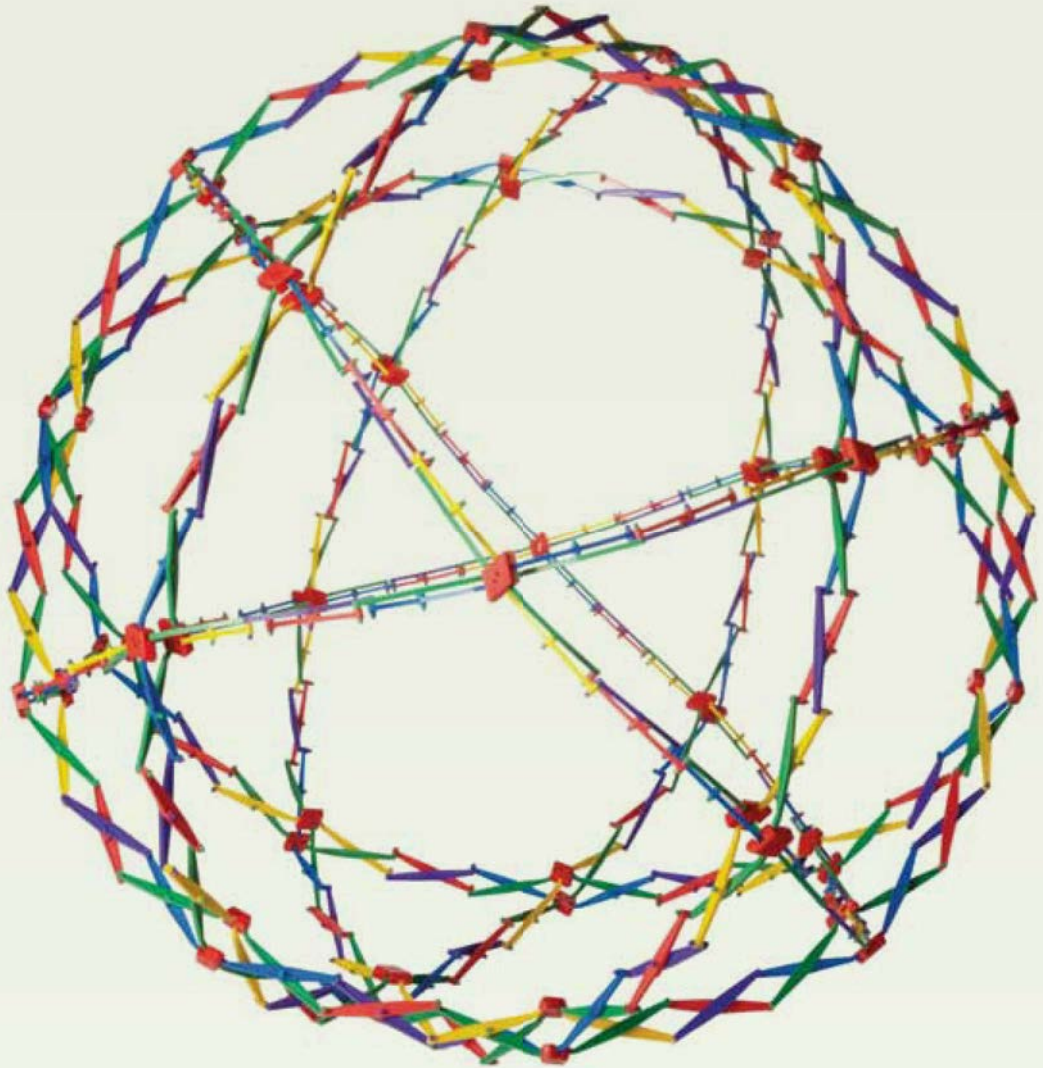


**FORMED BY VALUES**  
ANNUAL REPORT 2016



## RATIONALE

Akin to the Hoberman Sphere's isokinetic structure that has the capability to expand with consistent growth, Sunway REIT is formed by values that have produced successful strategies translating into steady growth, ensuring sustainable financial returns to all stakeholders.



### DISCLAIMER:

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



## VITAL ATTRIBUTES

- Snap Shot View 6
- Vision, Mission, Values, Growth  
Strategies and Strategic Objectives 7
- Corporate Profile 9
- Corporate Information 10
- Message from the Chairman 11
- Salient Features 18
- Key Milestones 19
- Financial Highlights 20
- Value Added Statement 25
- Trading Performance 26
- Awards and Recognition 30



## FIRM FOUNDATIONS

- Trust Structure 34
- Organisation Structure 35
- Board of Directors 36
- Management Team 42
- Corporate Governance Statement 44



## EFFECTUAL GROWTH

- Message from the CEO 56
- Management Discussion and Analysis
  - Financial Review 64
  - Operations Review 70
  - Capital Management 76
  - Risk Management 78
- Investor and Public Relations 80
- Market Report Summary 88
- Portfolio at a Glance 90
- Portfolio Summary and Details 93

# CONTENTS



## FINANCIAL INSIGHT

- Financial Statements 184
- Financial Calendar 250
- Detailed Market Report 251
- Analysis of Unitholdings 264
- Notice of 4<sup>th</sup> Annual General Meeting 267
- Proxy Form 269
- Glossary 271



## EFFECTIVE TRANSPARENCY

- Audit Committee Report 176
- Statement on Risk Management and  
Internal Control 179
- Additional Information 181



## SUSTAINABILITY STATEMENT

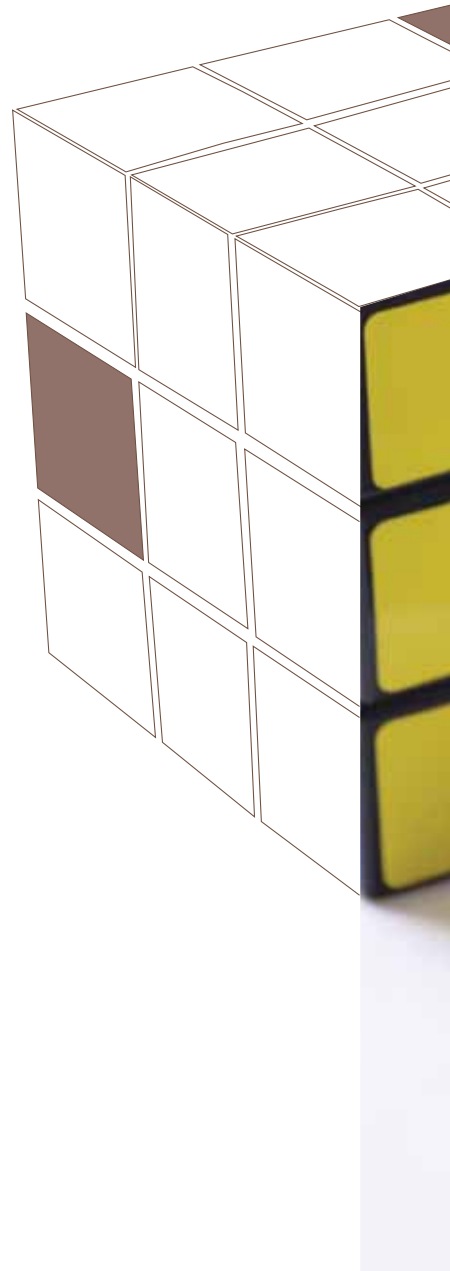
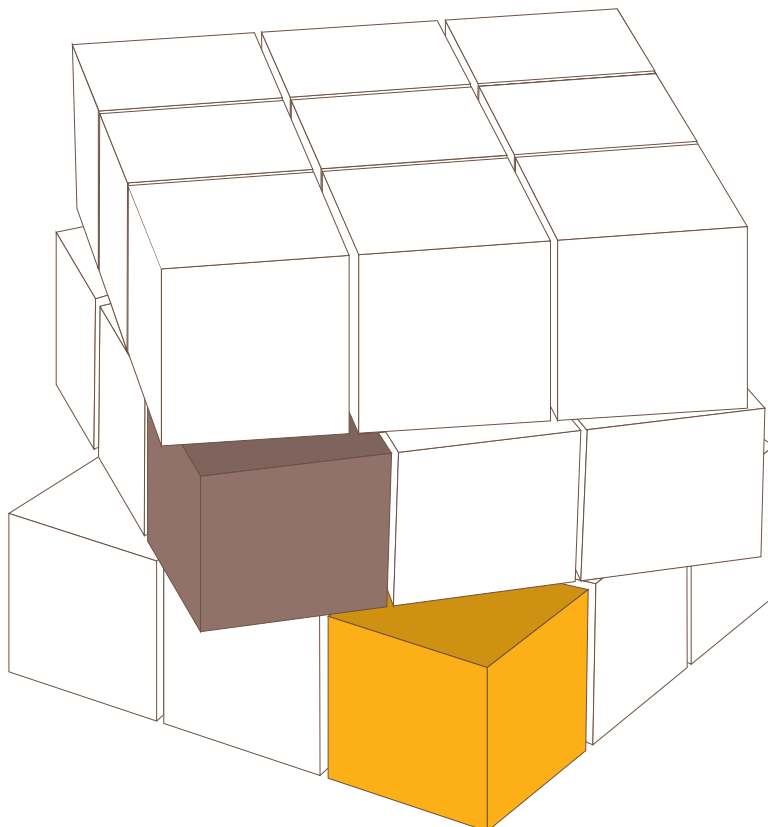
- Introduction 150
- Materiality 152
- Economic 155
- Environmental 157
- Social 164

# STRATEGIC

Solving a Rubik's Cube requires planning, strategic thinking, and patience. Every move is carefully made to ensure eventual success.

## VITAL ATTRIBUTES

SNAP SHOT VIEW **6** VISION, MISSION, VALUES, GROWTH STRATEGIES AND STRATEGIC OBJECTIVES **7** CORPORATE PROFILE **9** CORPORATE INFORMATION **10** MESSAGE FROM THE CHAIRMAN **11** SALIENT FEATURES **18** KEY MILESTONES **19** FINANCIAL HIGHLIGHTS **20** VALUE ADDED STATEMENT **25** TRADING PERFORMANCE **26** AWARDS AND RECOGNITION **30**





Sunway REIT aims to deliver success through values and strategies for growth.



## SNAP SHOT VIEW

### PORTFOLIO BY PROPERTY VALUE

Property Value RM **6.43** billion

Number of assets **14**

Gross Floor Area **12,415,697** sq. ft.



68% RETAIL

20% HOTEL

7% OFFICE

5% OTHERS

### PORTFOLIO BY REVENUE

Gross Revenue RM **507** million

DPU **9.18** sen

Distribution Yield **5.5%**



76% RETAIL

14% HOTEL

6% OFFICE

4% OTHERS

### PORTFOLIO BY NPI

Net Property Income RM **374** million

Market Capitalisation RM **4.89** billion

Annual Total Return **13.3%**



72% RETAIL

18% HOTEL

4% OFFICE

6% OTHERS

# VISION • MISSION • VALUES • GROWTH STRATEGIES • STRATEGIC OBJECTIVES

## VISION

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

## MISSION

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

## VALUES

### CORE VALUES

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

## GROWTH STRATEGIES

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

### • ACQUISITION GROWTH

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

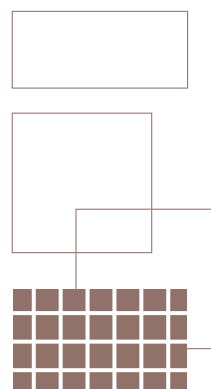
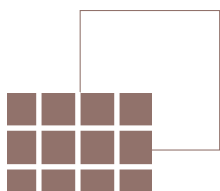
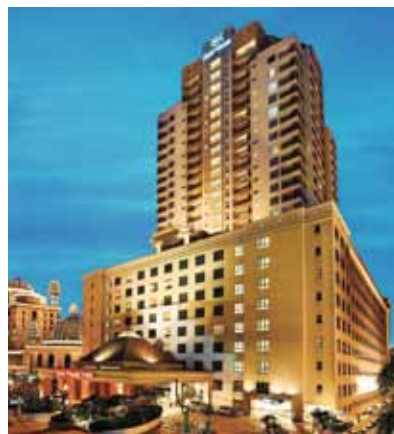
### • ORGANIC GROWTH

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

### • CAPITAL AND RISK MANAGEMENT

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

STRATEGIC OBJECTIVES	TARGETS	5-YEAR ACHIEVEMENT (FY2012-FY2016)
Top 3 M-REIT	Measured by property value or market capitalisation	Ranked 2 <sup>nd</sup> by property value Ranked 4 <sup>th</sup> by market capitalisation
Property Value	Above RM7 billion by FY2017 Above RM10 billion by FY2020	RM6.43 billion
Average Annual Total Return	10% to 15%	14.4%
Distribution Per Unit (DPU) Compounded Annual Growth Rate (CAGR)	5%	5.2%





## CORPORATE PROFILE

Sunway Real Estate Investment Trust (Sunway REIT) is one of the largest retail-focused<sup>1</sup> real estate investment trusts (REITs) in Malaysia with a diverse portfolio strategically located across award-winning integrated townships in key locations in Greater Kuala Lumpur, Penang and Perak.

Sunway REIT was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 8 July 2010 with an initial market capitalisation of RM2.4 billion. The market capitalisation of Sunway REIT stood at RM4.9 billion as at 30 June 2016. Sunway REIT is a component of the FTSE Bursa Malaysia Mid 70 Index, FTSE4Good Bursa Malaysia Index and Thomson Reuters/Global Property Research/APREA Composite REIT Index Malaysia.

With an initial portfolio of 8 assets, Sunway REIT has grown to 14 assets comprising 4 retail malls, 5 hotels, 4 offices and a medical centre. The property value has grown by 86% from the initial RM3.46 billion to RM6.43 billion as at 30 June 2016.

The Sponsor, Sunway Berhad (Sunway), is an established and reputable property-construction conglomerate group with a market capitalisation of approximately RM6.3 billion as at 30 June 2016. Sunway is among the top 5 largest property stocks and the top 100 stocks listed on Bursa Malaysia. Through a distinctively integrated property business model, Sunway offers a wholesome property value chain, from landbanking to master plan property development and property investment.

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

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

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

Note:

<sup>1</sup> Retail-focused is defined as at least 60% contribution from the retail assets to property value, revenue or net property income

## CORPORATE INFORMATION

### MANAGER

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

### MANAGER'S PRINCIPAL PLACE OF BUSINESS

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

### MANAGER'S REGISTERED OFFICE

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

### BOARD OF DIRECTORS OF THE MANAGER

**Chairman, Non-Independent Non-Executive Director**

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

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

**Non-Independent Non-Executive Directors**

Chan Hoi Choy (appointed on 11 March 2016)  
Ng Sing Hwa  
Sarena Cheah Yean Tih, *S.M.S*  
Dato' Ngeow Voon Yean (retired on 8 January 2016)

**Senior Independent Non-Executive Director**

Tan Sri Ahmad Bin Mohd Don

**Independent Non-Executive Directors**

Elvin A/L Bertly Luke Fernandez  
Tengku Nurul Azian Binti Tengku Shahrman (appointed on 11 March 2016)  
Willy Shee Ping Yah (resigned on 11 March 2016)

### AUDIT COMMITTEE

Tan Sri Ahmad Bin Mohd Don  
(Chairman)  
Elvin A/L Bertly Luke Fernandez  
Ng Sing Hwa  
Tengku Nurul Azian Binti Tengku Shahrman (appointed on 11 March 2016)  
Willy Shee Ping Yah  
(resigned on 11 March 2016)

### NOMINATION COMMITTEE

Elvin A/L Bertly Luke Fernandez  
(Chairman)  
Tan Sri Ahmad Bin Mohd Don  
Tan Sri Dato' Seri Dr Jeffrey Cheah  
Fook Ling, AO  
Tengku Nurul Azian Binti Tengku Shahrman (appointed on 11 March 2016)  
Willy Shee Ping Yah (resigned on 11 March 2016)

### REMUNERATION COMMITTEE

Tan Sri Ahmad Bin Mohd Don  
(Chairman)  
Elvin A/L Bertly Luke Fernandez  
Tan Sri Dato' Seri Dr Jeffrey Cheah  
Fook Ling, AO  
Tengku Nurul Azian Binti Tengku Shahrman (appointed on 11 March 2016)  
Willy Shee Ping Yah (resigned on 11 March 2016)

### INVESTMENT APPRAISAL WORKING GROUP

Dato' Jeffrey Ng Tiong Lip (Chairman)  
Chan Hoi Choy  
Sarena Cheah Yean Tih, *S.M.S*  
Shankar Arasaratnam  
Wai Sow Fun

### RISK MANAGEMENT WORKING GROUP

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

### SUSTAINABILITY WORKING GROUP

Dato' Jeffrey Ng Tiong Lip (Chairman)  
Chan Hoi Choy  
Crystal Teh Lay Ling  
Sarena Cheah Yean Tih, *S.M.S*  
Wai Sow Fun

### COMPANY SECRETARIES OF THE MANAGER

Tan Kim Aun (MAICSA 7002988)  
Chin Soo Ching (MAICSA 7042265)  
Level 16, Menara Sunway  
Jalan Lagoon Timur  
Bandar Sunway  
47500 Subang Jaya  
Selangor Darul Ehsan

### TRUSTEE

RHB Trustees Berhad  
(Company No. 573019-U)

#### Business Office

3<sup>rd</sup> Floor, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur

#### Registered Office

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

### PROPERTY MANAGER

AREM (Malaysia) Sdn Bhd  
(Company No. 1074784-A)  
Unit No. D-20-3, Jalan Atmosphere 6  
The Atmosphere Business Centre  
Pusat Bandar Putra Permai  
43300 Seri Kembangan  
Selangor Darul Ehsan  
Contact No: (603) 8949 9399  
Fax No: (603) 8940 5398

### PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad  
Public Bank Berhad

### AUDITORS

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

### REGISTRAR

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

### STOCK EXCHANGE LISTING

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

### WEBSITE

[www.sunwayreit.com](http://www.sunwayreit.com)

### INVESTOR RELATIONS

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

## MESSAGE FROM THE CHAIRMAN

### Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager, I am honoured to present Sunway REIT's Annual Report and audited financial performance for the financial year ended 30 June 2016 (FY2016). We delivered a moderate growth in distribution per unit (DPU) in FY2016 while further creating value for our unitholders.

### RESILIENCY OF M-REITs

**It has been an eventful year for the Malaysian Real Estate Investment Trusts (M-REITs) on the back of a series of developments that took place globally and domestically.**

The market capitalisation of M-REITs has breached the RM40 billion mark for the first time since the inception of M-REITs in 2005. During the financial year, M-REITs' market capitalisation expanded to RM41.1 billion as at 30 June 2016, representing a growth of 11.7% from the previous year. The encouraging achievement was attributable to the appreciation in unit price performance and the listing of Al-Salam Real Estate Investment Trust, a diversified Islamic REIT. In addition, the M-REITs' property value is reaching RM50 billion as M-REITs continues to expand its assets portfolio.

Sunway REIT is committed to contribute to the overall development of the M-REITs industry. I am delighted that Dato' Jeffrey Ng, the Chief Executive Officer (CEO) of Sunway REIT Management Sdn. Bhd. (Manager of Sunway REIT), was elected as the Chairman of the Malaysian REIT Managers Association (MRMA) in January 2016. Dato' Jeffrey and MRMA's EXCO team are honoured to be entrusted to drive MRMA and propel M-REITs to the next phase of growth with the support from all members.

We welcome and are fully supportive of the recent proposed liberalisation to the REITs Guidelines and to enhance the governance and competitiveness of the M-REITs with the established REIT markets globally. The move is a reflection of the maturity in the M-REITs market. Under the current environment, we face challenges in making yield accretive

acquisitions. The proposed liberalisation is timely and is catalytic in facilitating the growth of the industry.

### **PUTTING THE RIGHT GROWTH PERSPECTIVE**

With strong building blocks in place for a solid foundation, Sunway REIT is on a strong trajectory for continuous business excellence through the execution of planned strategies. I am delighted that Sunway REIT is moving beyond delivering financial performance and to continuously enhance value for stakeholders which includes embracing social and environmental considerations and practices into the management of the properties.



## MESSAGE FROM THE CHAIRMAN (CONT'D)

### EMBRACING SUSTAINABILITY

For Sunway REIT and the enlarged Sunway Group, sustainability practices are not foreign to us. It has been embedded into the modus operandi of our business operations since the very beginning. Being highly passionate in the role of sustainability in business, I applaud the regulator in addressing sustainability matters in a holistic manner through the introduction of the Sustainability Framework in October 2015.

Sustainability leadership requires a clear understanding and awareness of how environmental, social, and governance issues affect both our stakeholders and Sunway REIT's future growth prospects. We work closely with our stakeholders on these issues to maximise the growth of our properties by viewing them in this unique way. Sustainability creates value for both our assets portfolio and stakeholders and therefore we require a conscientious strategy and best-in-class execution.

We are embarking on a voluntary early adoption of Sustainability Reporting based on the principles of Economic, Environment and Social pillars in this annual report.

**“This is an ongoing endeavour and we truly hope that our collective efforts can make a positive difference in the world.”**

### INCREASING INVESTABILITY

We believe that sustainability is a journey. We see the emerging trend of the sustainable, responsible and impact investing (SRI) principle amongst sophisticated and institutional investors globally. Strong financial performance aside, these investors require the investee companies to embrace social, environmental and governance practices in their businesses.

We are excited that Sunway REIT was recently listed into the FTSE4Good Bursa Malaysia Index, one of the best-known indices in the world for SRI communities. Amongst the 39 constituents in the index, Sunway REIT and KLCCP Stapled Group are the two M-REITs included in the index to date.

