise and enjoy all benefits, rights and interest imposed upon and vested in the Vendor under the Lease Agreements in substitution of the Vendor. The Lessee shall undertake:
 - (a) to continue to perform the Lease Agreements and to be bound by its terms in all respects and make payment to the Trustee of the rentals and any other moneys payable under the Lease Agreements for the period after the Effective Date; and
 - (b) to procure and deliver to the Trustee a bank guarantee (renewable annually) made in favour of the Trustee for a sum equivalent to the aggregate of three months’ rent of the Properties payable as security deposit under the terms of the Lease Agreements.
- (5) the Lessee confirms that the Lessee does not have any claims, demand, action, proceeding or litigation against the Vendor before the Effective Date.

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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)

NOTICE OF UNITHOLDERS' MEETING

NOTICE IS HEREBY GIVEN THAT a meeting of unitholders of Sunway Real Estate Investment Trust (“**Sunway REIT**”) (“**Unitholders**”) (“**Unitholders’ Meeting**”) will be held **virtually** through livestreaming 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 (“**Broadcast Venue**”) on Thursday, 15 June 2023 at 3:00 p.m., or at any adjournment thereof, to consider and, if thought fit, to pass the following resolution with or without any modifications:

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF SIX HYPERMARKETS / RETAIL COMPLEXES BY RHB TRUSTEES BERHAD, ON BEHALF OF SUNWAY REIT FROM KWASA PROPERTIES SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM520.0 MILLION (“PROPOSED ACQUISITION”)

“**THAT** contingent upon the fulfilment of the conditions precedent under the sale and purchase agreement dated 16 March 2023 (“**SPA**”) entered into between RHB Trustees Berhad, on behalf of Sunway REIT (“**Trustee**”) and Kwasa Properties Sdn Bhd (“**Vendor**”), a wholly-owned subsidiary of the Employees Provident Fund Board, and subject to all approvals being obtained from the relevant authorities and parties (if required), approval be and is hereby given for the Trustee to acquire the following properties from the Vendor for a total cash consideration of RM520.0 million upon such terms and conditions as set out in the SPA:

- (i) a piece of freehold land held under HSD 105861, Lot PT 37328, Mukim and District of Petaling, State of Selangor together with a 2 ½-storey hypermarket / retail complex erected thereon with a total of 774 car parking bays (inclusive of covered and surface car parking bays);
- (ii) a piece of freehold land held under HSD 151035, Lot PT 21523, Mukim Damansara, District of Petaling, State of Selangor together with a 2-storey hypermarket / retail complex with a 1-storey mezzanine floor erected thereon with a total of 423 car parking bays (inclusive of covered and surface car parking bays);
- (iii) a piece of freehold land held under HSM 11317, Lot PT 15216, Pekan Subang Jaya, Mukim Damansara, District of Petaling, State of Selangor together with a 3 ½-storey hypermarket / retail complex erected thereon with a total of 792 car parking bays (inclusive of covered and surface car parking bays);
- (iv) a piece of freehold land held under GRN 128054, Lot 83639, Pekan Pandamaran, District of Klang, State of Selangor together with a 1-storey hypermarket / retail complex with a mezzanine floor erected thereon with a total of 1,100 surface car parking bays;
- (v) two pieces of freehold land held under GRN 269979, Lot 13796 and GRN 269978, Lot 13793, all in Section 1, Bandar Ulu Kelang, District of Gombak, State of Selangor together with a 3-storey hypermarket with a 2-storey retail complex and one level of basement carpark erected on both pieces of land with a total of 165 car parking bays; and
- (vi) three pieces of freehold land held under (a) GRN 428511, Lot 84421 (“**Plentong Land 1**”) (b) GRN 73013, Lot 64279 and (c) GRN 430454, Lot 121289, all in Mukim Plentong, District of Johor Bahru, State of Johor together with a 1-storey hypermarket with a mezzanine floor and 3-storey retail complex erected on Plentong Land 1 with a total of 1,239 car parking bays (inclusive of covered, rooftop and surface car parking bays).

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

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

**By Order of the Board of Directors of
SUNWAY REIT MANAGEMENT SDN BHD**
(Registration No.: 200801005046 (806330-X))
(Manager for Sunway REIT)

TAN KIM AUN (MAICSA 7002988) (SSM PC NO. 202008001249)
LEE CHUN SHIAN (MAICSA 7064123) (SSM PC NO. 202108000401)
Company Secretaries

Bandar Sunway
31 May 2023

Notes:

1. *The Unitholders' Meeting will be held **virtually** through livestreaming and online remote voting using the **Digital Ballot Form** provided by the appointed Poll Administrator for the Unitholders' Meeting, Mega Corporate Services Sdn Bhd ("**Mega**"). The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the chairperson to be present at the main venue of the meeting. **No Unitholders/proxies** from the public will be physically present at the Broadcast Venue. Unitholders who wish to participate in the Unitholders' Meeting will therefore have to register via the link <https://vps.megacorp.com.my/rCb1O7>. Kindly refer to the Administrative Notes for further information.*
2. *For the purpose of determining a Unitholder who shall be entitled to participate and vote remotely at the Unitholders' Meeting, Sunway REIT shall be requesting the Record of Depositors as at 8 June 2023. Only a depositor whose name appears on the Record of Depositors as at 8 June 2023 shall be entitled to participate in the Unitholders' Meeting or appoint proxies to participate and vote remotely on his/her behalf. A proxy may but need not be a Unitholder.*
3. *A Unitholder may appoint up to 2 proxies to participate and vote remotely at the same meeting.*
4. *Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**"), it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds with units of Sunway REIT standing to the credit of the said securities account.*
5. *Where a Unitholder 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.*
6. *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.*
7. *If a Unitholder has appointed a proxy or proxies (not more than 2 proxies) to participate in the Unitholders' Meeting and subsequently he/she participates in the Unitholders' Meeting, the appointment of such proxy shall be null and void, and his/her proxy shall not be entitled to participate in the Unitholders' Meeting.*
8. *The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.*