Sunway REIT is currently a constituent in three indices, ie. FTSE Bursa Malaysia Mid 70 Index, FTSE4Good Bursa Malaysia Index and Thomson Reuters / Global Property Research / APREA Composite REIT Index Malaysia. Representation in these indices enhances Sunway REIT's visibility and investability amongst institutional funds.

### UNITHOLDERS VALUE CREATION

The capability of a REIT Manager is measured beyond managing the assets in the portfolio. It is the role of the REIT Manager to enhance value to unitholders by delivering sustainable growth in income distribution over the long-term horizon.

Sunway REIT has maintained its distribution policy of 100% distribution payout for FY2016. Despite the challenging operating environment, I am pleased to announce that Sunway REIT has delivered a total DPU of 9.18 sen for FY2016. In comparison to the previous year's income distribution of 8.73 sen, this represents a growth of 5.2% and translates into an annual distribution yield of 5.5% based on the unit price of RM1.66 as at 30 June 2016.

A plethora of challenging events during the financial year caused heightened uncertainties to consumer sentiment and businesses' confidence. The run-off effect from the implementation of the Goods and Services Tax (GST) has created a state of caution in consumers. Businesses tightened their belts in times of uncertainties.

The unit price of Sunway REIT retreated from RM1.54 at the start of the financial year to a low of RM1.43 in January 2016 following an exodus of foreign funds in the equity market arising from the acute depreciation in the domestic currency. Sunway REIT was not insulated from the sell down. The foreign unitholdings of Sunway REIT retreated from 19.6% in June 2015 to a low of 12.4% in February 2016 and subsequently stabilised at this level. The foreign unitholdings for Sunway REIT stood at 12.8% as at 30 June 2016. The extended global and domestic macroeconomics conditions coupled with heightened volatility in the equity market in CY2016 have led to a reversal of fund flows into M-REITs. As a safe haven for investors, unit price performance of M-REITs rebounded strongly. M-REITs rallied further on expectation of a cut in the Overnight Policy Rate (OPR). The unit price of Sunway REIT recovered to RM1.66 as at 30 June 2016.

**“For the financial year ended 30 June 2016, Sunway REIT delivered a total return of 13.3%, contributed by appreciation in unit price of 7.8% and distribution yield of 5.5%.”**

During the same period, the FTSE Bursa Malaysia KLCI Index retreated by 3.1%. This represents an outperformance of 16.4%. Our peers, however have charted higher total return in excess of 20%.

Our portfolio value expanded by 1.7% to RM6.43 billion as at 30 June 2016, comprising fair value gain of RM63.5 million and capital expenditures incurred for the year of RM45.5 million. Correspondingly, net asset value (NAV) per unit has increased by 1.5% to RM1.3549.

### BOARD DIVERSITY

Strong corporate governance is of paramount importance to stakeholders. It forms the backbone of the fundamental values of the business. A strong and diverse Board is crucial in setting strategic direction as it enhances transparency to stakeholders. In Sunway REIT, we have a diverse and experienced Board in a broad spectrum of disciplines – accountancy, banking and finance, legal and corporate finance, property valuation, real estate development and property management.



## MESSAGE FROM THE CHAIRMAN (CONT'D)

To further strengthen the Board composition and diversity and to bring corporate governance to a higher level, I am pleased to welcome two new directors onto the Board — Tengku Nurul Azian Binti Tengku Shahrman, an Independent Non-Executive Director and Mr Chan Hoi Choy, a Non-Independent Non-Executive Director — bringing with them a diverse array of experience in the legal and corporate finance fields as well as retail management.

### UNCERTAIN TIMES AHEAD

The world economy is struggling to regain momentum as growth continues to falter in the advanced economies while there is divergence in growth in emerging economies. In Asia, China is undoubtedly the epicentre of growth. The gradual slowdown in China reflects the continuation of rebalancing within the economic structure and the deleveraging endeavour to support long-term growth. Generally, economic activity in Asia is slowing down largely due to continuous weaknesses in external trades. Looking ahead, global growth prospect remains muted. The World Bank projected the global economy to expand at a slower pace of 2.4% and 2.8% in 2016 and 2017 respectively.

We see heightened risks that may impede economic recovery, including slower than expected growth, volatile commodity prices and heightened geo-political tension. Global investors are reeling with the recent Brexit shock which caused an elevation in financial market volatility worldwide.

On the domestic front, the Malaysian economy moderated further in 1Q CY2016. The first quarter of 2016 saw the economy softened to 4.2% (4Q CY2015: 4.5%), reflecting cautious spending by the private sector and persistently weak external trades. Bank Negara Malaysia (BNM) projects the Malaysian economy to remain on a sustained growth path of 4.0% to 4.5% in 2016 despite the challenging global and domestic economic environment. Meanwhile, consumers are adjusting to the higher cost of living and businesses remain cautious in their investments and spending.

In the most recent development, BNM has decided to announce an earlier than expected 25bps reduction in the OPR to 3.00%. The easing of monetary policy stance is to support economic growth, however, this may be pointing towards more challenging times ahead. Inflation is on an upward trend where the consumer price index (CPI) increased by 2.7% year-on-year in the first half of 2016 as consumers are grappling with higher utility and living costs. On a brighter note, transportation-related inflation retreated due to lower crude oil price. Inflation is expected to be contained within 2.0% to 3.0% in 2016, barring any unforeseen circumstances.

Fragile global and domestic economic growth prospects will inevitably have bearings on the performance of Sunway REIT's assets. This is further intensified by the oversupply situation in the property sub-sectors. **"We remain steadfast in striving to deliver sustainable DPU to unitholders over the long-term by ensuring stability in our financial performance and to continuously explore alternative growth strategies during such challenging times."**

### RECOGNITION FOR EXCELLENCE

FY2016 has been a rewarding year. The unwavering effort in embarking on one of the most extensive and challenging refurbishment projects in the country has gained us international recognition. Sunway REIT clinched the Bronze award at the MIPIM Asia Awards 2015 – Best Refurbished Building for the refurbishment of Sunway Putra Mall. The internationally renowned award recognises the property industry's best in the region, and rewards innovation and achievement in a variety of fields with a focus on project developments. We are honoured to showcase our Malaysian asset on an international platform as Sunway REIT was the only Malaysian recipient amongst other winners.

For the fourth consecutive year, Sunway REIT was awarded the National Annual Corporate Report Awards (NACRA) under the category of Industry Excellence Awards for REITs and Investment Funds. The recognition epitomises Sunway REIT's steadfast belief in corporate reporting excellence, transparency and accountability.

Elite professional awarding bodies' continuous acknowledgement of Sunway REIT is a testament of our credo in striving for excellence through integrity and humility. The notable mentions of these recognitions include The Edge Billion Ringgit Club 2016 and the Malaysian Investor Relations Association Berhad (MIRA).

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

### IN APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to our management team and valued employees for their dedication, commitment and passion for excellence. I look forward to celebrating greater achievements of Sunway REIT with you.

To the esteemed members of the Board, my heartfelt gratitude to you for your wealth of guidance and I would like to welcome Tengku Nurul Azian Binti Tengku Shahrman and Mr Chan Hoi Choy onto the Board. I would also like to express my deepest gratitude to Mr Willy Shee and Dato' Ngeow Voon Yean, the outgoing Directors of Sunway REIT, for their invaluable contributions.

We would also like to extend our appreciation to our valued stakeholders - unitholders, employees, trustee, property managers, business partners, fellow analysts and investment community and members of the press for their continuous support and confidence in Sunway REIT.

Yours sincerely,



**Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO**  
Chairman  
Sunway REIT Management Sdn Bhd  
11 August 2016

## PERNYATAAN PENERUS

### Para Pemegang Kepentingan Yang Dihargai,

Bagi pihak Lembaga Pengarah Pengurusan, dengan sukacitanya saya membentangkan Laporan Tahunan Sunway REIT dan keputusan kewangan beraudit untuk tahun kewangan yang berakhir pada 30 Jun 2016 (TK2016). Pada TK2016, kami telah menyampaikan pertumbuhan yang sederhana bagi pengagihan seunit di samping meningkatkan nilai untuk pemegang unit kami.

### KEBINGKASAN M-REIT

**Pelbagai peristiwa mewarnai tahun kewangan Amanah Pelaburan Hartanah Malaysia (M-REITs) yang baru berlalu dengan beberapa perkembangan di peringkat antarabangsa dan domestik.**

Permodalan pasaran M-REIT telah berjaya melangkaui penanda RM40 bilion buat julung kali sejak M-REIT dilancarkan pada tahun 2005. Dalam tahun kewangan ini, permodalan pasaran M-REIT telah berkembang kepada RM41.1 bilion pada 30 Jun 2016; mencatatkan pertumbuhan sebanyak 11.7% berbanding tahun sebelumnya. Pencapaian yang menggalakkan ini berpunca daripada peningkatan prestasi harga seunit dan penyenaian Al-Salam REIT, sebuah REIT Islamik beraneka. Di samping itu, nilai hartanah M-REIT hampir mencapai RM50 bilion ekoran M-REIT terus mengembangkan portfolio asetnya.

Sunway REIT beriltizam untuk menyumbang kepada pembangunan menyeluruh industri M-REIT. Saya sangat berbesar hati dengan pelantikan Dato' Jeffrey Ng, Ketua Pegawai Eksekutif (KPE) Sunway REIT Management Sdn. Bhd. (Pengurus Sunway REIT), sebagai Pengerusi Pertumbuhan Pengurus REIT Malaysia (MRMA) pada Januari 2016. Dato' Jeffrey dan pasukan EXCO MRMA berasa bertuah atas kepercayaan yang diberikan untuk memacu MRMA dan melonjakkan pertumbuhan M-REIT ke fasa yang berikutnya dengan sokongan daripada semua ahlinya.

Kami mengalu-alukan dan menyokong sepenuhnya cadangan pelanggaran Garis Panduan REIT yang diumumkan baru-baru ini untuk meningkatkan tadbir urus dan kebersaingan M-REIT dengan pasaran REIT peringkat antarabangsa yang sudah mantap. Tindakan tersebut jelas menunjukkan kematangan dalam pasaran M-REIT. Dalam persekitaran sedia ada, kami menghadapi cabaran dalam menjalankan pemerolehan yang memberikan kadar pulangan yang meningkat. Oleh itu, cadangan pelanggaran tersebut adalah tepat pada waktunya dan akan menjadi pemangkin dalam memudahkan pertumbuhan industri.

### MENEMPATKAN PERSEPEKTIF PERTUMBUHAN YANG BETUL

Dengan blok pembinaan yang sudah diatur sebagai asas yang teguh, Sunway REIT berada pada trajektori yang kukuh bagi mencapai kecemerlangan perniagaan berterusan melalui pelaksanaan strategi yang dirancang. Saya gembira dengan hala tuju Sunway REIT yang kini bukan sekadar menyampaikan prestasi kewangan malah juga berusaha meningkatkan nilai untuk pemegang kepentingan yang merangkumi memberi pertimbangan kepada nilai sosial dan alam sekitar dalam pengurusan hartanah.

### MERANGKUM KEMAMPAHAN

Bagi Sunway REIT dan Kumpulan Sunway secara keseluruhannya, amalan kemampuhan bukanlah sesuatu yang asing bagi kami. Ia telah diterapkan ke dalam modus operandi operasi perniagaan kami sejak dari awal lagi. Sebagai seorang penyokong kuat peranan kemampuhan dalam perniagaan, saya memuji tindakan pengawal selia dalam menangani hal ehwal kemampuhan secara menyeluruh dengan memperkenalkan Kerangka Kerja Kemampuhan pada Oktober 2015.

Kepimpinan kemampuhan memerlukan pemahaman yang jelas dan kesedaran tentang bagaimana isu-isu alam sekitar, sosial dan tadbir urus memberi kesan kepada prospek pertumbuhan pemegang kepentingan kami dan Sunway REIT pada masa hadapan. Kami menjalin kerjasama erat dengan pemegang kepentingan kami dalam menangani isu-isu ini bagi memaksimumkan pertumbuhan hartanah kami dengan melihat mereka dari sudut pandangan yang unik ini. Kemampuhan mencipta nilai untuk portfolio aset dan juga pemegang kepentingan kami, oleh itu kami memerlukan strategi yang teliti dan pelaksanaan yang terbaik dalam kelasnya.

Kami telah, dengan sukarela, memulakan pelaksanaan Pelaporan Kemampuhan dengan lebih awal berdasarkan asas Ekonomi, Alam Sekitar dan Sosial dalam laporan tahunan ini.

**“Usaha ini akan dilakukan secara berterusan dan kami benar-benar berharap bahawa usaha yang kami jalankan bersama ini akan membawa perbezaan yang positif di dunia.”**

## PERNYATAAN PENGGERUSI (SAMB.)

### **PENINGKATAN KEMAMPUAN**

Kami percaya bahawa kemampuan adalah sesuatu yang berterusan. Kami melihat trend dalam kalangan pelabur sofistikated dan institusi di peringkat global yang menggunakan prinsip pelaburan yang mampan, bertanggungjawab dan impak (SRI). Selain daripada prestasi kewangan yang kukuh, para pelabur ini juga memerlukan syarikat penerima pelaburan tersebut menerapkan amalan sosial, alam sekitar dan tadbir urus dalam perniagaan mereka.

Kami teruja dengan penyenaaran Sunway REIT dalam Indeks FTSE4Good Bursa Malaysia, salah satu daripada indeks terbaik yang diketahui di dunia dalam komuniti SRI, baru-baru ini. Dalam kalangan 39 konstituen indeks tersebut, setakat ini hanya dua M-REIT yang berada dalam indeks tersebut iaitu Sunway REIT dan KLCCP Stapled Group.

Sunway REIT pada waktu ini menjadi konstituen dalam tiga indeks, iaitu Indeks Pertengahan 70 FTSE Bursa Malaysia, Indeks FTSE4Good Bursa Malaysia dan Indeks Komposit REIT Thomson Reuters / Global Property Research / APREA Malaysia. Perwakilan di indeks-indeks ini meningkatkan ketampakan dan kebolehlaboran Sunway REIT di kalangan dana institusi.

### **PEWUJUDAN NILAI PEMEGANG UNIT**

Kemampuan Pengurus REIT tidak diukur setakat pengurusan aset dalam portfolio tersebut sahaja. Pengurus REIT berperanan meningkatkan nilai pemegang unit dengan menyampaikan pertumbuhan pengagihan pendapatan yang mampan dalam tempoh jangka panjang.

Sunway REIT telah mengekalkan dasar pengagihan iaitu pembayaran pengagihan 100% untuk TK2016. Meskipun persekitaran operasi yang mencabar, saya dengan sukacitanya mengumumkan bahawa Sunway REIT telah menyampaikan DPU sebanyak 9.18 sen untuk TK2016. Jika dibandingkan dengan pengagihan pendapatan sebanyak 8.73 sen pada tahun lepas, ini menunjukkan pertumbuhan sebanyak 5.2% dan diterjemahkan kepada hasil pengagihan tahunan sebanyak 5.5% berdasarkan harga seunit RM1.66 pada 30 Jun 2016.

Pelbagai peristiwa mencabar sepanjang tahun kewangan ini menyebabkan ketidakpastian memuncak dalam sentimen pengguna dan keyakinan perniagaan. Kesan daripada pelaksanaan Cukai Barangan dan Perkhidmatan (GST) telah mewujudkan situasi berhati-hati dalam kalangan pengguna. Perniagaan telah mengambil langkah berhemat ekoran peningkatan kos menjalankan perniagaan.

Harga seunit Sunway REIT menurun daripada RM1.54 pada permulaan tahun kewangan ini kepada serendah RM1.43 pada Januari 2016 berikutan aliran keluar besar-besaran dana asing dalam pasaran ekuiti akibat susut nilai mata wang domestik yang teruk. Sunway REIT tidak terkecuali daripada tindakan penjualan unit oleh dana asing ini. Pemegangan unit asing Sunway REIT menurun daripada 19.6% pada Jun 2015 kepada serendah 12.4% pada Februari 2016 dan seterusnya stabil pada paras ini. Pada 30 Jun 2016, pemegangan unit asing Sunway REIT berada pada 12.8%. Keadaan makroekonomi global dan domestik yang berpanjangan serta kemudahubahan pasaran ekuiti yang meningkat pada TK2016 telah mengakibatkan pengaliran masuk semula dana ke M-REIT. Sebagai pelaburan yang selamat bagi para pelabur, prestasi harga seunit M-REIT kembali kukuh. Prestasi M-REIT semakin meningkat dengan jangkaan penurunan Kadar Dasar Semalaman (OPR). Harga seunit Sunway REIT telah pulih kepada RM1.66 pada 30 Jun 2016.

**“Untuk tahun kewangan yang berakhir pada 30 Jun 2016, Sunway REIT telah mencatatkan pulangan sejumlah 13.3%, hasil sumbangan kenaikan nilai harga seunit sebanyak 7.8% dan pengagihan hasil sebanyak 5.5%.”**

Dalam tempoh yang sama, Indeks FTSE Bursa Malaysia KLCI telah menurun sebanyak 3.1%. Ini menunjukkan prestasi yang lebih baik iaitu sebanyak 16.4%. Kelompok setara kami, walau bagaimanapun, telah mencatat jumlah pulangan yang lebih tinggi iaitu melebihi daripada 20%.

Nilai portfolio kami meningkat sebanyak 1.7% kepada RM6.43 bilion pada 30 Jun 2016, yang merangkumi laba nilai saksama sebanyak RM63.5 juta dan perbelanjaan modal yang tertanggung untuk tahun ini sebanyak RM45.5 juta. Sejajar dengan itu, nilai aset bersih (NAV) seunit telah meningkat 1.5% kepada RM1.3549.

## PERNYATAAN Pengerusi (SAMB.)

### AHLI LEMBAGA DARIPADA PELBAGAI BIDANG

Tadbir urus korporat yang kukuh adalah sangat penting bagi pemegang kepentingan. Ia menjadi tulang belakang kepada nilai asas perniagaan tersebut. Lembaga Pengarah yang kuat dan pelbagai adalah penting dalam penetapan hala tuju yang strategik kerana ia meningkatkan ketelusan kepada pemegang kepentingan. Ahli Lembaga Pengarah Pengurusan Sunway REIT terdiri daripada individu daripada pelbagai bidang dan berpengalaman luas dalam bidang masing-masing - perakaunan, perbankan dan kewangan, undang-undang dan kewangan korporat, penilaian hartanah, pembangunan hartanah serta pengurusan hartanah.

Bagi memperkukuhkan lagi barisan Lembaga Pengarah dan kepelbagaianya, di samping meningkatkan tadbir urus korporat ke peringkat yang lebih tinggi, dengan sukacitanya saya mengalu-alukan dua pengarah baru yang menyertai Lembaga Pengarah — Tengku Nurul Azian Binti Tengku Shahrirman, Pengarah Bukan Eksekutif Bebas dan Encik Chan Hoi Choy, Pengarah Bukan Eksekutif Bukan Bebas — mereka membawa bersama pelbagai pengalaman dalam bidang undang-undang dan kewangan korporat dan juga pengurusan runcit.

### MASA HADAPAN YANG PENUH CABARAN

Ekonomi dunia sedang berusaha memperoleh kembali momentum dengan pertumbuhan yang kurang lancar dalam ekonomi maju, sementara ekonomi pesat membangun pula mengalami pertumbuhan yang mencapah. Di Asia, China memang diakui sebagai pusat pertumbuhan. Pertumbuhan yang beransur-ansur perlahan di China mencerminkan pengimbangan semula yang berterusan dalam struktur ekonomi tersebut dan usaha pengurangan hutang bagi menyokong pertumbuhan jangka panjang. Secara umumnya, aktiviti ekonomi di Asia sedang beransur perlahan disebabkan terutamanya oleh kelemahan perdagangan luaran yang berterusan. Prospek pertumbuhan global pada masa hadapan masih perlahan. Bank Dunia menjangka ekonomi global akan berkembang pada kadar yang lebih perlahan, masing-masing pada 2.4% dan 2.8% pada tahun 2016 dan 2017.

Kami melihat peningkatan risiko yang boleh menghalang pemulihan ekonomi. Ini termasuk pertumbuhan yang lebih rendah daripada jangkaan, harga komoditi yang mudah berubah dan peningkatan ketegangan geo-politik. Pelabur global masih dalam kebingungan akibat kejutan Brexit baru-baru ini yang menyebabkan turun naik pasaran kewangan meningkat di seluruh dunia.

Di peringkat domestik pula, ekonomi Malaysia terus sederhana dalam suku pertama 2016. Dalam Suku Pertama 2016, ekonomi melemah kepada 4.2% (Suku Keempat 2015: 4.5%). Keadaan ini mencerminkan sektor swasta berhemat dalam perbelanjaan dan perdagangan luar yang terus lemah. Bank Negara Malaysia (BNM) menjangka ekonomi Malaysia akan kekal tumbuh pada 4.0% hingga 4.5% pada tahun 2016 walaupun persekitaran ekonomi global dan domestik yang mencabar. Sementara itu, pengguna sedang menyesuaikan diri dengan kos sara hidup yang lebih tinggi dan perniagaan pula mengambil sikap berhati-hati dalam pelaburan dan perbelanjaan.

Dalam perkembangan terkini, BNM telah mengambil keputusan untuk mengumumkan lebih awal daripada jangkaan pengurangan OPR sebanyak 25bps kepada 3.00%. Peringatan dasar kewangan ini adalah untuk menyokong pertumbuhan ekonomi, walau bagaimanapun, ini mungkin membayangkan bahawa masa yang menjelang semakin mencabar. Inflasi menunjukkan trend menaik dengan indeks harga pengguna (CPI) meningkat sebanyak 2.7% tahun ke tahun dalam setengah tahun pertama 2016 kerana pengguna sedang bergelut dengan kos utiliti dan sara hidup yang lebih tinggi. Namun begitu, inflasi berkaitan dengan pengangkutan menunjukkan penurunan disebabkan harga minyak mentah yang lebih rendah. Inflasi dijangka terkawal dalam lingkungan 2.0% hingga 3.0% pada tahun 2016, sekiranya tiada apa-apa keadaan yang tidak dijangka.

Prospek pertumbuhan ekonomi global dan domestik yang lemah akan memberi kesan kepada prestasi aset Sunway REIT. Situasi lebih bekalan dalam sub-sektor hartanah juga memburukkan lagi keadaan.

**“Kami tetap berpegang teguh dengan azam untuk berusaha menyampaikan DPU yang mampan kepada pemegang unit dalam tempoh jangka panjang dengan memastikan kestabilan prestasi kewangan kami dan untuk terus meneroka strategi pertumbuhan alternatif dalam tempoh yang mencabar ini.”**



## PERNYATAAN PENERUS (SAMB.)

### PENGIKTIRAFAN KECEMERLANGAN

TK2016 merupakan tahun yang bermanfaat. Usaha gigih kami dalam melaksanakan salah satu projek pengubahsuaian yang paling meluas dan mencabar di negara ini telah membolehkan kami mencipta nama di peringkat antarabangsa. Sunway REIT telah menerima anugerah Gangsa sewaktu Anugerah Asia MIPIM 2015 - Bangunan Diubahsuaikan Terbaik untuk pengubahsuaian Sunway Putra Mall. Anugerah terkenal antarabangsa tersebut mengiktiraf yang terbaik dalam industri hartanah di rantau ini, dan memberi ganjaran kepada inovasi dan pencapaian dalam pelbagai bidang dengan fokus kepada pembangunan projek. Kami sangat berbesar hati kerana telah berpeluang menonjolkan aset kami di Malaysia pada platform antarabangsa kerana Sunway REIT adalah satu-satunya penerima dari Malaysia di kalangan pemenang yang lain.

Selama empat tahun berturut-turut, Sunway REIT telah dianugerahkan Anugerah Laporan Korporat Tahunan Nasional (NACRA) di bawah kategori Anugerah Kecemerlangan Industri untuk REIT dan Dana Pelaburan. Anugerah ini menjulang kepercayaan teguh Sunway REIT dalam kecemerlangan, ketelusan dan kebertanggungjawaban pelaporan korporat.

Badan-badan anugerah profesional elit terus memberi pengiktirafan kepada Sunway REIT sebagai bukti kepercayaan kepada usaha kami mencapai kecemerlangan melalui integriti dan sifat rendah hati. Antara pengiktirafan daripada badan anugerah tersohor termasuklah daripada The Edge Billion Ringgit Club 2016 dan the Malaysian Investor Relations Association Berhad (MIRA).

Kami ingin menyampaikan ucapan terima kasih yang tidak terhingga kepada badan pengawal selia, badan penganugerahan yang dihormati dan semua pemegang kepentingan atas pengiktirafan mereka.

### PENGHARGAAN

Saya, sebagai wakil Lembaga Pengarah, ingin menyampaikan penghargaan kami yang tulus ikhlas kepada pasukan pengurusan dan kakitangan yang kami hargai atas dedikasi, komitmen dan kesungguhan mereka dalam mencapai kecemerlangan. Saya berharap untuk meraikan pencapaian Sunway REIT yang lebih hebat bersama-sama dengan kalian.

Kepada ahli Lembaga Pengarah yang dihormati, saya mengucapkan setinggi-tinggi terima kasih atas panduan anda semua yang tidak ternilai harganya dan saya juga ingin mengucapkan selamat datang kepada Tengku Nurul Azian Binti Tengku Shahrman dan Encik Chan Hoi Choy yang baru menyertai Lembaga Pengarah. Saya juga ingin menyampaikan ucapan terima kasih yang tidak terhingga kepada Encik Willy Shee dan Dato' Ngeow Voon Yean, bekas Pengarah Pengurus Sunway REIT, atas sumbangan mereka yang tidak ternilai harganya.

Kami juga ingin menyampaikan penghargaan kami kepada para pemegang kepentingan yang kami hargai - pemegang unit, kakitangan, pemegang amanah, pengurus hartanah, rakan perniagaan, para penganalisis dan komuniti pelaburan serta pihak media, atas sokongan dan keyakinan mereka yang berterusan kepada Sunway REIT.

Yang benar,



**Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO**  
Pengerusi  
Sunway REIT Management Sdn Bhd  
11 Ogos 2016

## SALIENT FEATURES

NAME OF FUND	SUNWAY REIT
Type of Fund	Income and Growth
Category of Fund	Real estate investment trust
Duration of Fund / Termination Date	The earlier of : <ul style="list-style-type: none"> <li>• 999 years falling on 19 May 3009</li> <li>• the date on which Sunway REIT is terminated by the Trustee or the Manager, in such circumstances as set out under the provisions of the Deed</li> </ul>
Approved Fund Size	3,650,888,858 units
Investment Objective	To provide Unitholders with an exposure to a diverse portfolio of authorised investments that will provide stable cash distributions with the potential for sustainable growth in net asset value per unit
Investment Policy	<ul style="list-style-type: none"> <li>• To invest in retail, hospitality, office and other real estate assets, subject to the Securities Commission's Guidelines on Real Estate Investment Trust</li> <li>• At least 95% of Sunway REIT's total asset value must be invested in real estate and/or single purpose companies at all times with the remainder 5% invested in cash, deposits and money market instruments</li> </ul>
Key Acquisition Criteria	<ul style="list-style-type: none"> <li>• Retail and mixed-use assets</li> <li>• High growth cities and townships in Malaysia</li> <li>• Compatibility and synergistic to asset portfolio</li> </ul>
Distribution Policy	<ul style="list-style-type: none"> <li>• 100% distributable income since FP2011 to FY2016 and at least 90% for each subsequent financial year</li> <li>• Quarterly distribution</li> </ul>
Revaluation Policy	Annually by an independent registered valuer
Gearing Policy	Up to 50% of total asset value of the Fund
Performance Benchmark	<ul style="list-style-type: none"> <li>• FTSE Bursa Malaysia Kuala Lumpur Composite Index (KLCI)</li> <li>• FTSE4Good Bursa Malaysia Index</li> <li>• FTSE Bursa Malaysia Mid 70 Index</li> <li>• Thomson Reuters/Global Property Research/APREA Composite REIT Index Malaysia</li> </ul>
Manager's Fees	<ul style="list-style-type: none"> <li>• Base Fee : 0.3% per annum of total asset value</li> <li>• Performance Fee : 3% per annum of net property income, but before deduction of fees payable to the Property Manager pursuant to the Property Management Agreement</li> <li>• Acquisition Fee : 1% of acquisition price</li> <li>• Divestment Fee : 0.5% of sale price</li> </ul>
Trustee's Fee	0.03% per annum of the net asset value of Sunway REIT
Financial Year End	30 June
Board Lot	100 units per board lot
Listing	Main Market of Bursa Malaysia Securities Berhad
Stock Name	SUNREIT
Stock Code	5176
Date of Listing	8 July 2010
Initial Public Offering Price	<ul style="list-style-type: none"> <li>• RM0.88 - retail</li> <li>• RM0.90 - institutional</li> </ul>

## KEY MILESTONES

**December 2015**



Completion of refurbishment of Sunway Putra Hotel

**April 2016**



Commencement of an estimated 1-year refurbishment for Sunway Pyramid Hotel East

**June 2016**



**FTSE4Good**

Sunway REIT is included in the FTSE4Good Bursa Malaysia Index

**August 2016**



Voluntary early adoption of sustainability reporting and issuance of Sunway REIT's maiden Sustainability Statement for its Annual Report 2016

## FINANCIAL HIGHLIGHTS

### RINGGIT MALAYSIA (RM)

Statement of Comprehensive Income - Key Data & Financial Ratios	FY2016 RM'000	FY2015 RM'000	FY2014 RM'000	FY2013 RM'000	FY2012 RM'000
Gross revenue	507,013	453,454	427,788	415,946	406,426
Net property income	373,851	340,826	320,977	309,196	299,198
Income available for distribution (realised)	270,588	256,577	245,017	231,062	202,114
Earnings per unit (realised) (sen)	8.92	8.25	7.93	7.87	7.08
Distribution per unit (DPU) (sen)	9.18 <sup>1</sup>	8.73	8.36	8.30	7.50
Annualised distribution yield (%)	5.5	5.7	5.8	5.4	5.5
Management expense ratio (%)	0.88	0.80	0.78	0.82	0.98
Statement of Financial Position - Key Data & Financial Ratios	As at 30 June 2016 RM'000	As at 30 June 2015 RM'000	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000	As at 30 June 2012 RM'000
Investment properties	6,433,000	6,324,000	5,520,000	5,184,000	4,630,000
Other non-current assets	8,698	5,268	3,039	8,823	8,892
Current assets	95,561	100,750	83,452	76,709	44,484
<b>Total asset value</b>	<b>6,537,259</b>	<b>6,430,018</b>	<b>5,606,491</b>	<b>5,269,532</b>	<b>4,683,376</b>
Current liabilities	(998,538)	(986,214)	(858,141)	(403,257)	(1,303,040)
Non-current liabilities	(1,487,491)	(1,461,544)	(1,060,279)	(1,359,806)	(372,005)
<b>Total liabilities</b>	<b>(2,486,029)</b>	<b>(2,447,758)</b>	<b>(1,918,420)</b>	<b>(1,763,063)</b>	<b>(1,675,045)</b>
<b>Net Asset Value (NAV)</b>	<b>4,051,230</b>	<b>3,982,260</b>	<b>3,688,071</b>	<b>3,506,469</b>	<b>3,008,331</b>
<b>Total Unitholders' Funds</b>	<b>4,051,230</b>	<b>3,982,260</b>	<b>3,688,071</b>	<b>3,506,469</b>	<b>3,008,331</b>
NAV per unit (before income distribution) (RM)	1.3761	1.3555	1.2593	1.2011	1.1157
NAV per unit (after income distribution) (RM)	1.3549	1.3350	1.2390	1.1809	1.0968
Lowest NAV during the period (RM)	1.3349	1.2337	1.1787	1.0964	1.0131
Highest NAV during the period (RM)	1.3549	1.3350	1.2390	1.1809	1.0968
Unit Price as at 30 June (RM)	1.66	1.54	1.44	1.54	1.36
Premium to NAV (%)	22.5	15.4	16.2	30.4	24.0

<sup>1</sup> Comprising income distributed for the period from 1 July 2015 to 31 March 2016 of 7.06 sen and proposed final income distribution of 2.12 sen



## FINANCIAL HIGHLIGHTS (CONT'D)

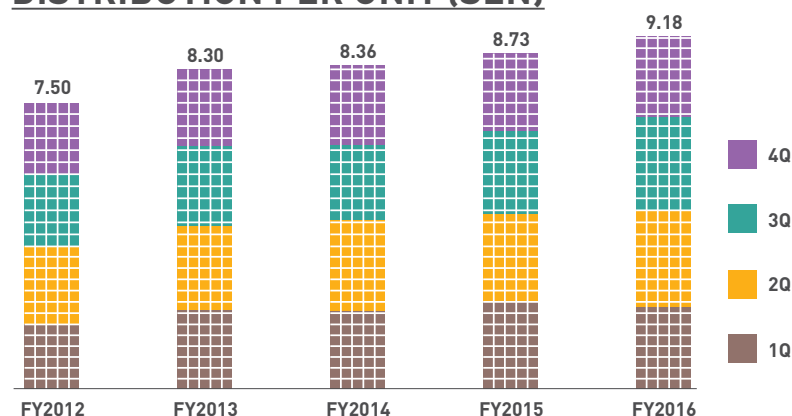
### UNITED STATES DOLLAR (USD)

Statement of Comprehensive Income - Key Data & Financial Ratios	FY2016 USD'000	FY2015 USD'000	FY2014 USD'000	FY2013 USD'000	FY2012 USD'000
Gross revenue	129,895	129,790	134,219	131,193	131,095
Net property income	95,779	97,553	100,707	97,523	96,508
Income available for distribution (realised)	69,324	73,439	76,874	72,879	65,193
Earnings per unit (realised) (cent)	2.29	2.36	2.49	2.48	2.28
Distribution per unit (DPU) (cent)	2.35 <sup>1</sup>	2.50	2.62	2.62	2.42
Annualised distribution yield (%)	5.5	5.7	5.8	5.4	5.5
Management expense ratio (%)	0.88	0.80	0.78	0.82	0.98
Statement of Financial Position - Key Data & Financial Ratios	As at 30 June 2016 USD'000	As at 30 June 2015 USD'000	As at 30 June 2014 USD'000	As at 30 June 2013 USD'000	As at 30 June 2012 USD'000
Investment properties	1,595,684	1,675,232	1,718,288	1,639,469	1,456,433
Other non-current assets	2,158	1,395	946	2,790	2,797
Current assets	23,704	26,689	25,977	24,260	13,993
<b>Total asset value</b>	<b>1,621,546</b>	<b>1,703,316</b>	<b>1,745,211</b>	<b>1,666,519</b>	<b>1,473,223</b>
Current liabilities	(247,684)	(261,249)	(267,126)	(127,532)	(409,890)
Non-current liabilities	(368,967)	(387,164)	(330,048)	(430,046)	(117,019)
<b>Total liabilities</b>	<b>(616,651)</b>	<b>(648,413)</b>	<b>(597,174)</b>	<b>(557,578)</b>	<b>(526,909)</b>
<b>Net Asset Value (NAV)</b>	<b>1,004,895</b>	<b>1,054,903</b>	<b>1,148,037</b>	<b>1,108,941</b>	<b>946,314</b>
<b>Total Unitholders' Funds</b>	<b>1,004,895</b>	<b>1,054,903</b>	<b>1,148,037</b>	<b>1,108,941</b>	<b>946,314</b>
NAV per unit (before income distribution) (USD)	0.3413	0.3591	0.3920	0.3799	0.3510
NAV per unit (after income distribution) (USD)	0.3361	0.3537	0.3857	0.3735	0.3450
Lowest NAV during the period (USD)	0.3311	0.3268	0.3669	0.3467	0.3187
Highest NAV during the period (USD)	0.3361	0.3537	0.3857	0.3735	0.3450
Unit Price as at 30 June (USD)	0.41	0.41	0.45	0.49	0.43
Premium to NAV (%)	22.5	15.4	16.2	30.4	24.0

<sup>1</sup> Comprising income distributed for the period from 1 July 2015 to 31 March 2016 of 1.81 cents and proposed final income distribution of 0.54 cents

## FINANCIAL HIGHLIGHTS (CONT'D)

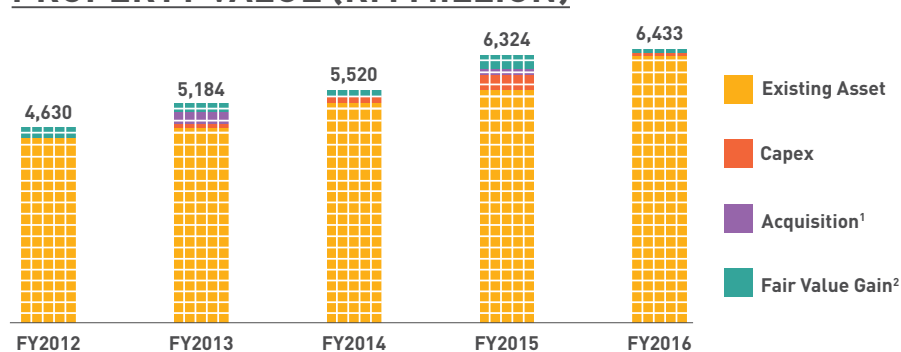
### DISTRIBUTION PER UNIT (SEN)



				Since IPO	5-year
DPU CAGR				6.9%	5.2%
Total DPU (sen)				48.65	42.07
	FY2012	FY2013	FY2014	FY2015	FY2016
1Q	1.75	2.03	2.00	2.28	2.12
2Q	1.99	2.19	2.23	2.27	2.57
3Q	1.87	2.06	2.10	2.13	2.37
4Q	1.89	2.02	2.03	2.05	2.12
Total DPU	7.50	8.30	8.36	8.73	9.18
Annual DPU Growth	14.0%	10.7%	0.7% <sup>1</sup>	4.4%	5.2%

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

### PROPERTY VALUE (RM MILLION)



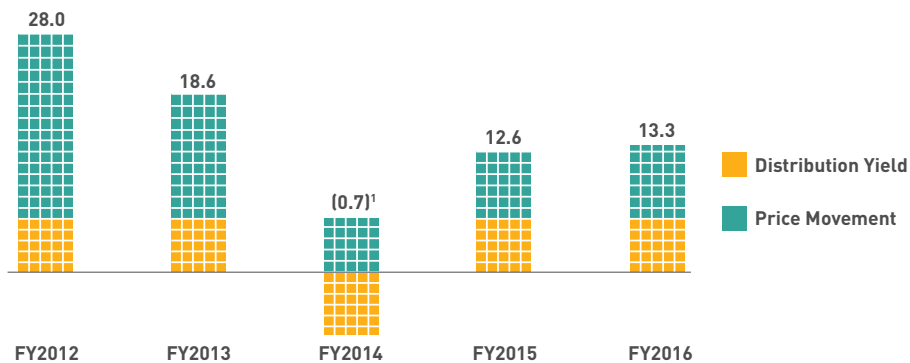
				Since IPO	5-year
Property value growth, contributed by				86%	47%
- Acquisition growth				28%	15%
- Capex				19%	10%
- Fair value gain				39%	22%
	FY2012	FY2013	FY2014	FY2015	FY2016
Existing Asset	4,379	4,630	5,184	5,520	6,324
Capex	21	67	157	361	46
Acquisition <sup>1</sup>	-	313	-	136	-
Fair Value Gain <sup>2</sup>	230	174	179	307	63
Property Value	4,630	5,184	5,520	6,324	6,433

<sup>1</sup> Included incidental costs on acquisition i.e. acquisition fee, legal fee and valuation fee

<sup>2</sup> Fair Value Gain - net of capex incurred

## FINANCIAL HIGHLIGHTS (CONT'D)

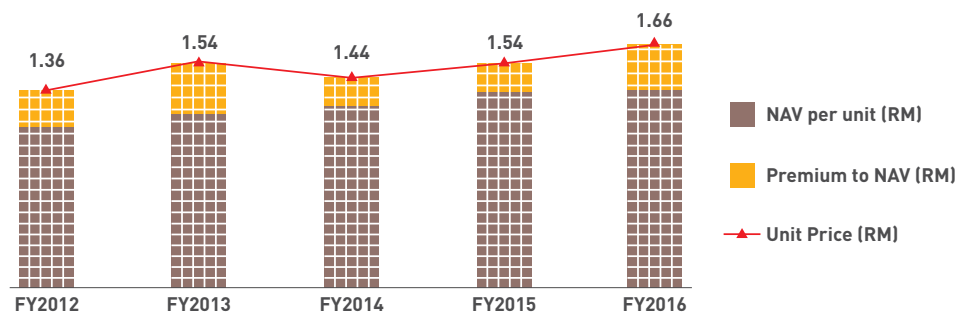
### DISTRIBUTION YIELD & ANNUAL TOTAL RETURN (%)



				Since IPO	5-year
Price Movement				84.4%	49.5%
Average Annual Total Return				16.9%	14.4%
	FY2012	FY2013	FY2014	FY2015	FY2016
Distribution Yield	5.5%	5.4%	5.8%	5.7%	5.5%
Price Movement	22.5%	13.2%	(6.5%) <sup>1</sup>	6.9%	7.8%
Annual Total Return	28.0%	18.6%	(0.7%)	12.6%	13.3%

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























































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



				Since IPO	5-year
CAGR for NAV per unit				6%	5%
	FY2012	FY2013	FY2014	FY2015	FY2016
NAV per unit (RM)	1.0968	1.1809	1.2390	1.3350	<b>1.3549</b>
Premium to NAV (%)	24.0%	30.4%	16.2%	15.4%	<b>22.5%</b>
Premium to NAV (RM)	0.2632	0.3591	0.2010	0.2050	<b>0.3051</b>
Unit Price as at 30 June (RM)	1.36	1.54	1.44	1.54	<b>1.66</b>

## FINANCIAL HIGHLIGHTS (CONT'D)

### SEGMENTAL PERFORMANCE

REVENUE (RM'000)	FY2016	FY2015	FY2014	FY2013	FY2012	CAGR GROWTH
RETAIL	 382,819	 332,664	 300,727	 296,146	 292,268	 7%
HOTEL	 72,794	 61,308	 64,630	 68,989	 71,555	0%
OFFICE	 30,258	 39,098	 43,099	 41,260	 42,603	 (8%)
OTHERS	 21,142	 20,384	 19,332	 9,551	-	-*
TOTAL PORTFOLIO	 507,013	 453,454	 427,788	 415,946	 406,426	 6%
NPI (RM'000)	FY2016	FY2015	FY2014	FY2013	FY2012	CAGR GROWTH
RETAIL	 269,435	 236,883	 212,681	 205,413	 199,691	 8%
HOTEL	 68,788	 58,743	 60,811	 65,684	 68,974	0%
OFFICE	 14,486	 24,816	 28,153	 28,548	 30,533	 (17%)
OTHERS	 21,142	 20,384	 19,332	 9,551	-	-*
TOTAL PORTFOLIO	 373,851	 340,826	 320,977	 309,196	 299,198	 6%

\* Not meaningful



## VALUE ADDED STATEMENT

RM'000	FY2016	FY2015	FY2014	FY2013	FY2012
<b>VALUE ADDED</b>					
Total turnover	<b>507,013</b>	453,454	427,788	415,946	406,426
Purchases of goods and services	<b>(133,162)</b>	(112,628)	(106,811)	(106,750)	(107,228)
Interest & other income	<b>71,822</b>	295,119	181,859	172,177	226,213
<b>TOTAL VALUE ADDED</b>	<b>445,673</b>	<b>635,945</b>	<b>502,836</b>	<b>481,373</b>	<b>525,411</b>

### RECONCILIATION

Total comprehensive income for the year	<b>327,381</b>	535,913	412,868	392,507	420,768
Add:					
Finance costs	<b>86,242</b>	70,751	63,031	63,604	81,196
Manager's fee	<b>30,802</b>	28,121	25,834	24,271	22,601
Trustee's fee	<b>1,248</b>	1,160	1,103	991	846
<b>TOTAL VALUE ADDED</b>	<b>445,673</b>	<b>635,945</b>	<b>502,836</b>	<b>481,373</b>	<b>525,411</b>

### VALUE DISTRIBUTED

Trust Expenses					
Manager's fee	<b>30,802</b>	28,121	25,834	24,271	22,601
Trustee's fee	<b>1,248</b>	1,160	1,103	991	846
Providers of capital					
Finance costs	<b>86,242</b>	70,751	63,031	63,604	81,196
Income distribution <sup>1</sup>	<b>270,075</b>	256,163	244,533	230,893	201,972
Reinvestment and growth					
Undistributed income <sup>2</sup>	<b>57,306</b>	279,750	168,335	161,614	218,796
<b>TOTAL VALUE DISTRIBUTED</b>	<b>445,673</b>	<b>635,945</b>	<b>502,836</b>	<b>481,373</b>	<b>525,411</b>

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

<sup>2</sup> Mainly comprises unrealised income.