9. *The instrument appointing a proxy and/or representative (“**Proxy Form**”) and the power of attorney (if any) under which it is signed or authorised certified copy thereof must be deposited to Mega at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia or submitted via email to UM-support.SunwayREIT@megacorp.com.my, not later than Wednesday, 14 June 2023 at 3:00 p.m., being 24 hours before the date and time appointed for holding the Unitholders’ Meeting or any adjournment thereof. You also have the option to register directly at <https://vps.megacorp.com.my/rCb1O7> to submit the proxy appointment electronically not later than Wednesday, 14 June 2023 at 3:00 p.m. For further information on the submission of proxy appointment electronically, kindly refer to the Administrative Notes.*
10. *Please ensure ALL the particulars as required in the Proxy Form are completed, signed and dated accordingly. If no name is inserted in the space for the name of your proxy, the Chairman of the Unitholders’ Meeting will act as your proxy.*

Personal Data Privacy

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 the Unitholders’ Meeting and any adjournment thereof, 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 Unitholders’ Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Unitholders’ Meeting (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;*
- (ii) *warranting that where the Unitholder 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 Unitholder 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.

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PROXY FORM UNITHOLDERS' MEETING

SUNWAY REIT MANAGEMENT SDN BHD

(Registration No. 200801005046 (806330-X))

Manager for Sunway Real Estate Investment Trust

Number of units held	
CDS Account No.	

Registered Office:

Level 16, Menara Sunway, Jalan Lagoon Timur

Bandar Sunway, 47500 Subang Jaya

Selangor Darul Ehsan, Malaysia

Tel: (603) 5639 8889 Fax: (603) 5639 9507

I/We*

NRIC/Passport/Registration No.*

(Full name in block)

of

(Address)

with email address

mobile phone no. _____

being a unitholder of Sunway Real Estate Investment Trust ("**Sunway REIT**") hereby appoint:

1ST PROXY 'A'

Full Name (in Block)	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			
Email Address			
Mobile Phone No.			

and/or failing *him/her,

2ND PROXY 'B'

Full Name (in Block)	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			
Email Address			
Mobile Phone No.			

or failing *him/her, the Chairman of the Unitholders' Meeting of Sunway REIT ("**Unitholders' Meeting**") as *my/our proxy/proxies to participate and vote remotely for *me/us and on *my/our behalf at the Unitholders' Meeting to be held **virtually** through livestreaming 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 ("**Broadcast Venue**") on Thursday, 15 June 2023 at 3:00 p.m. or at any adjournment thereof.



*My/our proxy/proxies shall vote as follows:

Please indicate with an "X" in the appropriate spaces how you wish your votes to be casted. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolutions at his/her/their discretion.

ORDINARY RESOLUTION		FIRST PROXY		SECOND PROXY	
		FOR	AGAINST	FOR	AGAINST
1.	Proposed Acquisition				

Dated this _____ day of _____ 2023

Signature of Unitholder(s) / Common Seal

Notes:

1. The Unitholders' Meeting will be held **virtually** through live streaming and online remote voting using the Digital Ballot Form provided by the appointed Poll Administrator for the Unitholders' Meeting, Mega Corporate Services Sdn Bhd ("**Mega**"). The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the chairperson to be present at the main venue of the meeting. **No Unitholders/proxies** from the public will be physically present at the Broadcast Venue. Unitholders who wish to participate in the Unitholders' Meeting will therefore have to register via the link <https://vps.megacorp.com.my/rCb1O7>. Kindly refer to the Administrative Notes for further information.
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3. A Unitholder may appoint up to 2 proxies to participate and vote remotely at the same meeting.
4. Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**"), it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds with units of Sunway REIT standing to the credit of the said securities account.
5. Where a Unitholder 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.
6. 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.
7. If a Unitholder has appointed a proxy or proxies (not more than 2 proxies) to participate in the Unitholders' Meeting and subsequently he/she participates in the Unitholders' Meeting, the appointment of such proxy shall be null and void, and his/her proxy shall not be entitled to participate in the Unitholders' Meeting.
8. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
9. The instrument appointing a proxy and/or representative ("**Proxy Form**") and the power of attorney (if any) under which it is signed or authorised certified copy thereof must be deposited to Mega at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia or submitted via email to UM-support.SunwayREIT@megacorp.com.my not later than Wednesday, 14 June 2023 at 3:00 p.m., being 24 hours before the date and time appointed for holding the Unitholders' Meeting or any adjournment thereof. You also have the option to register directly at <https://vps.megacorp.com.my/rCb1O7> to submit the proxy appointment electronically not later than Wednesday, 14 June 2023 at 3:00 p.m.. For further information on the submission of proxy appointment electronically, kindly refer to the Administrative Notes.
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- (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 Unitholders' Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Unitholders' Meeting (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;
- (ii) warranting that where the Unitholder 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 Unitholder 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.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

Poll Administrator
SUNWAY REAL ESTATE INVESTMENT TRUST
c/o Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan
Malaysia

1st fold here