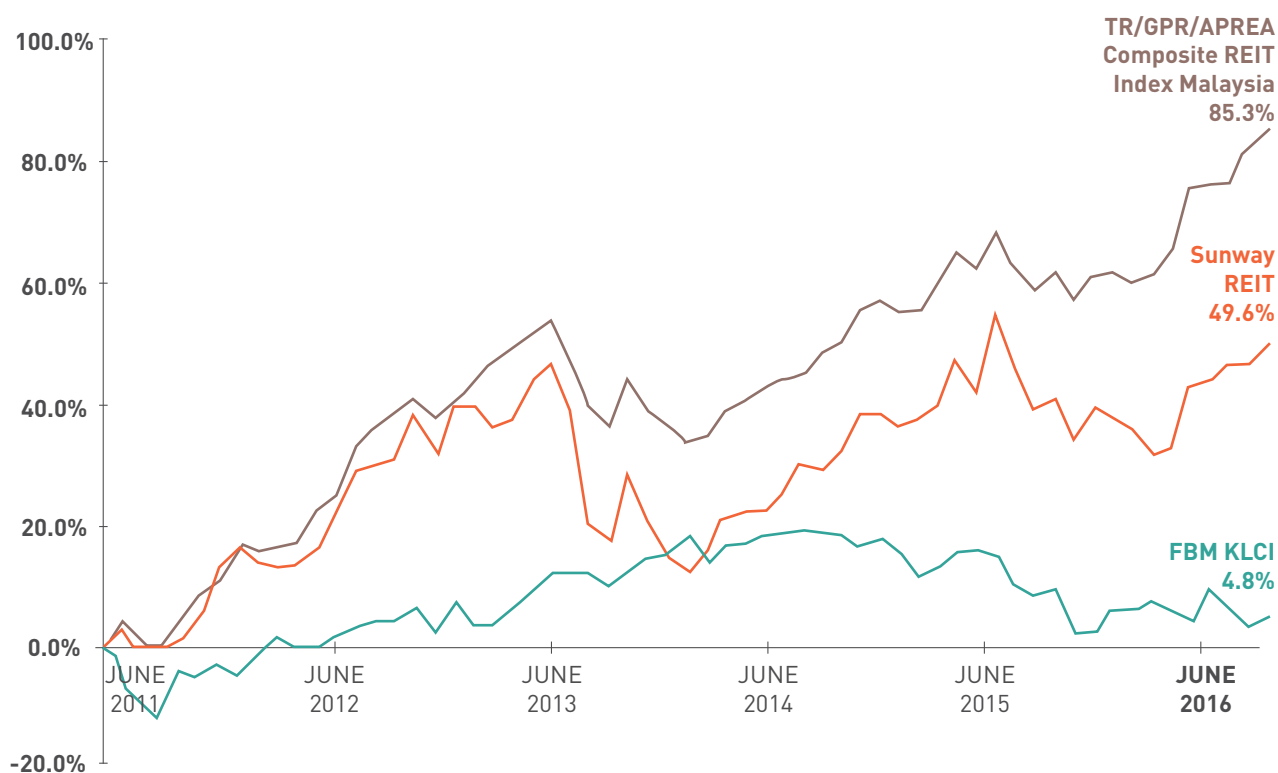
## TRADING PERFORMANCE (5-year)

### TRADING PERFORMANCE OF SUNWAY REIT

TRADING SUMMARY	FY2016	FY2015	FY2014	FY2013	FY2012
Closing Unit Price (RM)	<b>1.66</b>	1.54	1.44	1.54	1.36
52-Week Highest Traded Price (RM)	<b>1.69</b>	1.76	1.56	1.70	1.36
52-Week Lowest Traded Price (RM)	<b>1.43</b>	1.39	1.22	1.33	1.06
Price Movement (%)	<b>7.8</b>	6.9	(6.5)	13.2	22.5
Annual Total Return (%)	<b>13.3</b>	12.6	(0.7)	18.6	28.0
Number of Units in Circulation (unit '000)	<b>2,943,918</b>	2,937,777	2,928,715	2,919,423	2,696,462
Market Capitalisation (RM '000)	<b>4,886,905</b>	4,524,176	4,217,349	4,495,912	3,667,188
Free Float (%)	<b>62.7</b>	63.9	65.4	65.6	63.1
Free Float (unit '000)	<b>1,845,248</b>	1,877,240	1,915,380	1,915,141	1,701,468

Source: Sunway REIT, Bloomberg

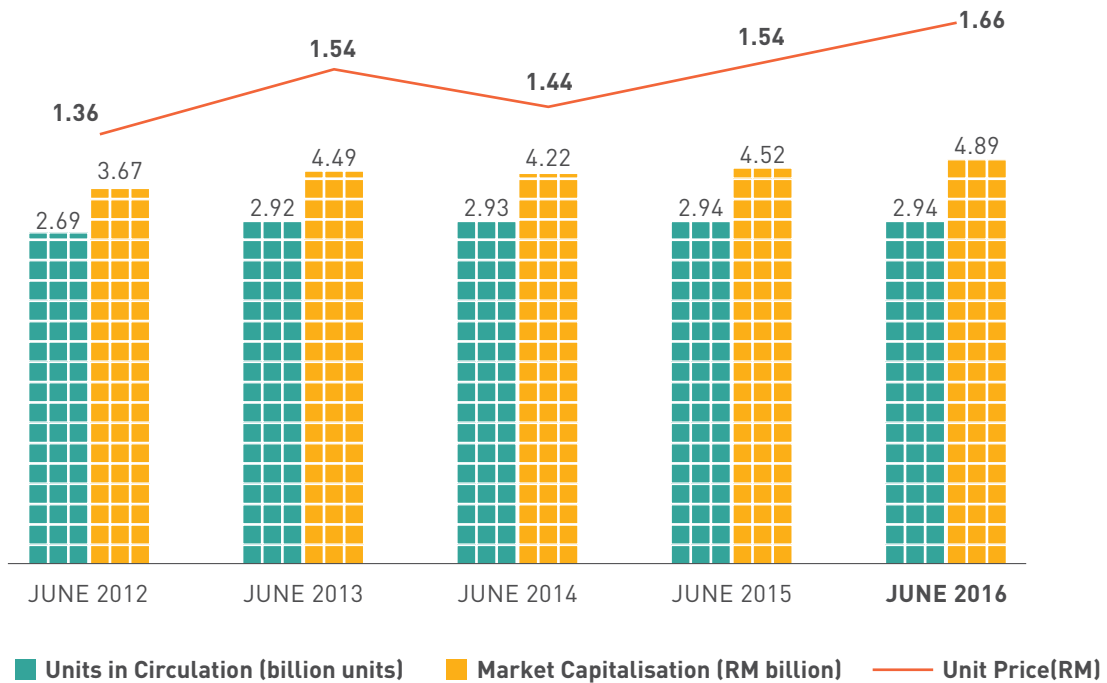
### UNIT PRICE PERFORMANCE OF SUNWAY REIT VERSUS FTSE BURSA MALAYSIA KLCI INDEX AND TR/GPR/APREA COMPOSITE REIT INDEX MALAYSIA (JUNE 2011 TO JUNE 2016)



Source: Sunway REIT, Bloomberg

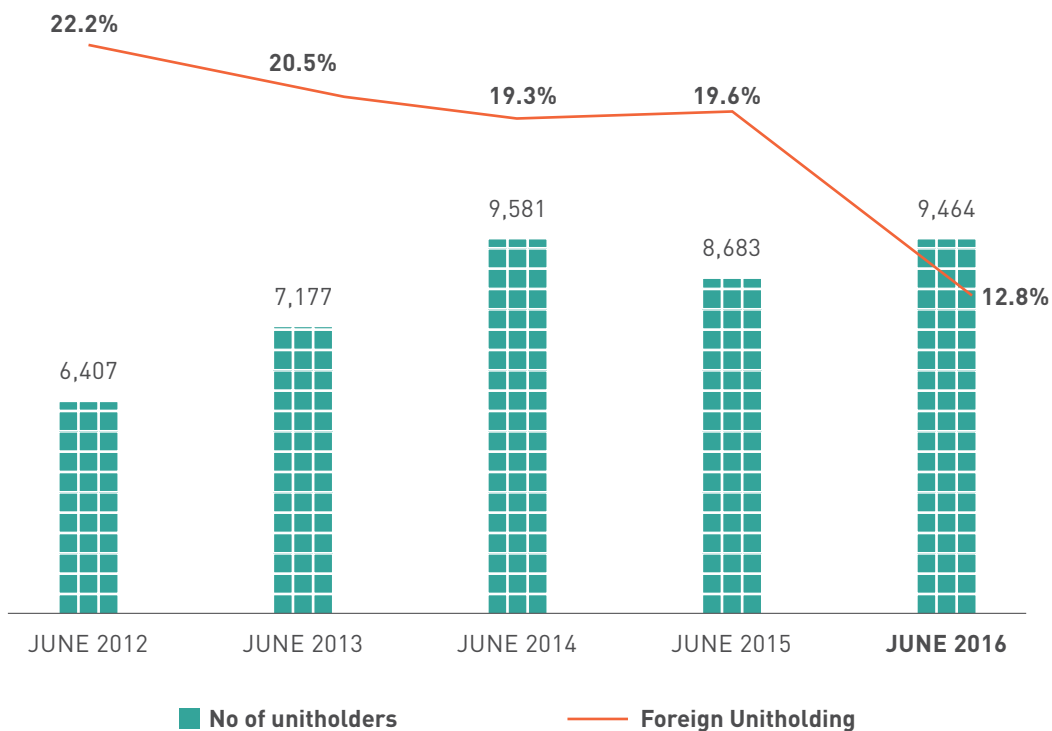
## TRADING PERFORMANCE (5-year) (CONT'D)

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



Source: Sunway REIT, Bloomberg

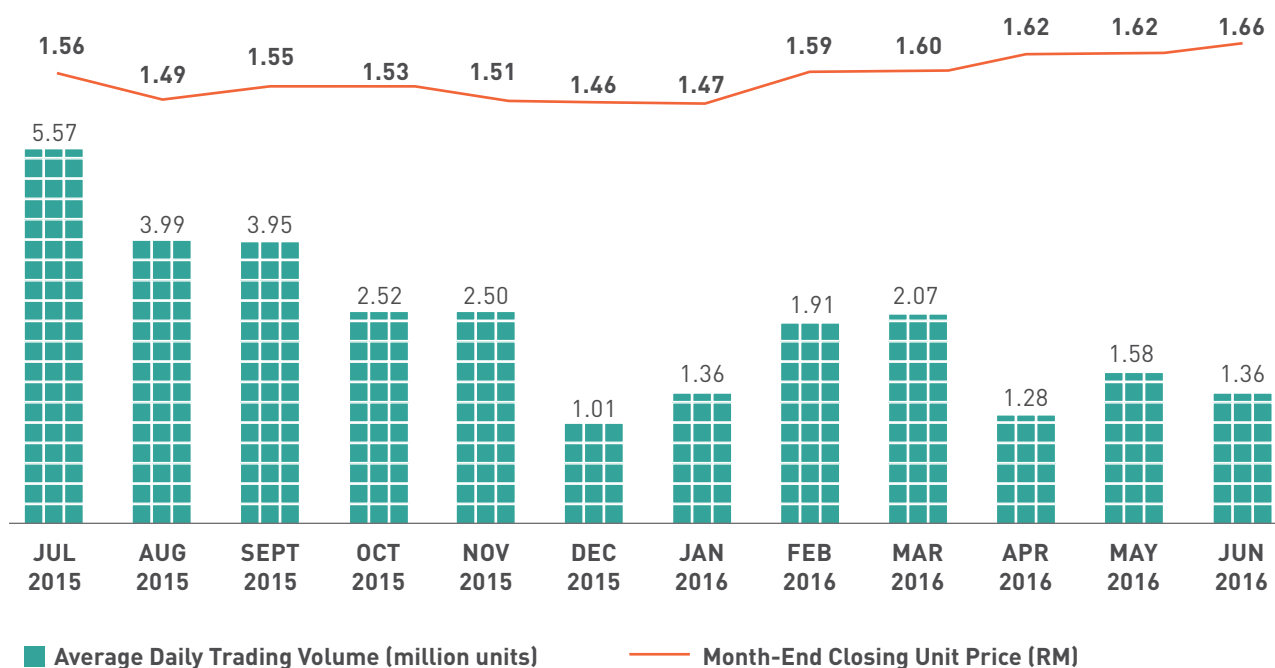
### UNITHOLDERS STATISTICS



Source: Sunway REIT

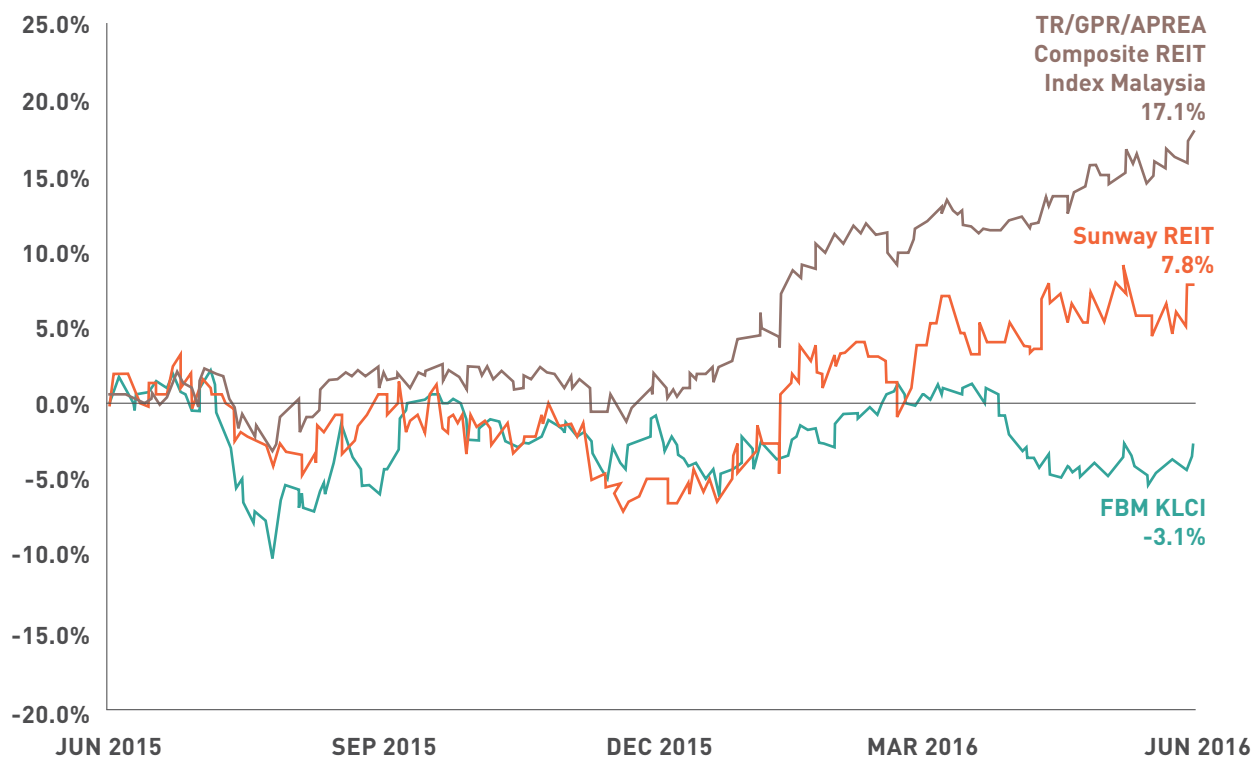
## TRADING PERFORMANCE (1-year)

### SUNWAY REIT'S MONTHLY TRADING PERFORMANCE



Source: Sunway REIT, Bloomberg

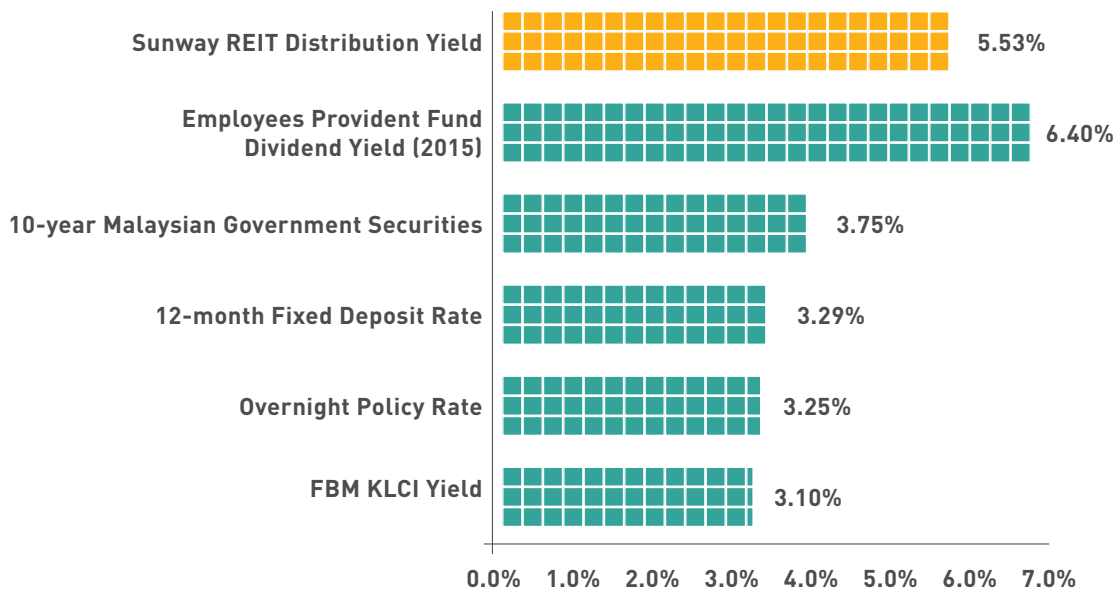
### ANNUAL UNIT PRICE PERFORMANCE OF SUNWAY REIT VERSUS FTSE BURSA MALAYSIA KLCI INDEX AND TR/GPR/APREA/COMPOSITE REIT INDEX MALAYSIA



Source: Sunway REIT, Bloomberg

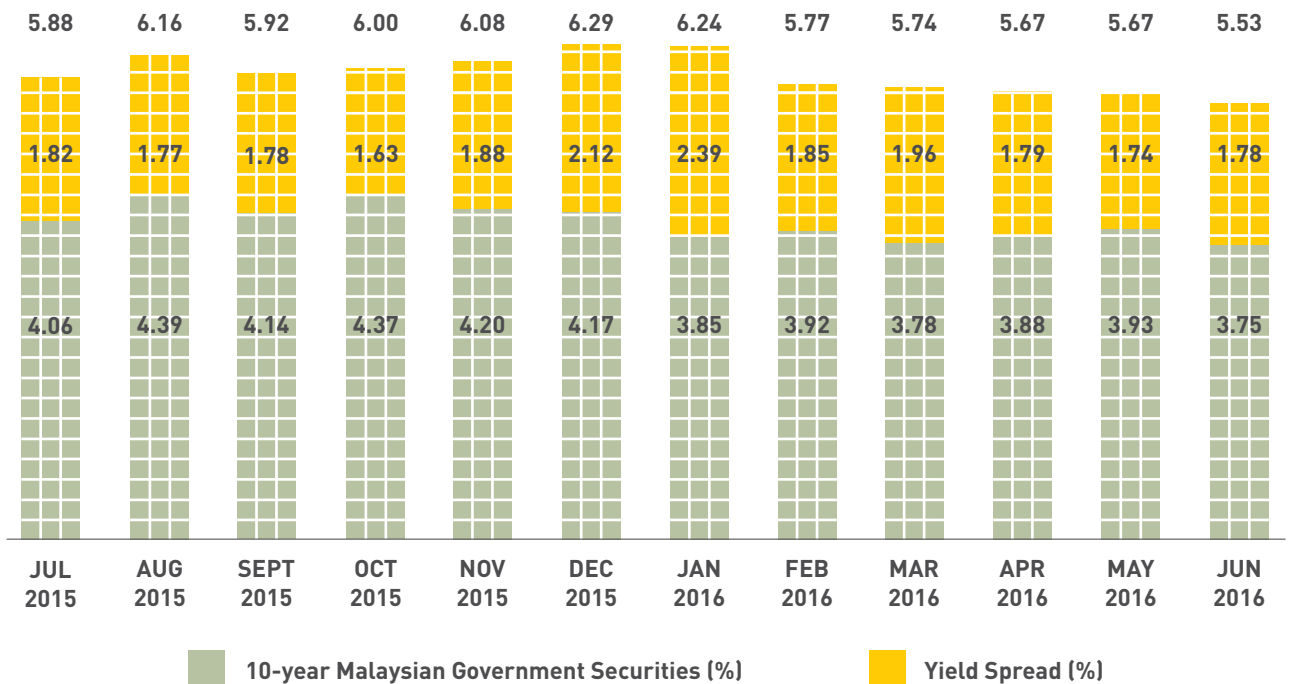
## TRADING PERFORMANCE (1-year) (CONT'D)

### COMPARATIVE YIELDS AS AT 30 JUNE 2016



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

### SUNWAY REIT MONTHLY YIELDS COMPARISON



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



## AWARDS AND RECOGNITION



### **NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2015**

#### **Industry Excellence Awards for REITs and Investment Funds**

Sunway REIT was awarded the National Annual Corporate Report Awards (NACRA) 2015 under the category of Industry Excellence Awards for REITs and Investment Funds for the fourth consecutive year. NACRA has been the epitome of corporate reporting excellence and accountability. This award serves as a testimony for Sunway REIT's continuous endeavour in adopting the highest standard of disclosure, transparency, corporate governance and corporate reporting excellence.

NACRA is a collaborative effort of Bursa Malaysia Berhad, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).



### **THE 5<sup>TH</sup> MALAYSIA INVESTOR RELATIONS AWARDS BY THE MALAYSIAN INVESTOR RELATIONS ASSOCIATION (MIRA)**

Sunway REIT continues to be recognised in its investor relations endeavours. In 2015, Sunway REIT was nominated in the 5<sup>th</sup> Malaysia Investor Relations Awards by the Malaysian Investor Relations Association (MIRA) for the following categories:

AWARD CATEGORY	RANKING
Best IR Website	3 <sup>rd</sup>
Best CEO for IR (Dato' Jeffrey Ng Tiong Lip)	5 <sup>th</sup>
Best Quality of Annual Reports / Formal Disclosure	10 <sup>th</sup>
Best CFO for IR (Wai Sow Fun)	11 <sup>th</sup>
Best Company for IR	11 <sup>th</sup>

## AWARDS AND RECOGNITION (CONT'D)



### **MIPIM ASIA AWARDS 2015**

#### **Sunway Putra Mall: Best Refurbished Mall - Bronze Award**

Sunway REIT clinched the Bronze award at the MIPIM Asia Awards 2015 for Best Refurbished Building for the refurbishment of Sunway Putra Mall. The internationally renowned award recognises the regional property industry's best, and rewards innovation and achievement in a variety of fields with a focus on project developments. Sunway REIT was the only Malaysian recipient amongst the list of other winners.

This award serves as a testimony for Sunway REIT's endeavour in embarking on one of the single largest and most challenging refurbishment projects in the country. Sunway REIT has successfully transformed a distressed asset with tremendous value creation in terms of creation of additional net lettable area and infrastructure improvement to serve the surrounding community.

# ENTREPRENEURSHIP

*Congkak* is a traditional game played by the young and old alike. To achieve success, every move made involves foresight and careful planning.

## FIRM FOUNDATIONS

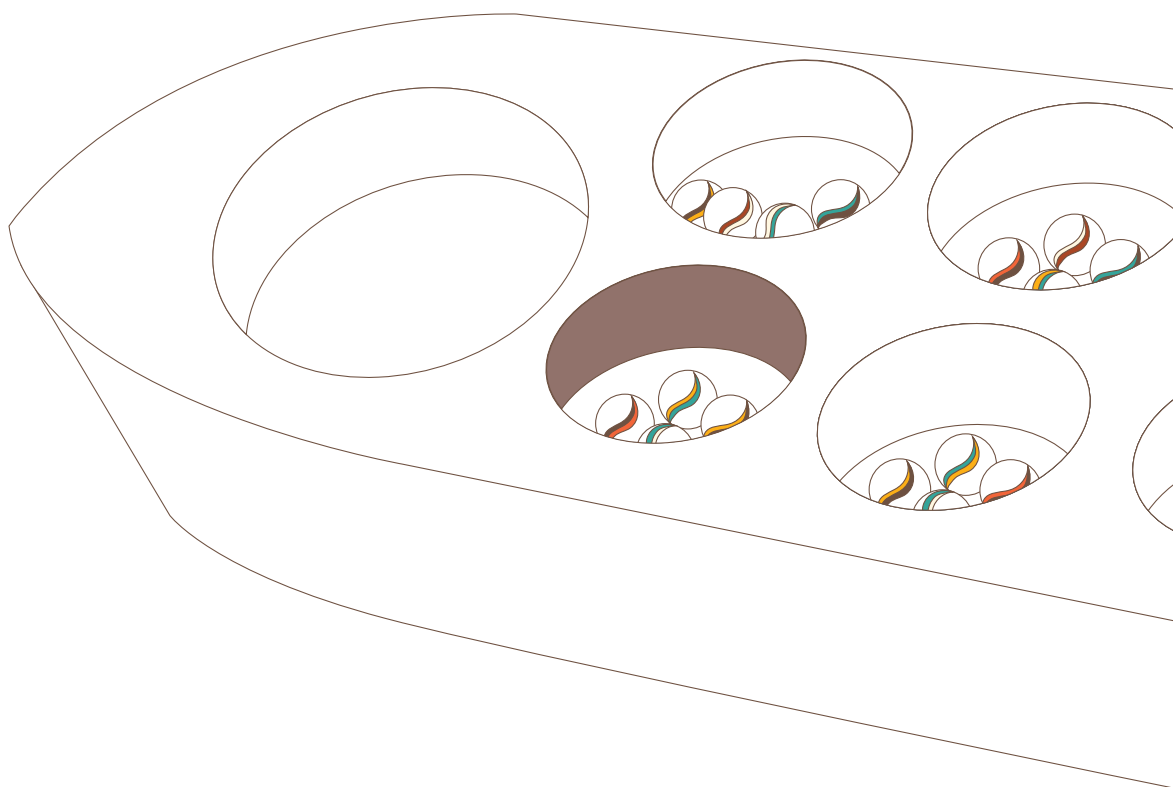
TRUST STRUCTURE 34

ORGANISATION STRUCTURE 35

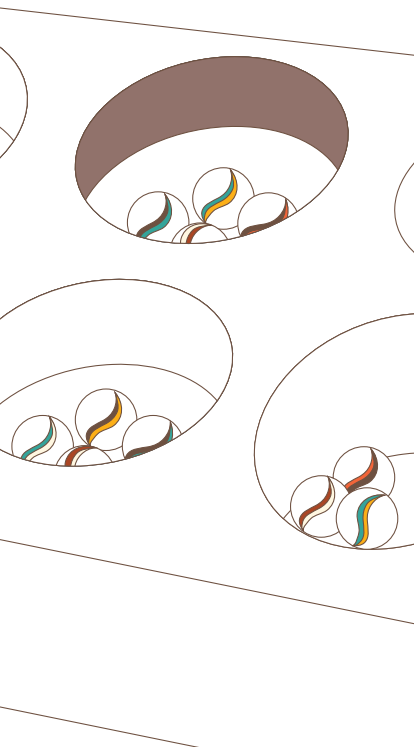
BOARD OF DIRECTORS 36

MANAGEMENT TEAM 42

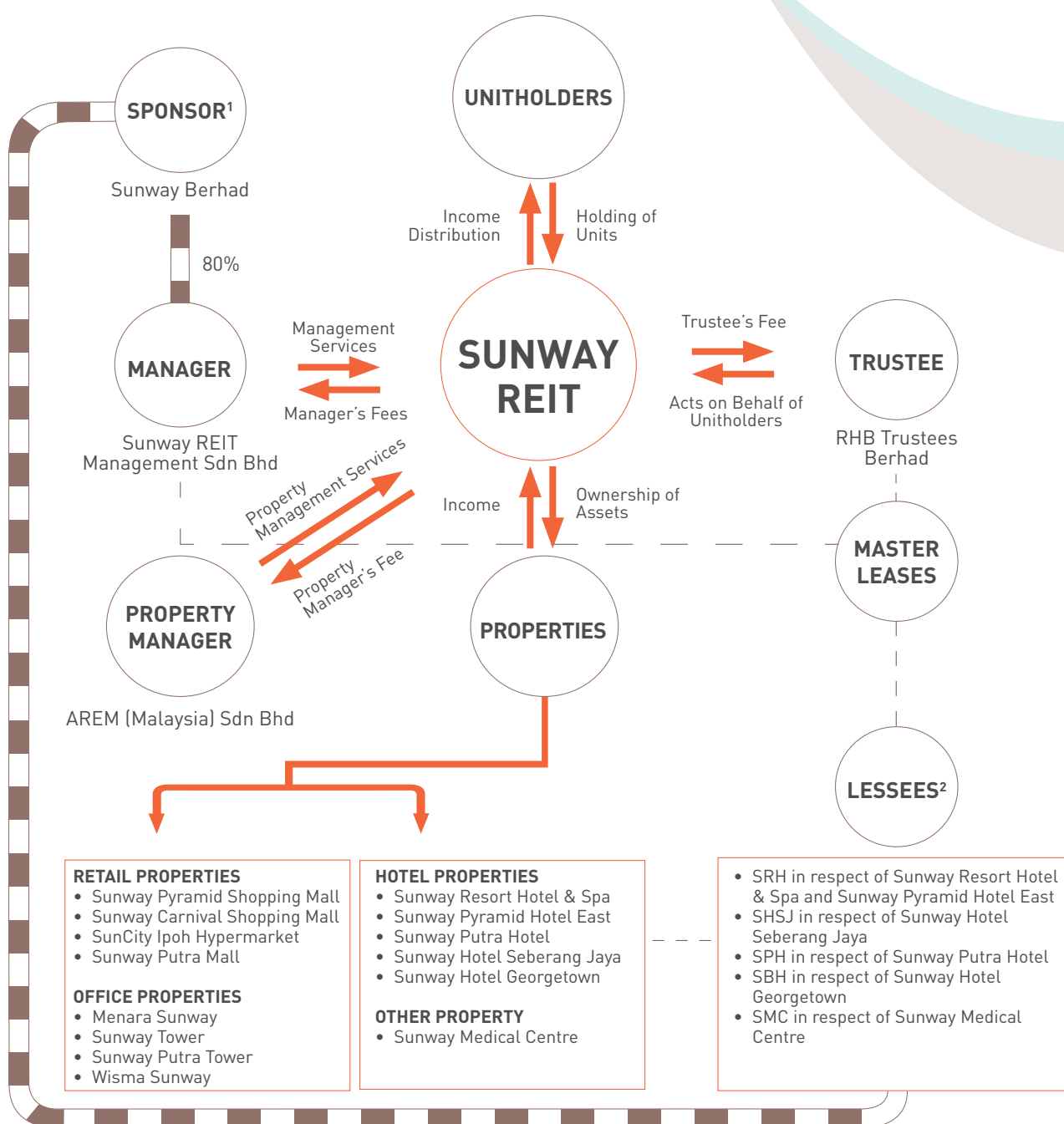
CORPORATE GOVERNANCE STATEMENT 44



Sunway REIT seeks opportunities to ensure a steady increase in income for all stakeholders.



# TRUST STRUCTURE



Equity interest

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

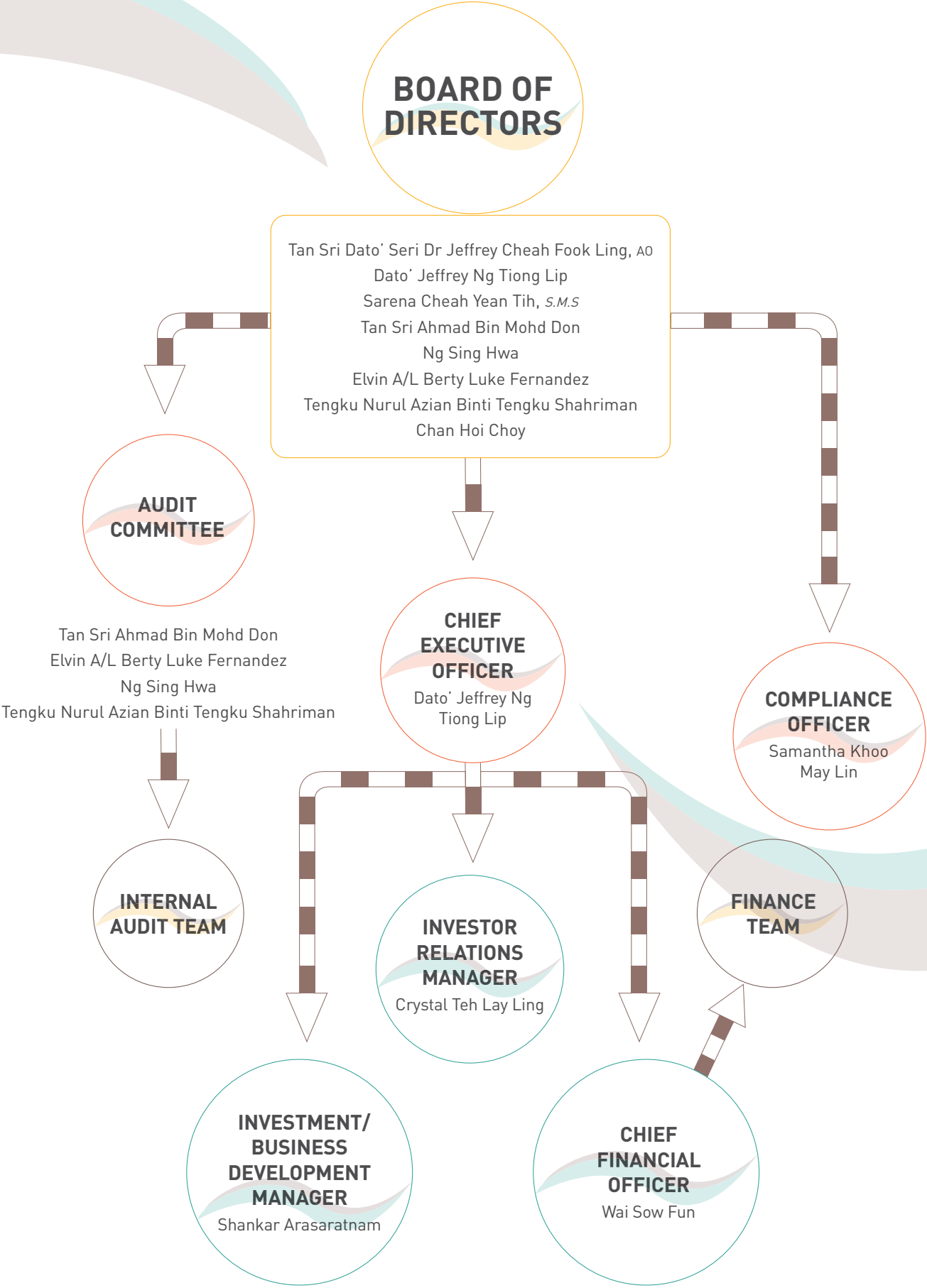
Contractual relationships under the Master Leases

<sup>1</sup> Sunway Berhad has 37.3% investment in Sunway REIT as at 30 June 2016

<sup>2</sup> Sunway Resort Hotel Sdn Bhd (SRH) is the lessee for Sunway Resort Hotel & Spa and Sunway Pyramid Hotel East  
 Sunway Hotel (Seberang Jaya) Sdn Bhd (SHSJ) is the lessee for Sunway Hotel Seberang Jaya  
 Sunway Putra Hotel Sdn Bhd (SPH) is the lessee for Sunway Putra Hotel  
 Sunway Biz Hotel Sdn Bhd (SBH) is the lessee for Sunway Hotel Georgetown  
 Sunway Medical Centre Sdn Bhd (SMC) is the lessee for Sunway Medical Centre  
 The hotel lessees are wholly owned subsidiaries of Sunway Berhad whilst SMC is a 99.53% owned subsidiary



# ORGANISATION STRUCTURE



## BOARD OF DIRECTORS



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

Malaysian, Age 71, Male

Non-Independent Non-Executive Chairman

Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling is the Founder and Executive Chairman of Sunway Group, one of Malaysia's most formidable property-construction groups, with a multitude of established businesses in more than 50 locations worldwide.

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

He has been conferred nine (9) honorary doctorates by leading universities worldwide. In 2007, Tan Sri Dr Jeffrey Cheah established the eponymous "Jeffrey Cheah Foundation" and in 2009, he transferred the ownership of Sunway Education Group in its entirety together with its subsidiaries worth more than RM720 million to the Jeffrey Cheah Foundation (JCF). Sunway Education Group comprises, inter alia, Sunway University, Sunway College, Monash University Malaysia, Jeffrey Cheah School of Medicine and Health Sciences and Sunway International School. JCF was officially launched by the Prime Minister of Malaysia on 18 March 2010 in the presence of its foundation's patron, His Royal Highness Sultan of Selangor. To-date, JCF has awarded more than RM210 million worth of scholarships to thousands of deserving students.

In November 2015, Tan Sri Dr Jeffrey Cheah was appointed a member of Putrajaya Higher Education Task Force for a period of 2 years to review and transform the higher education system of Malaysia.

In August 2014, Tan Sri Dr Jeffrey Cheah received a special invitation to be a member of the Global Advisory Council of Harvard University from The President of Harvard University. In recognition of Tan Sri Dr Jeffrey Cheah's continued commitment to Harvard, he was also bestowed the membership on Harvard's COUR - the Committee on University Resources, among a select group of benefactors, to strengthen university resources through the unique power of philanthropy.

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

With generous endowments, Tan Sri Dr Jeffrey Cheah through JCF has forged academic ties with Harvard University in July 2013 to establish the Jeffrey Cheah Professorship, the Jeffrey Cheah Funds for Southeast Asia Studies, the Jeffrey Cheah Visiting Professorship, and the Jeffrey Cheah Travel Grants, in perpetuity.

In February 2013, Tan Sri Dr Jeffrey Cheah was conferred the Honorary Assistant Commissioner of Police title by Malaysia's Inspector-General of Police for his commendable efforts in crime awareness and prevention as Chairman of Malaysia Crime Prevention Foundation (Selangor Chapter).

He received 2012 Honorary Gold Award, a top honour from the Royal Rotary Club of Kuala Lumpur, in recognition of his leadership and development of education and research in Malaysia. Prior to that, he was conferred the Honorary Fellow 2012 by the Malaysian Scientific Association (MSA) for his meritorious contribution to the development of science education, as well as for his overall contribution in the advancement of science and technology in Malaysia.

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

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

## BOARD OF DIRECTORS (CONT'D)

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

- 2012** - Appointed as Permanent Honorary President to the Federation of Hakka Associations Malaysia, in appreciation of his invaluable contributions to the Associations.
- 2007** - Monash University School of Medicine and Health Sciences was named after Tan Sri Dr Jeffrey Cheah in appreciation of his contribution to Monash University Malaysia and Malaysia-Australia bilateral ties.
- 2006** - His Royal Highness Sultan of Selangor installed him as the Foundation Chancellor of Sunway University.
- 2002** - Deputy President of National Kidney Foundation of Malaysia.
  - First non-Malay Honorary Member of Kuala Lumpur Malay Chamber of Commerce.
- 1999** - Founding Trustee of Malaysian Liver Foundation.
- 1997** - President of Malaysian Hakka Association (until 2004).
  - Council Member of the Financial Reporting Foundation, Malaysia.
- 1996** - Appointed by the Minister of Education to the Higher Education Council of Malaysia.
  - Chairman of Malaysian Industry-Government Group for High Technology for Construction and Housing.
  - EXCO member of the Malaysian Tourism Action Council.
- 1990** - Director of National Productivity Centre, Malaysia

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

Tan Sri Dr Jeffrey Cheah was appointed to the Board of the Manager on 24 March 2010 and he also serves as Member of the Remuneration and Nomination Committees. He attended 4 out of the 6 Board Meetings held in the financial year.

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

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

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

## BOARD OF DIRECTORS (CONT'D)



**Dato' Jeffrey Ng Tiong Lip**

Malaysian, Age 59, Male

Chief Executive Officer &

Non-Independent Executive Director

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

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

Dato' Jeffrey Ng is a member of Malaysian Institute of Certified Public Accountants and Institute of Chartered Accountants, Australia and New Zealand. In 1999, he was conferred a fellowship by Malaysian Institute of Directors and accorded 'Entrepreneur of the Year' by MABC in 2003. In 2008, he was advanced to fellowship member of Institute of Chartered Accountants, Australia and New Zealand. In 2009, he was conferred the Patron of REHDA. Dato' Jeffrey Ng was awarded "REHDA Personality of the Year 2015" for his contribution to the real estate industry. He is currently a panel member of the Appeal Board under the Federal Territory (Planning) Act 1982, as well as Chairman of REHDA Institute and the Malaysian REIT Managers Association. He is also a Capital Markets Services Representative's Licence (CMSRL) holder.

Dato' Jeffrey Ng was appointed to the Board of the Manager and as CEO on 24 March 2010. He attended all of the 6 Board Meetings held in the financial year.

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

He does not have any family relationship with other Directors and/or major unitholders of Sunway REIT nor does he have any conflict of interests with Sunway REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.



**Sarena Cheah Yean Tih, S.M.S**

Malaysian, Age 41, Female

Non-Independent Non-Executive Director

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

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

Ms Sarena Cheah was appointed to the Board of the Manager on 25 August 2010. She attended 4 out of 6 Board Meetings held in the financial year.

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

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

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

## BOARD OF DIRECTORS (CONT'D)



**Tan Sri Ahmad Bin Mohd Don**

Malaysian, Age 69, Male

Senior Independent Non-Executive Director

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

Tan Sri Ahmad started his career with the Corp of Accountants, Government of Malaysia from 1972 to 1974 before joining the private sector. He served as Financial Controller from 1974 to 1980 in companies such as Syarikat Jengka Sdn Bhd, Mansfield Berhad and Pernas Securities Sdn Bhd where he was also the Company Secretary. In November 1980, he joined Permodalan Nasional Berhad as the Deputy General Manager and was involved in the planning and launching of the National Unit Trust Scheme in 1981. Subsequently in April 1982, he joined Malayan Banking Berhad as the General Manager of Treasury. During his service with Malayan Banking Berhad, he rose through the ranks of Senior General Manager and Board Member, then as Executive Director and in January 1991, he was appointed the Group Managing Director and Chief Executive Officer, a position which he held until 1994.

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

Tan Sri Ahmad was appointed to the Board of the Manager on 25 August 2010 and he also serves as Chairman of the Audit and Remuneration Committees as well as a Member of the Nomination Committee. He attended all of the 6 Board Meetings held in the financial year.

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

He does not have any family relationship with other Directors and/or major unitholders of Sunway REIT nor does he have any conflict of interests with Sunway REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.



**Ng Sing Hwa**

Malaysian, Age 70, Male

Non-Independent Non-Executive Director

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

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

He has vast experience in the areas of corporate finance, hospitality industry, property & construction industry and manufacturing of building materials. He had held the positions of Group Chief Executive of Faber Merlin Malaysia Berhad from 1977 to 1985 and Managing Director of CI Holdings Berhad from 1985 to 1988 prior to venturing into management consultancy services and own property development in 1989.

He is currently the Executive Chairman of Miramas Development Sdn Bhd. He is also a Director of Millennium Pavilion Sdn Bhd, a major shareholder of the Manager.

He was appointed to the Board of the Manager on 18 November 2013 and he also serves as Member of the Audit Committee. He attended all of the 6 Board Meetings held in the financial year.

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

He does not have any family relationship with other Directors and/or major unitholders of Sunway REIT. Save as disclosed above, he does not have any conflict of interests with Sunway REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.



## BOARD OF DIRECTORS (CONT'D)



**Tengku Nurul Azian Binti Tengku Shahrman**

Malaysian, Age 53, Female

Independent Non-Executive Director

Tengku Azian Shahrman graduated with a Bachelor of Law, LLB (Hons) from the University of London in 1985. She obtained her Barrister of Law of the Honourable Society of the Inner Temple in year 1986 and was subsequently admitted and enrolled as an Advocate and Solicitor of the High Court in Malaya on 11 February 1989.

Tengku Azian Shahrman joined the Performance Management and Delivery Unit, Prime Minister's Department (PEMANDU) in February 2010, and she currently is the Director of Education and Strategic Reform Initiatives (SRI) - Human Capital Development. PEMANDU is tasked to oversee the implementation and assess progress of the Economic Transformation Programme and the Government Transformation Programme.

Before joining PEMANDU, she was in Investment Banking for 18 years, the last position as Head of Corporate Finance in RHB Investment Bank Berhad.

Tengku Azian Shahrman was appointed to the Board of the Manager on 11 March 2016. She attended all of the 2 Board Meetings held in the financial year since her appointment.

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

She does not have any family relationship with other Directors and/or major unitholders of Sunway REIT nor does she have any conflict of interests with Sunway REIT. She has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.



**Chan Hoi Choy**

Malaysian, Age 56, Male

Non-Independent Non-Executive Director

Chan Hoi Choy is an alumnus of University of Aston, Birmingham, United Kingdom and holds a Bachelor of Science (Hons) degree in Managerial and Administrative Studies.

Mr Chan currently serves as the Chief Executive Officer of Sunway Malls and Theme Parks. He oversees the portfolio of Sunway Pyramid, Sunway Carnival, Sunway Giza, Sunway Putra, Sunway Velocity, Sunway Lagoon and Lost World of Tambun. Having spent his entire 33 years of professional career in mall management and development, he has acquired extensive experience in general mall management, operations and marketing management. Mr Chan began his career in Sungei Wang Plaza in 1983 where he spent 11 years with this successful shopping mall before joining Berjaya Starcity (now known as Times Square) as the General Manager principally responsible for the development of this major shopping mall in the heart of Kuala Lumpur from 1994 to 1999. His next career move was to Sunway Pyramid.

He is the current Advisor of Malaysia Shopping Malls Association (PPK Malaysia) after serving a two-term presidency in advocating the industry interest at both international and national levels. He also serves as the current Advisor of Council of Asian Shopping Centres (CASC).

Mr Chan was appointed to the Board of the Manager on 11 March 2016. He attended all of the 2 Board Meetings held in the financial year since his appointment.

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

He does not have any family relationship with other Directors and/or major unitholders of Sunway REIT. Save as disclosed above, he does not have any conflict of interests with Sunway REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

## BOARD OF DIRECTORS (CONT'D)



**Elvin A/L Bertly Luke Fernandez**

Malaysian, Age 67, Male

Independent Non-Executive Director

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

He is the Managing Director of the Khong & Jaafar Group of Companies, a Past Chairman of the International Valuation Standards Council (2007/2008), a Past President of the Royal Institution of Surveyors Malaysia (Session 2010/2011), a former Member/Exco-Member of the Board of Valuers, Appraisers & Estate Agents Malaysia (1993-2007), a Past President of the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (2000/2002) and a past Secretary-General of the ASEAN Valuers Association (2010/2014). He is also a former Adjunct Professor of University Malaya-Faculty of Built Environment (2013/2014). He is also a Past Member of the RICS Malaysia Board where he served from 1 June 2014 until 31 May 2016. He is also a former Director of Malaysian Property Incorporated.

He is a National Committee Member of FIABCI, a Member of Malaysian Institute of Estate Agents and the Malaysian Institute of Professional Property Managers, a Fellow of the Royal Institution of Chartered Surveyors, United Kingdom, Honorary Member of Institution of Valuers India, Institute of Philippine Real Estate Appraisers, National Association of Valuers in Romania, China Appraisal Society, Practising Valuers Association India and MAPPI, the Indonesian Society of Appraisers.

He is the Vice President of the Business Valuers Association Malaysia (BVAM) and a Member and Qualified Business Valuation Instructor of the International Association of Consultants, Valuers and Analysts (Business Valuer). He is also a Member of the Malaysian Association of Professional Property Managers and the Investigating Tribunal Panel of the BAR Council Malaysia.

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

Mr Elvin Fernandez was awarded the "Property Consultant of the Year 2005" by the Board of Valuers, Appraisers & Estate Agents Malaysia on 12 January 2006. He was also conferred with "Professional Excellence" Award in the "Engineering, Construction & Property" category by the Malaysian Professional Centre or Balai Ikhtisas Malaysia on 21 May 2011. He was invited in 2013 by the China Appraisal Society to advise the CAS as well as the Ministry of Finance of the People's Republic of China on their proposed valuation law. Only four International experts from around the world were called to be on the Advisory Committee. On 10 January 2014, Mr Elvin Fernandez was conferred with "Valuer of the Year 2013" Award by the Valuation Division of the Royal Institution of Surveyors Malaysia. On 12 December 2015, he was presented with a Honorary Membership of the International Association of Consultants, Valuers and Analysts (IACVA) in recognition of his contributions to the global valuation profession.

Mr Elvin Fernandez was appointed to the Board of the Manager on 24 March 2010 and he also serves as a Chairman of the Nomination Committee and Member of the Audit and Remuneration Committees. He attended all of the 6 Board Meetings held in the financial year.

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

He does not have any family relationship with other Directors and/or major unitholders of Sunway REIT nor does he have any conflict of interests with Sunway REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

## MANAGEMENT TEAM



**Dato' Jeffrey Ng Tiong Lip**

Malaysian, Age 59, Male  
Chief Executive Officer

Dato Jeffrey's profile is detailed in the Board of Director's Profile on page 38.

### **ROLE:**

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



**Wai Sow Fun**

Malaysian, Age 49, Female  
Chief Financial Officer

Ms Wai Sow Fun was appointed on 16 May 2010. Ms Wai graduated from the University of Malaya, Malaysia with a Bachelors Degree (Hons) in Accounting and is a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountant (MICPA).

She has more than 20 years' experience in auditing, corporate finance, financial accounting and management across a variety of industries including property development, property investment, leisure and hospitality. She started her career in Arthur Andersen & Co and left the firm as an Audit Senior prior to joining the Sunway Group in 1994 as an Assistant Finance Manager. She was the General Manager of Finance of Sunway City Berhad prior to joining the Manager.

She is currently a director of Sunway Lagoon Club Berhad.

She does not have any family relationship with any Directors and/or major unitholders of Sunway REIT nor does she have any conflict of interests with Sunway REIT. She has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

### **ROLE:**

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

## MANAGEMENT TEAM (CONT'D)



**Shankar Arasaratnam**

Malaysian, Age 40, Male  
Investment/Business Development  
Manager

Mr Shankar Arasaratnam was appointed on 8 March 2013. Mr Shankar Arasaratnam holds a Bachelor of Engineering (Hons) in Electrical and Electronics from the Nottingham Trent University, Nottingham, United Kingdom.

Prior to joining the Manager, he was attached to Ravindra Dass Property Services Sdn Bhd as the General Manager. He has more than 12 years' experience in the real estate field which includes valuation, real estate, research, agency and consultancy.

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

He does not have any family relationship with any Directors and/or major unitholders of Sunway REIT nor does he have any conflict of interests with Sunway REIT. He has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

**ROLE:**

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



**Crystal Teh Lay Ling**

Malaysian, Age 40, Female  
Investor Relations Manager

Ms Crystal Teh Lay Ling was appointed on 2 January 2015. Ms Crystal Teh graduated with a Bachelor of Science (Hons) Banking and Finance from University of London.

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

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

She does not have any family relationship with any Directors and/or major unitholders of Sunway REIT nor does she have any conflict of interests with Sunway REIT. She has not been convicted for any offences, other than traffic offences (if any), within the past 10 years.

**ROLE:**

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



**Samantha Khoo May Lin**

Malaysian, Age 38, Female  
Compliance Officer

Ms Samantha Khoo May Lin joined Sunway Group Legal in May 2012 and was subsequently appointed as the compliance officer for Sunway REIT on 23 October 2012. Ms Samantha Khoo holds a Bachelor of Laws and a Bachelor of Commerce from Monash University, Melbourne, Australia.

She started her career at Presgrave & Matthews, a prominent law firm in Penang, specializing in property and real estate, banking and finance and general corporate advisory. She then further expanded her experience in the property, real estate and corporate practice areas in Raslan Loong and thereafter joined Zaid Ibrahim & Co (ZICOLaw) where she specialised in equity capital markets and mergers and acquisitions. During her time at ZICOLaw, she was part of the advisory team involved in the listing of Sunway REIT in 2010, amongst other notable transactions. Prior to joining Sunway Group Legal, she was the legal counsel of a pharmaceutical company with predominantly European operations.

Currently, she does not hold any directorships in public companies and listed issuers. She does not have any family relationship with any Directors and/or major unitholder of Sunway REIT nor does she have any conflict of interests with Sunway REIT. She has not been convicted for any offences in the past 10 years, other than traffic offences, if any.

**ROLE:**

Primary role is to ensure that the Manager is in compliance with the Deed and the relevant guidelines and regulations governing real estate investment trusts in Malaysia.

## CORPORATE GOVERNANCE STATEMENT

The Manager together with the Trustee have since 2010, pledged a high standard of corporate governance and have ensured these high standards are ingrained into the governance framework, policies and practices of Sunway REIT. The framework was designed to balance effective performance, effective conformance and asset enhancements with the ultimate objective of protecting and enhancing unitholders' value whilst continuously improving the financial performance of Sunway REIT from each financial year to the next.

Throughout the FY2016, the corporate governance practices and processes of the Manager remained consistent with the principles and recommendations of the Malaysian Corporate Governance Code 2012 (Corporate Governance Code) and the Bursa Main Market Listing Requirements (Bursa MMLR). Additionally, it has also observed certain best practices recommended by the Asia Pacific Real Estate Association (APREA) Best Practices Handbook (2nd Edition).

### THE MANAGER

The Manager holds a valid Capital Markets Services License (CMSL) issued by the Securities Commission (SC). It has 2 licensed representatives who are Dato' Jeffrey Ng Tiong Lip and Sarena Cheah Yean Tih.

Sunway REIT is externally managed by the Manager and as such, it has no employees. The Manager has appointed experienced and qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Sunway REIT. The Manager has the general power of management over the assets of Sunway REIT. It also sets the strategic direction of Sunway REIT and recommend such directions in the interest of the unitholders to the Trustee in accordance with its investment strategy. Its primary role is to manage Sunway REIT and the properties in accordance with the Deed in the best interest of the unitholders focusing on generating rental income and, where opportune increasing Sunway REIT's assets over time to enhance the return on investments and ultimately, the distributions to the unitholders.

The Manager continues to uphold to the highest of standards for corporate governance. It will continue to enhance its investment, financial, strategic direction and risk management policies. Concurrently, it will maintain transparent and strong investor relations, with adequate and sufficient internal control systems and ensuring compliance with applicable laws, regulations, rules, directives and guidelines.

### **PRINCIPLE 1 & 2: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES AND STRENGTHENING COMPOSITION**

#### THE BOARD OF THE MANAGER

The Board has the overall responsibility for managing and governing the Manager in carrying out its role as the manager acting in the best interests of the unitholders and stakeholders

of Sunway REIT. The Board sets the strategic directions and oversees the competent and efficient management of Sunway REIT in the spirit of the Corporate Governance Code. The Board has clear functions reserved for the board and functions which are delegated to the management of the Manager. The Board Charter establishes the clear roles and responsibilities of the Board in discharging its fiduciary leadership functions and separately the Code of Conduct sets out its ethics standards. These functions, roles and code of conduct of the Board are further elaborated in the Board Charter and the Code of Conduct on the Sunway REIT website at [www.sunwayreit.com](http://www.sunwayreit.com).

### COMMITTEES

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

#### (a) Audit Committee

The Audit Committee comprising Tan Sri Ahmad Bin Mohd Don as Chairman, Mr Elvin A/L Berty Luke Fernandez, Mr Ng Sing Hwa and Tengku Nurul Azian Binti Tengku Shahrman, has an active role in assisting the Board in discharging its governance responsibilities. The composition of the Audit Committee, attendance of meetings and a summary of its work are set out in the Audit Committee Report of this Annual Report. The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

#### (b) Remuneration Committee

The Remuneration Committee comprises mainly Independent Non-Executive Directors namely Tan Sri Ahmad Bin Mohd Don as Chairman, Mr Elvin A/L Berty Luke Fernandez and Tengku Nurul Azian Binti Tengku Shahrman. The other member of the Committee is Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling.

The terms of reference of the Remuneration Committee are set out on the Sunway REIT website at [www.sunwayreit.com](http://www.sunwayreit.com).

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

- i) to evaluate the performances of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Manager and to endorse their annual increment and bonuses. The Sunway Group Chief Human Resources Officer was invited to present the surveys on remuneration package for similar industry for discussion and comparison. The Manager uses "Managing for Excellence" software tools for facilitating the evaluation of the CEO and CFO encompassing balanced scorecard for the CEO and CFO which is conducted on a yearly basis; and
- ii) to review and to approve the terms of the contract of employment of the CEO.



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Sunway Group Chief Human Resources Officer and Senior Manager of Group Human Resources attended the said meetings at the invitation of the Committee. At the meetings, the targeted key performance indicators ("KPI") of the CEO and CFO were compared to the actual achievements for the relevant financial year.

### (c) Nomination Committee

The Nomination Committee comprises 3 Independent Non-Executive Directors namely Mr Elvin A/L Berty Luke Fernandez as Chairman, Tan Sri Ahmad Bin Mohd Don and Tengku Nurul Azian Binti Tengku Shahriman. The other member of the Committee is Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling.

The main role of the Nomination Committee is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance of Executive Directors and Independent Non-Executive Directors. In discharging its responsibilities, the Nomination Committee has developed criteria used for recruitment and annual Board assessment. In evaluating the suitability of the Board members, the Nomination Committee considers, inter alia, the competency, experience, commitment, contribution and integrity of the candidates. In case of candidates proposed for appointment as Independent Non-Executive Directors, the Nomination Committee would also assess the candidate's independence in accordance with Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements of Bursa Securities.

The terms of reference of the Nomination Committee are set out on the Sunway REIT website at [www.sunwayreit.com](http://www.sunwayreit.com).

During the financial year, 5 meetings were held to deliberate on the following matters :-

- i) Reviewed the Terms of Reference of the Committee which include amongst others, selection and nomination of Directors, Directors' training, and the Board's succession planning, etc.
- ii) Approval of 2016 methodology for evaluation of Board Effectiveness, assessment of the Independent Non-Executive Directors and Director's Peers Review. The formats of Audit Committee Evaluation, Audit Committee Members' Self & Peer Evaluation and Effectiveness of Board Committee Evaluation were also discussed and approved.
- iii) Deliberation and approval of the Nomination Committee report to be included in the Corporate Governance Statement for Annual Report 2015.
- iv) Discussion on Management succession planning whereby the Sunway Group Chief Human Resources Officer presented the potential successors for the key management positions in the Manager for the Nomination Committee's deliberation. The Manager has a systematic program to identify, train/mentor the next echelon of future leaders i.e. an annual talent review and succession planning for the key management positions.
- v) Endorsed and recommended the appointment of Mr Chan Hoi Choy as Non-Independent Non-Executive Director of

the Manager to the Board for approval. The Nomination Committee had reviewed Mr Chan Hoi Choy's profile before the endorsement and recommendation were made.

- vi) Endorsed and recommended the appointment of Tengku Nurul Azian Binti Tengku Shahriman as an Independent Non-Executive Director, member of Audit Committee, Nomination Committee and Remuneration Committee of the Manager to the Board for approval. The Nomination Committee had reviewed Tengku Nurul Azian Binti Tengku Shahriman's profile and confirmation of her independence before the endorsement and recommendation were made.
- vii) Discussed and adopted the results of the Audit Committee Members' Self and Peer Evaluation, Audit Committee Evaluation, Evaluation on Board Effectiveness, Director's Peers Review, Evaluation of Independent Non-Executive Directors, Independent Directors' Self-Assessment and Effectiveness of Board Committee Evaluation for financial year ended 2016. Areas which needed improvements were highlighted to the Board and Management for action.
- viii) Reviewed the size, structure and composition of the Board and Board Committee.
- ix) Reviewed the competencies, independence and time commitment of Directors. The Independent Directors confirmed their continued independence in accordance with Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements of Bursa Securities as well as the REIT Guidelines.
- x) Identified training needs of the Directors and training programmes available. List of workshops and seminars attended by Directors were noted and discussed.
- xi) Assessment of the performance of retiring Directors and to endorse their eligibility for re-election. The Nomination Committee endorsed the proposed re-appointment of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Mr Ng Sing Hwa who are over the age of 70 years, as Directors of the Manager pursuant to Section 129 of the Companies Act, 1965 subject to the approval of the shareholders at the Manager's 9th Annual General Meeting. The performance and contribution of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Mr Ng Sing Hwa for the financial year 2015 were also discussed. Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling abstained from all deliberations on his proposed re-appointment. Mr Ng Sing Hwa's performance as Non-Independent Non-Executive Director was assessed based on Director's Peers Review.
- xii) Assessment of the performance of Dato' Jeffrey Ng Tiong Lip, the retiring director and endorsed his re-election at the Manager's 9th Annual General Meeting, subject to the approval of the shareholders. The performance of Dato' Jeffrey Ng Tiong Lip was assessed based on the results obtained from the Director's Peers Review.
- xiii) Endorsed and recommended the re-elections of the newly appointed Directors, Mr Chan Hoi Choy and Tengku Nurul Azian Binti Tengku Shahriman, at the Manager's 9th Annual General Meeting, subject to the approval of the shareholders.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### Meetings and Attendance

NAME OF COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED
Elvin A/L Bertly Luke Fernandez	5/5
Tan Sri Ahmad Bin Mohd Don	5/5
Tengku Nurul Azian Binti Tengku Shahrman	1/1*
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	4/5

\* Reflects the number of meetings held during the time the Director held office

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

The IAWG was established to determine the investment and divestment strategies of Sunway REIT, with the aim of improving the growth of Sunway REIT and improve its distribution yields. The IAWG consists of Dato' Jeffrey Ng Tiong Lip, Chan Hoi Choy, Sarena Cheah Yean Tih, Shankar Arasaratnam and Wai Sow Fun. During the financial year, the IAWG had evaluated 9 assets for potential acquisitions which consists of the assets of Sunway Group and also third party assets. These potential assets were evaluated based on set assessment criteria used on all potential assets with due diligence conducted on 4 assets that passed the initial assessment criteria. Pursuant to the due diligence exercise, only 1 asset was recommended to the Board for acquisition.

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

The RMWG comprises Dato' Jeffrey Ng Tiong Lip, Sarena Cheah Yean Tih, Chan Hoi Choy and Wai Sow Fun.

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

## COMPANY SECRETARY AND COMPLIANCE OFFICER

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

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

## POLICIES

The Board is committed in ensuring the operations of Sunway REIT are conducted in an ethical manner. Other than the Board Charter and the Code of Conduct, the Manager has a formalized whistleblowing policy and procedures which encourages all employees of the Manager and stakeholders to report any suspected inappropriate behavior or misconduct relating to fraud, corrupt practices and/or abuse of resources of the Manager and/or Sunway REIT. The policy lists out the mechanism in relation to the reporting of concerns on any suspected wrongdoing in inappropriate behavior or misconduct pertaining to fraud, corrupt practices and/or abuse for Management action. The contact persons for Whistleblowing are the Chairman of the Audit Committee or the Head of Internal Audit Department.

The Manager is also bound by a Code of Conduct & Business Ethics policy which addresses the standards of behavior expected of the Board and the employees of the Manager. It strictly prohibits corrupt practices, insider trading, fraud, health and safety and other inappropriate behavior.

## COMPOSITION AND DIVERSITY

The Board consists of 8 members, with 3 Independent Non-Executive Directors. The Board composition reflects a balance of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals in the fields of accountancy, banking and finance, legal and corporate finance, property valuation, real estate development and property management. This combination of different professions and skills working together enables the Board to effectively lead and control the Manager and Sunway REIT.

This year the Nomination Committee has recommended and the Board has approved the appointment of Tengku Nurul Azian Binti Tengku Shahrman as an Independent Non-Executive Director. Please refer to the Directors Profile for more information on Tengku Nurul Azian Binti Tengku Shahrman.

The current composition of Directors provides an appropriate balance and diversity of skills, experience, talent, knowledge and gender relevant to Sunway REIT. The Nomination Committee annually examines the composition of the Board to ensure that the Board has the appropriate mix of expertise, experience and diversity.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

The current board composition in terms of each of the Director's industry and/or background experience, age and ethnic composition is as follows:-

	INDUSTRY/BACKGROUND EXPERIENCE							AGE COMPOSITION				ETHNIC COMPOSITION		
	Public Services	Accounting Finance	Legal	Property/Facility Management	Property Development	Real Estate Valuation	Corporate Finance	40 to 49 years	50 to 59 years	60 to 69 years	70 to 79 years	Bumiputera	Chinese	Indian
<b>DIRECTORS</b>														
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	✓	✓		✓	✓		✓				✓		✓	
Tan Sri Ahmad Bin Mohd Don	✓	✓					✓			✓		✓		
Dato' Ng Tiong Lip		✓		✓	✓		✓		✓				✓	
Elvin A/L Berty Luke Fernandez				✓		✓				✓				✓
Tengku Nurul Azian Binti Tengku Shahrman	✓		✓				✓		✓			✓		
Ng Sing Hwa		✓		✓	✓		✓				✓		✓	
Sarena Cheah Yean Tih S.M.S.		✓			✓		✓	✓					✓	
Chan Hoi Choy				✓					✓				✓	

## REMUNERATION

Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages for Executive and Non-Executive Directors. The remuneration of the Directors is paid by the Manager and not by Sunway REIT.

The remuneration of the Executive Director is structured on the basis of linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee including an additional fee for serving on the Audit

Committee. They also received attendance fee for participation in meetings of the Board and any of the committee meetings. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors were taken into account.

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

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

	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTORS	TOTAL
Director Fee	-	370,000	370,000
Other Emoluments	-	15,000	15,000
Meeting Allowance	-	31,000	31,000
Salaries and Other Remuneration	924,927	-	924,927
Bonus	404,877	-	404,877
Benefits-in-kind	6,526	-	6,526
Total:	1,336,330	416,000	1,752,330

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

RANGE OF REMUNERATION	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTORS	TOTAL
Below RM110,000	0	6	6
RM950,001 to RM1,500,000	1	0	1
Total:	1	6	7

\*Reflects the remuneration during the time the Directors held office for the financial year

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### **PRINCIPLE 3: REINFORCING INDEPENDENCE**

Annual reviews are conducted through surveys and assessments on individual Directors through self-assessment and peer assessment methods. In addition, the Company's diversity and inclusion policy promotes equality and diversity, including gender diversity ensuring that an effective combination of ideas and expertise are brought to the Board and permeate through all levels of management.

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

Tan Sri Dr. Jeffrey Cheah, the Non-Executive Non-Independent Chairman is responsible for leading the Board and ensuring that the Board continues to be effective and that its members work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues. The CEO, Dato' Jeffrey Ng has full executive responsibilities over the business direction of the Manager and is responsible for implementing the Sunway REIT strategies and policies in its day-to-day operations.

The Nomination Committee reviews the independence of Independent Directors annually according to the criteria set out in the Listing Requirements of Bursa Securities and the REIT Guidelines. All of the Independent Non-Executive Directors remained independent from the substantial shareholders of the Company and substantial unitholders of Sunway REIT. They are neither directly nor indirectly associated with any substantial shareholder or substantial unitholders of Sunway REIT and each of them is independent of the Company's Management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and Sunway REIT.

The Board however, does not comprise a majority of independent directors where the Chairman of the Board is not an independent director as recommended under Recommendation 3.5 of the Code. The Manager continues to persistently find alternatives to meet this recommendation.

### **PRINCIPLE 4: FOSTERING COMMITMENT**

Unless there are special meetings called, the Board meets regularly at least once a quarter, to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, annual budget, capital expenditure requirements, property reports, investor relations reports, funding requirements, risk management and performance of Sunway REIT against the approved budget. When necessary, the Board meets to review and approve acquisitions or disposals of assets for recommendation to the Trustee or any other issues requiring immediate attention. In addition, the Board meets for one day at the beginning of the financial year to chart the future strategic direction of Sunway REIT. The meetings are scheduled in advance in the fourth quarter of the preceding year for the Board members to plan their schedules. In order to facilitate participation at the Board meetings, Directors may attend in person, via telephone or video-conference. Board meetings are also supplemented by resolutions circulated to the Directors for decision between the scheduled meetings.

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are given at least 1 week prior to the meetings for the Board to study and evaluate the matters to be discussed. The Manager had invested in an electronic board solution to facilitate paperless meetings where board papers are uploaded onto a secure electronic platform and is accessible via laptop, tablet devices and mobile phones. This investment has improved convenience and speed of delivery of information to the Directors wherever they might be located.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the performance of the properties under management, risk management and internal control reports, minutes of meetings, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval. Whenever required, key management are also invited to attend Board meetings to present matters in respect of their area of responsibilities or recommendations for the Board's consideration or discussion.

In the Board Meetings, the Board members are updated on Sunway REIT's performance and developments, businesses as well as changes on the regulatory and accounting standards.

The Chairman of the Board Committee would brief the Board members on issues discussed at the meetings of the Board Committees as well as the action plans to address or mitigate any issues or problems highlighted. The Board members would be constantly updated on the progress and development of the said issues at the subsequent meetings. The Board would provide comments and advice on the issues reported as well as propose any action plans to be undertaken by Management.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

A Director who has direct or indirect interest in any proposal or transaction, which is being presented to the Board for approval, will declare his or her interest and abstain from deliberation and voting of the same at the Board meeting.

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

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

All Independent Non-Executive Directors have access to the Chairman and/or the key management should there be any explanation or clarifications needed on any aspect of Sunway REIT's operations or management issues. Management will also brief the Independent Directors in detail on a half-yearly basis.

The Board met 6 times during the financial year ended 30 June 2016 and the details of attendance of the Directors are as follows:-

NAME OF DIRECTORS	NUMBER OF BOARD MEETINGS ATTENDED	PERCENTAGE OF ATTENDANCE (%)
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	4/6	67
Dato' Jeffrey Ng Tiong Lip	6/6	100
Sarena Cheah Yean Tih, S.M.S	4/6	67
Chan Hoi Choy	2/2*	100
Tan Sri Ahmad Bin Mohd Don	6/6	100
Elvin A/L Berty Luke Fernandez	6/6	100
Tengku Nurul Azian Binti Tengku Shahrman	2/2*	100
Ng Sing Hwa	6/6	100

\* Reflects the number of meetings held during the time the Director held office

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

The Director must advise the Board and the Company Secretary of his/her appointment as director in other public listed companies. The Company Secretary will monitor the number of directorships and the changes, if any, of each Director. In compliance with Paragraph 15.06 of the Bursa MMLR the Directors of the Company hold not more than 5 directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are more focused.

The Board recognizes the importance of training and development in enhancing its skills and knowledge to meet the changing business environment. The role to review the training and development needs of the Directors has been delegated to the Nomination Committee.

During the financial year, all the Directors had attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

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

Please refer to the Sunway REIT website at [www.sunwayreit.com](http://www.sunwayreit.com) for the training programmes, seminars and workshops attended by Directors.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

In presenting the annual financial statements, annual report and quarterly results to unitholders, the Board aims to provide a balanced and understandable assessment of Sunway REIT's financial position, performance and prospects. The Board is assisted by the Audit Committee to oversee Sunway REIT's financial reporting processes and the quality of its financial reporting. It also ensures that Sunway REIT's financial statements comply with all applicable accounting policies, standards and regulatory requirements.

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

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

The Audit Committee annually assesses the suitability, effectiveness and independence of the External Auditors and ensures that the provision of other non-audit services by the External Auditors is not in conflict with their audit function. The External Auditors rotates their engagement partner in charge of the audited financial statements of Sunway REIT once every 5 years to maintain their independence from Sunway REIT.

There were no non-audit services provided by the External Auditors during this FY2016.

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

### **PRINCIPLE 6: RECOGNISE AND MANAGE RISKS MANAGING CONFLICTS OF INTEREST AND RELATED PARTIES**

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

- The Manager will be a dedicated manager of Sunway REIT and will not manage any other real estate investment trust or be involved in any other real estate business;
- The appointment or renewal of appointment of any delegate or service provider who is a related party of the Manager must be approved by the Independent Directors of the Manager;
- Any related party transactions must be duly disclosed by the Manager to the Audit Committee and the Board;
- The Audit Committee shall review the terms of the related party transaction before recommending to the Board;
- The Board shall ensure one-third of its Directors are Independent Directors;
- In circumstances where any Director or officer of the Manager may have a direct or indirect interest in any related party transaction, they will abstain from deliberation and voting at any Board meeting and will require the Trustee's approval prior to entering into any transaction/agreement.

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

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

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

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



## CORPORATE GOVERNANCE STATEMENT (CONT'D)

All related party transactions are subject to review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and recommendation process in relation to that transaction, kindly refer to the Audit Committee Report for the details on matters discussed.

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

If the Trustee is to sign any contract with a related party of the Trustee or the Manager, the Trustee will review the contract documentation to ensure it complies with the requirements and provisions relating to related party transactions contained in the REIT Guidelines and the Deed and that the transaction is in the best interests of the unitholders.

### REAL ESTATE RELATED PARTY TRANSACTIONS

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

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

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

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

unitholders in a meeting held specifically for that purpose, and the approval of the SC, if required.

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

The Audit Committee Report contain further details on how the conflict of interest and related party transactions were handled in FY2016.

### NON-REAL ESTATE RELATED PARTY TRANSACTIONS

Although Paragraph 8.36 of the Bursa MMLR provides that Chapter 10 of the Bursa MMLR does not apply to Sunway REIT, nonetheless in the absence of any specific provisions in the REIT Guidelines, the Manager has since its first annual report, adopted voluntarily, the provisions of Chapter 10 Paragraphs 10.08(1) and 10.09(1) of the Bursa MMLR where it relates to announcements to Bursa Securities in respect of non-real estate related party transactions. This is now a proposal in Public Consultation Paper issued by Bursa Securities.

### INTERNAL AUDIT FUNCTION

The Internal Audit function is performed in-house by the Manager's internal audit team. It reports to the Audit Committee on its activities based on the approved annual plan. The internal auditors adopts a risk-based auditing approach, taking into account global best practices and industry standards. The main role of the internal auditor is to provide the Audit Committee with independent and objective reports on the adequacy and effectiveness of the system of internal controls, risks and governance framework within the Manager. The internal auditors' reports arising from assignments were issued to the management for their response, corrective actions and status of implementation of audit recommendations. The internal auditor's reports were subsequently tabled to the Audit Committee for their deliberation and approval. The Head of the Internal Audit has unrestricted access to the Audit Committee and reports directly to the Audit Committee.

Further details of the internal audit activities are set out in the Audit Committee Report of this Annual Report.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### **PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

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

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

### **PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND UNITHOLDERS**

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

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

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

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

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

While the Manager endeavours to provide as much information as possible to unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Manager has in place an insider trading policy to safeguard confidentiality of its material and price-sensitive information.

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

The Board also recognizes the importance of unitholders' participation in general meetings and encourages such participation. The Annual General Meeting of Sunway REIT provides the principal forum for dialogue and interaction between the Board and unitholders. The Annual General Meeting was held in one of our hotel assets, Sunway Resort Hotel & Spa, which is an easily accessible location. Since the 3rd quarter of 2015, the Bus Rapid Transit (BRT) in Bandar Sunway Commenced operations. Therefore, unitholders have access which may be described as "right up to the doorstep" of the hotel using the elevated walkway which connects the Sunway Lagoon BRT station to the side entrance of Sunway Lagoon Theme Park and Sunway Pyramid Shopping Mall. The participation of unitholders, both individuals and institutional at general meetings on clarifications of pertinent and relevant information is encouraged by allowing ample time for questions and clarification from the unitholders. It also continued with poll voting at its annual general meeting which is supervised by an independent scrutineer. This has been practiced since the First Annual General Meeting of Sunway REIT.

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

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

### INVESTOR RELATIONS' ACTIVITIES AND CONTACT

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

Ms. Crystal Teh Lay Ling  
Senior Manager - Investor Relations  
Tel No: (603) 5639 8864  
Fax No: (603) 5639 8001  
Email: crystaltehl@sunway.com.my

### DIRECTORS' RESPONSIBILITY STATEMENT ON AUDITED FINANCIAL STATEMENTS

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

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

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

The Statement of Risk Management and Internal Control is set out on page 179.

### NEW INITIATIVES

This FY2016, the Manager has fulfilled three significant corporate governance goals. Firstly, it has fulfilled its corporate governance goals on gender diversity by appointing Tengku Nurul Azian Binti Tengku Shahrman, another female director on the Board. The appointment of Tengku Nurul Azian Binti Tengku Shahrman also satisfies another initiative by the Manager in fulfilling the skills diversity requirement of the Board with her outstanding legal and corporate finance background. Her appointment does indeed bring about more

vibrancy to the Board. In addition, the Manager has also embarked on issuing its sustainability report ahead of the other listed REITs, which is its third significant corporate governance initiative this FY2016.

Other new initiatives by the Manager include formalizing a policy for charitable donations as part of its sustainability initiatives, increasing transparency in disclosures in relation to the composition of skills and gender of the Board, making more policies and information readily available to unitholders such as the diversity and inclusion policy and the minutes of the Sunway REIT Annual General Meeting on the Sunway REIT's website.

The Manager is resolute in its continual drive to fulfill all recommendations of the Corporate Governance Code and the APREA Best Practices Handbook (2nd Edition), and is committed to continually grow and enhance the value and standards of its corporate governance practices to achieve the highest quality and integrity of the Manager, whilst maximising value and ultimately returns to its unitholders.

This Corporate Governance Statement was approved by the Board on 11 August 2016.

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

# INNOVATION

A result of the amalgamation of creativity and science, the virtual reality gadget is a creation unlike any other. This innovative discovery is a shining example of what ingenuity can accomplish.

## EFFECTUAL GROWTH

MESSAGE FROM THE CEO 56

MANAGEMENT DISCUSSION AND ANALYSIS

- FINANCIAL REVIEW 64

- OPERATIONS REVIEW 70

- CAPITAL MANAGEMENT 76

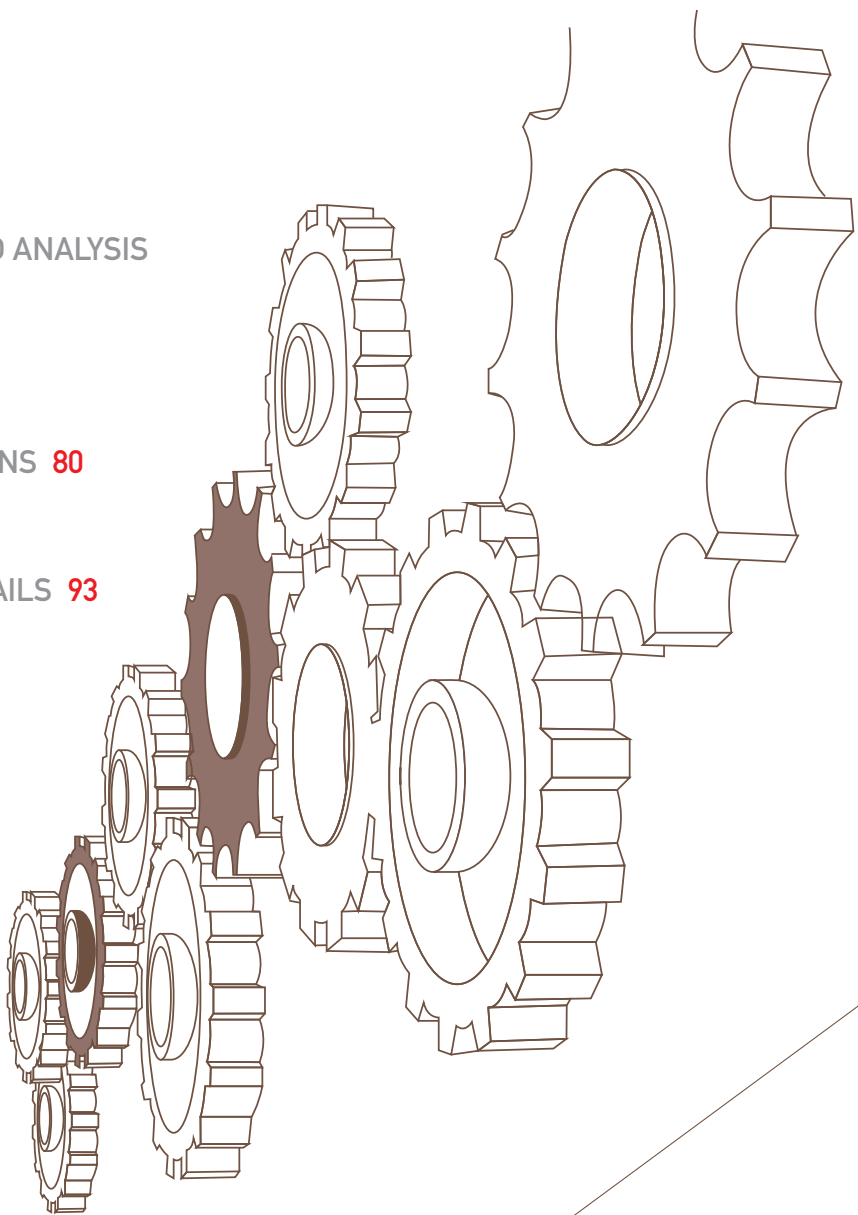
- RISK MANAGEMENT 78

INVESTOR AND PUBLIC RELATIONS 80

MARKET REPORT SUMMARY 88

PORTFOLIO AT A GLANCE 90

PORTFOLIO SUMMARY AND DETAILS 93



Sunway REIT intends to improve performance  
through revolutionary ideas.



## MESSAGE FROM THE CEO

### Dear Esteemed Stakeholders,

With great pleasure, we present to you our performance scorecard and key milestones achieved for the financial year ended 30 June 2016 (FY2016) and business strategies for the coming year.

### PERFORMANCE SCORECARD AT A GLANCE

With the introduction of scorecard monitoring last year, it is imperative that we conscientiously track the progress of our strategic objectives. We are pleased that the key strategic objectives are on track despite the evidently more challenging operating environment.



**Table 1: Status Report of 5-Year Strategic Objectives (FY2012 – FY2016)**

STRATEGIC OBJECTIVES	TARGETS	5-YEAR ACHIEVEMENT (FY2012-FY2016)
Top 3 M-REIT	Measured by property value or market capitalisation	Ranked 2 <sup>nd</sup> by property value Ranked 4 <sup>th</sup> by market capitalisation
Property Value	Above RM7 billion by FY2017 Above RM10 billion by FY2020	RM6.43 billion
Average Annual Total Return	10% to 15%	14.4%
Distribution Per Unit (DPU) Compounded Annual Growth Rate (CAGR)	5%	5.2%



## MESSAGE FROM THE CEO (CONT'D)

### **TRACKING RESILIENCY OF ASSETS PERFORMANCE IN SUNWAY RESORT CITY**

In my message last year, the increasingly challenging operating environment caused by a combination of factors was discussed. Amongst such factors were the fragile consumer sentiment and business confidence due to implementation of Goods and Services Tax (GST), falling crude oil price and the weakening domestic currency amidst softening domestic economy. The challenging situation was further aggravated by the oversupply situation in the property sub-sectors.

Today, the GST has been successfully implemented where both consumers and businesses are adjusting well to the new tax regime. Crude oil price and the domestic currency which had impacted the operating environment last year have now stabilised, albeit at lower levels. Nonetheless, the operating environment remains challenging on the back of moderating economic activities and further deterioration in the oversupply situation in the various sub-sectors.

**“Backed by the resiliency of the assets located in the thriving township of Sunway Resort City (SRC) and new income contribution from Sunway Putra Mall, Sunway REIT delivered a moderate growth in distribution per unit (DPU) for FY2016.”**

For the financial year ended 30 June 2016, Sunway REIT has proposed and declared a total DPU of 9.18 sen, representing a growth of 5.2% from the preceding year and exceeded consensus estimates of 8.90 sen.

The encouraging set of financial performance was underpinned by resilient performance from Sunway Pyramid Shopping Mall, strong performance from Sunway Resort Hotel & Spa and the resumption of income contribution from Sunway Putra Mall.

We attribute the resiliency of the performance located in SRC to the 7-in-1 horizontally integrated nature of the township. The thriving township welcomes 42 million visitations a year which is further supported by various public transportation and infrastructure. Our flagship retail mall, Sunway Pyramid Shopping Mall, which is the largest income contributor to our asset portfolio, contributed to 58% of total revenue and 59% of net property income (NPI). Coupled with the new income contribution from Sunway Putra Mall following its re-opening on 28 May 2015, the retail segment registered a healthy growth in NPI of 13.7% year-on-year to RM269.4 million in FY2016.

The hotel segment performance was unexpectedly strong in FY2016 despite the headwinds. Our flagship hotel in SRC, Sunway Resort Hotel & Spa has enjoyed an extended period of strong leisure demand during the financial year. The performance was further boosted by the full year contribution from Sunway Hotel Georgetown. Likewise, we saw gradual uplift in Sunway Putra Hotel following the completion of its refurbishment in December 2015. During the 1H FY2016, Sunway Putra Hotel's occupancy was affected by lower room inventory as the refurbishment of the rooms were progressively carried out before handover. All in all the hotel segment reported a 17.1% year-on-year growth in NPI to RM68.8 million in FY2016.

The office segment continued to be adversely affected by the tough operating environment and massive oversupply situation. Sunway Tower and Sunway Putra Tower, two of our office assets located in Kuala Lumpur, endured low occupancy rates following the departure of anchor tenants in the assets since the preceding financial year. The office segment's NPI slipped by 41.6% year-on-year to RM14.5 million.

Through our perseverance in the past year, we believe that the worst is over for these two office assets as we managed to progressively secure replacement tenants. In Sunway Tower, a total of 35,000 sq. ft. equivalent to 13% of NLA have commenced tenancy in the 2H FY2016. Similarly, Sunway Putra Tower has secured approximately 27,000 sq. ft. equivalent to 9% of total NLA to commence in FY2017. On a brighter note, the replacement tenants are multiple tenants occupying smaller areas, hence, reducing tenants' concentration risk.



Thriving Township of Sunway Resort City

## MESSAGE FROM THE CEO (CONT'D)



Artist Impression of Sunway Pyramid Hotel East's Refurbished Lobby

### EXPANDING RETAIL PRESENCE IN MAINLAND OF PENANG

Being a retail-focused REIT, we actively seek opportunities to strengthen the retail composition in our asset portfolio with superior quality retail assets. This can be achieved through either organic growth via asset enhancement initiatives (AEIs) or acquisitions.

In June 2016, Sunway REIT proposed to acquire a piece of commercial land measuring 3.3 acres for a purchase consideration of RM17.2 million in Seberang Jaya, Mainland of Penang. The proposed acquisition is planned for the extension of the new wing of Sunway Carnival Shopping Mall (New Wing) comprising a nine-storey retail building with six levels of parking bays above the retail space and a future commercial tower block.

We believe that size matters in order to solidify our leadership positioning in Mainland of Penang. The proposed expansion facilitates our catering to the growing demand of international and regional retailers as well as meeting the growing sophistication and lifestyle of consumers.

**“We are excited by the proposed expansion in view of Sunway Carnival Shopping Mall being a market leader in the thriving township of Seberang Jaya. The success of the mall is evidenced by the continuous growth in footfall since its launch in 2007.”**

Supported by healthy rental growth, Sunway Carnival Shopping Mall has benefitted the population living in the vicinity and contributed positively to the economic activity of the township. We are confident that the New Wing will serve a larger catchment area and further enhance the vibrancy of the township.

The proposed acquisition of the land was subsequently approved by the Securities Commission of Malaysia in July 2016 and the extension of the New Wing is currently in the planning stage. Leveraging on the Group's expertise, we are well supported to ensure our maiden voyage into a greenfield development augurs well in our expansion plan. The proposed expansion is expected to be completed by CY2019.

### ASSET ENHANCEMENT INITIATIVE TO REMAIN RELEVANT

In a competitive environment, strong business acumen aside, we need to ensure that our assets remain relevant and continue to appeal to the consumers in order to protect our market share. We take the opportunity in the lull period to embark on AEIs for selected assets in order to competitively reposition the assets in the market place.

In FY2016, we commenced asset enhancement works for Sunway Pyramid Hotel East at an estimated cost of RM124 million. The hotel will be upgraded to a deluxe category 4-star international-class hotel, with its room inventory increasing from 549 to 564 rooms. New family rooms are being purpose-built to accommodate discerning travellers to SRC. We are confident that the upgraded hotel will complement our flagship 5-star hotel in capturing a wider spectrum of customers. The hotel is expected to reopen in 3Q FY2017.

Going forward, we will continuously identify AEI opportunities to stay ahead in the rigorously competitive market place.

### CAPITAL MANAGEMENT

The prolonged accommodative monetary policy environment has been favourable to us. We continuously and proactively manage our capital management by exploiting opportunities that prevail in the debt market. During the financial year, we managed to maintain our average cost of debt at 3.93% and further increased the fixed borrowing ratio to 94% in FY2016, compared to 88% in FY2015.

We believe that the recent easing in monetary stance by Bank Negara Malaysia (BNM) should be favourable in our capital management strategy. We will continue to review our capital management strategies to maintain the ratio of fixed rate borrowings at 80% to 90% and above to capitalise on possible further easing in the monetary policy.

## MESSAGE FROM THE CEO (CONT'D)

### REVIVAL OF SUNWAY PUTRA

One of the key milestone achievements since the IPO is definitely the RM1 billion worth in the acquisition and transformation of Sunway Putra. The full completion of the massive refurbishment for the 3-in-1 mixed-use development was in December 2015.

The business performance of the transformed 3-in-1 mixed-use assets was hindered by the evidently challenging operating environment. We have recently celebrated the 1-year anniversary of Sunway Putra Mall on 28 May 2016. Despite the initial gestation period, we are encouraged by the doubling of footfall in the past year as the mall gains traction over time.

The re-introduction of Sunway Putra Hotel to re-capture the market share is gradually gaining momentum. The hotel operator embarked on a series of marketing activities and promotions to create awareness and to penetrate the corporate and leisure markets.

In spite of the massive oversupply situation in the office segment, we are confident that Sunway Putra Tower has a strong value proposition to appeal to business occupants. With close-proximity to the Central Business District (CBD) of Kuala Lumpur and ease of access to major highways, Sunway Putra Tower is strategically located and easily accessible by public transportation.

We acknowledge that the initial financial performance of Sunway Putra was below our expectations; however, we are confident that the 3-in-1 mixed-use assets will contribute meaningfully to the portfolio upon reaching stabilisation within two to three years taking into consideration the prevailing challenging market conditions.

After the prolonged litigation we have encountered over the past few years, I am happy to share that we have received a total of RM9.4 million during the financial year for the windfall of court award for litigation cases related to Sunway Putra. A total of RM6.2 million, equivalent to 0.21 sen of DPU, was distributed to unitholders in FY2016. The Manager has received RM3.2 million court award relating to Sunway Putra which has yet to be recognised. The Manager expects that this will be recognised in FY2017 pending confirmation of the legal case closure by our lawyer.

### A VIGILANT YEAR AHEAD

The year ahead is likely to be an extension of the prevailing challenging landscape. In such challenging times, we will continue to reassess and realign our strategies with increased agility to combat headwinds. FY2017 underscores prudence, vigilance and conscientious execution of planned strategies.

#### PLANNED STRATEGIES FOR FY2017

- 1) Refurbishment for Sunway Pyramid Hotel East
- 2) Major rental reversion for Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall
- 3) Expansion for Sunway Carnival Shopping Mall
- 4) Remain prudent and selective on third party acquisition opportunities
- 5) Explore diversification of investment opportunities
- 6) Proactive capital management
- 7) Tighter cost management

Following the closure of Sunway Pyramid Hotel East and the cessation of Manager's fees payable in units with effect from FY2017, we expect a dip in DPU in the coming financial year. The cessation of Manager's fees payable in units is expected to allow better DPU growth in the future in the absence of issuance of new units. The accelerated refurbishment of Sunway Pyramid Hotel East will place the hotel in a competitive position to capture longer-term opportunities in SRC and will contribute positively to the DPU upon re-opening in 3Q FY2017. It is during these challenging times that it becomes imperative that we perform astute risk-rewards assessment and continue to pay significant attention to risk management.

Yours sincerely,



**Dato' Jeffrey Ng Tiong Lip**  
Chief Executive Officer  
Sunway REIT Management Sdn Bhd  
11 August 2016



3-in-1 Mixed Use Development of Sunway Putra



## PERUTUSAN KPE

### PARA PEMEGANG KEPENTINGAN YANG DIHORMATI,

Sukacitanya kami bentangkan prestasi kad skor dan pencapaian utama yang diperoleh pada tahun kewangan yang berakhir pada 30 Jun 2016 (TK2016) dan strategi perniagaan untuk tahun seterusnya.

#### SEKILAS PANDANG PRESTASI KAD SKOR

Dengan pengenalan pemantauan kad skor pada tahun lepas, kami perlu bersungguh-sungguh menjejak kemajuan objektif-objektif strategik kami. Kami gembira dengan pencapaian objektif-objektif strategik utama yang masih berjalan lancar walaupun persekitaran operasi semakin mencabar.

Jadual 1: Laporan Status Objektif Strategik 5 Tahun (TK2012 - TK2016)

OBJEKTIF STRATEGIK	SASARAN	PENCAPAIAN 5 TAHUN (TK2012-TK2016)
3 M-REIT teratas	Diukur dengan nilai hartanah atau permodalan pasaran	Kedudukan ke-2 berdasarkan nilai hartanah Kedudukan ke-4 berdasarkan permodalan pasaran
Nilai Hartanah	Melebihi RM7 bilion menjelang TK2017 Melebihi RM10 bilion menjelang TK2020	RM6.43 bilion
Purata Jumlah Pulangan Tahunan	10% hingga 15%	14.4%
Kadar Pertumbuhan Tahunan Terkumpul (CAGR) Pengagihan Seunit (DPU)	5%	5.2%

### MENJEJAK KEBINGKASAN PRESTASI ASET DI SUNWAY RESORT CITY

Pada perutusan tahun lepas, saya menyebut tentang cabaran yang semakin getir dalam persekitaran operasi yang dicetuskan oleh pelbagai faktor. Antara faktor tersebut ialah sentimen pengguna dan keyakinan perniagaan yang lemah ekoran pelaksanaan Cukai Barangan dan Perkhidmatan (GST), kejatuhan harga minyak mentah dan mata wang domestik yang melemah dalam situasi ekonomi domestik yang perlahan. Situasi yang mencabar ini bertambah buruk dengan wujudnya lebih bekalan dalam sub-sektor hartanah.

Pada hari ini, pelaksanaan GST telah berjalan dengan lancar; para pengguna dan perniagaan telah dapat menyesuaikan diri dengan baik kepada rejim pencukaaian baharu tersebut. Harga minyak mentah dan mata wang domestik yang memberi kesan ketara kepada persekitaran operasi tahun lepas juga telah menstabil, walaupun pada peringkat yang rendah. Namun begitu, persekitaran operasi masih mencabar disebabkan aktiviti ekonomi yang menyederhana dan bertambah buruk dengan lebih bekalan yang dihadapi oleh sub-sektor hartanah.

**“Sunway REIT mencatatkan pertumbuhan pengagihan seunit (DPU) yang sederhana pada TK2016 dengan sokongan kebingkasan aset yang terletak di perbandaran pesat membangun Sunway Resort City (SRC) dan sumber pendapatan baharu daripada Sunway Putra Mall.”**

Untuk tahun kewangan berakhir 30 Jun 2016, Sunway REIT telah mencadangkan dan mengisytiharkan DPU sebanyak 9.18 sen, mewakili pertumbuhan 5.2% berbanding tahun sebelumnya dan melebihi anggaran kesepakatan sebanyak 8.90 sen.

Rangkaian prestasi kewangan yang menggalakkan ini disokong oleh kebingkasan prestasi Sunway Pyramid Shopping Mall, prestasi kukuh Sunway Resort Hotel & Spa dan sumbangan pendapatan daripada Sunway Putra Mall yang telah beroperasi semula.

## PERUTUSAN KPE (SAMB.)

Kebingkasn prestasi di SRC kami sandarkan kepada ciri integrasi mengufuk 7 dalam 1 perbandaran tersebut. Perbandaran pesat membangun tersebut menerima 42 juta pelawat setahun yang bertambah rancak dengan wujudnya pelbagai pengangkutan awam dan prasarana. Pusat beli-belah runcit utama kami, Sunway Pyramid Shopping Mall, penyumbang pendapatan terbesar kepada portfolio aset kami, menyumbang sebanyak 58% daripada keseluruhan hasil dan sebanyak 59% daripada pendapatan hartanah bersih (NPI). Dengan gabungan pendapatan yang diperoleh daripada Sunway Putra Mall berikutan pembukaan semula pusat beli-belah tersebut pada 28 Mei 2015, segmen peruncitan mencatatkan pertumbuhan NPI yang menggalakkan sebanyak 13.7% tahun ke tahun kepada RM269.4 juta pada TK2016.

Prestasi segmen perhotelan pada TK2016 adalah kukuh, suatu kejutan memberangsangkan di tengah-tengah cabaran yang dihadapi. Hotel utama kami di SRC, Sunway Resort Hotel & Spa, juga terus mencatatkan permintaan terhadap pelancongan yang kukuh dalam tahun kewangan tersebut. Prestasi tersebut ditingkatkan lagi oleh sumbangan setahun penuh daripada Sunway Hotel Georgetown. Kami juga melihat peningkatan yang beransur-ansur pada Sunway Putra Hotel sejak berakhirnya pengubahsuaian hotel tersebut pada Disember 2015. Dalam separuh tahun pertama 2016, penghunian di Sunway Putra Hotel telah terjejas oleh inventori bilik yang lebih rendah disebabkan pengubahsuaian secara berperingkat-peringkat yang dijalankan sebelum penyerahannya. Secara keseluruhannya, segmen perhotelan melaporkan pertumbuhan tahun ke tahun NPI sebanyak 17.1% kepada RM68.8 juta pada TK2016.

Segmen pejabat pula terus terjejas teruk akibat persekitaran operasi yang sangat mencabar dan situasi lebih bekalan yang sangat besar. Sunway Tower dan Sunway Putra Tower, dua aset pejabat kami yang terletak di Kuala Lumpur, menghadapi kadar penghunian yang rendah akibat perpindahan penyewa utama dari aset-aset tersebut sejak tahun kewangan sebelum ini. NPI bagi segmen pejabat jatuh sebanyak 41.6% tahun ke tahun kepada RM14.5 juta.

Kami percaya usaha gigih kami sepanjang tahun lepas telah membuahkan hasil. Kegawatan yang dialami oleh kedua-dua aset tersebut telah berlalu kerana kami telah beransur-ansur memperoleh pengganti bagi penyewa tersebut. Di Sunway Tower, sejumlah 35,000 kaki persegi atau 13% daripada NLA, telah mencatatkan penghunian dalam separuh tahun kedua TK2016. Begitu juga dengan Sunway Putra Tower yang telah memperoleh penghunian lebih kurang 27,000 kaki persegi atau 9% daripada jumlah keseluruhan NLA, yang akan bermula pada TK2017. Apa yang memberangsangkan dalam hal ini adalah, penyewa yang baru diperoleh ini adalah pelbagai dan menghuni ruang yang lebih kecil dan dengan itu mengurangkan risiko tumpuan penyewa.

## MEMPERLUAS KEBERADAAN PERUNCITAN DI SEBERANG JAYA

Sebagai REIT yang memberi tumpuan kepada peruncitan, kami sentiasa mencari peluang untuk mengukuhkan komposisi peruncitan dalam portfolio aset kami dengan aset peruncitan yang berkualiti tinggi. Ini dapat dicapai melalui pertumbuhan organik melalui inisiatif peningkatan aset (AEI) atau pemerolehan.

Pada Jun 2016, Sunway REIT mencadangkan untuk memperoleh sebidang tanah komersial seluas 3.3 ekar dengan harga belian yang ditawarkan sebanyak RM17.2 juta di Seberang Jaya, Pulau Pinang. Cadangan pemerolehan tersebut dirancang untuk membesarkan sayap baharu Sunway Carnival Shopping Mall (Sayap Baharu) yang terdiri daripada sembilan tingkat ruang runcit dengan enam tingkat tempat letak kereta di atas ruang runcit tersebut dan sebuah blok menara komersial pada masa hadapan.

Kami percaya, untuk memantapkan kedudukan sebagai peneraju di Seberang Jaya, kami perlu mempunyai keluasan aset yang signifikan. Pembesaran yang dicadangkan memudahkan kami memenuhi peningkatan permintaan peruncit antarabangsa dan domestik, dan juga setanding dengan kecanggihan dan gaya hidup pengguna yang semakin meningkat.

**“Kami sangat teruja dengan pembesaran yang dicadangkan memandangkan Sunway Carnival Shopping Mall ialah peneraju pasaran di perbandaran pesat membangun Seberang Jaya. Kejayaan pusat beli-belah tersebut dapat dilihat melalui peningkatan pengunjungnya yang berterusan sejak pelancarannya pada 2007.”**

Dengan sokongan pertumbuhan penyewa yang memberangsangkan, Sunway Carnival Shopping Mall telah membawa manfaat kepada penduduk yang tinggal di sekitarnya dan menjadi penyumbang positif kepada aktiviti ekonomi di perbandaran tersebut. Kami yakin bahawa Sayap Baharu tersebut akan memberi perkhidmatan kepada ruang lingkup yang lebih besar dan menyemarakkan lagi kegiatan di perbandaran tersebut.

Pemerolehan tanah yang dicadangkan tersebut telah mendapat kelulusan daripada Suruhanjaya Sekuriti Malaysia pada Julai 2016 dan pembesaran Sayap Baharu tersebut telah berada dalam peringkat perancangan. Dengan memanfaatkan kepakaran Kumpulan Sunway, kami mempunyai sokongan penuh dalam memastikan permulaan pembangunan greenfield kami ini akan membawa kebaikan kepada pelan pembesaran kami. Pembesaran yang dicadangkan dijangka siap pada tahun 2019.

## PERUTUSAN KPE (SAMB.)

### INISIATIF PENINGKATAN ASET UNTUK KEKAL RELEVAN

Dalam persekitaran yang penuh persaingan, selain kepintaran dalam perniagaan, kami perlu memastikan aset kami terus relevan dan kekal menarik bagi pengguna untuk melindungi bahagian pasaran kami. Kami telah mengambil peluang sewaktu tempoh reda untuk menjalankan AEI untuk aset terpilih bagi memposisikan semula aset-aset tersebut dalam pasaran.

Pada TK2016, kami telah memulakan kerja-kerja menaik taraf Sunway Pyramid Hotel East pada kos lebih kurang RM124 juta. Hotel tersebut akan dinaik taraf kepada hotel kelas antarabangsa kategori 4 bintang yang mewah, dengan penambahan inventori biliknya daripada 549 bilik ke 564 bilik. Bilik keluarga yang baharu telah ditambah bagi memenuhi keperluan pengunjung ke SRC. Kami yakin bahawa penaikan taraf hotel tersebut akan menjadi pelengkap kepada hotel 5 bintang kami dalam memikat lebih ramai pelanggan daripada pelbagai golongan. Hotel tersebut dijangka akan dibuka semula pada suku ketiga TK2017.

Pada masa hadapan, kami akan terus mengenalpasti peluang AEI bagi memastikan kami kekal di hadapan dalam persaingan pasaran yang sengit.

### PENGURUSAN MODAL

Persekitaran dasar kewangan akomodatif yang berpanjangan telah memihak kepada kami. Kami terus dan secara proaktif mengendalikan pengurusan modal dengan merebut peluang yang ada dalam pasaran hutang. Dalam tahun kewangan ini, kami telah berjaya mengekalkan purata kos hutang pada 3.93% dan telah meningkatkan nisbah pinjaman tetap kepada 94% pada TK2016, berbanding 88% pada TK2015.

Kami percaya bahawa peringanan dasar kewangan oleh Bank Negara Malaysia (BNM) baru-baru ini akan membawa manfaat kepada strategi pengurusan kami. Kami akan terus menyemak strategi pengurusan modal kami untuk mengekalkan nisbah pinjaman kadar tetap dalam lingkungan 80% hingga 90% dan ke atas bagi mengambil kesempatan terhadap kemungkinan peringanan lebih lanjut dasar kewangan tersebut.

### KEBANGKITAN SEMULA SUNWAY PUTRA

Salah satu daripada pencapaian utama sejak IPO sudah tentulah pemerolehan dan transformasi Sunway Putra yang bernilai sebanyak RM1 bilion. Pengubahsuaian besar-besaran bagi pembangunan kegunaan bercampur-campur 3 dalam 1 tersebut telah selesai sepenuhnya pada Disember 2015.

Prestasi urus niaga aset kegunaan bercampur-campur 3 dalam 1 yang diubah sepenuhnya tersebut telah tersekat oleh persekitaran operasi yang sangat ketara mencabar. Baru-baru ini kami telah meraikan ulang tahun pertama Sunway Putra Mall pada 28 Mei 2016. Walaupun perlu melalui tempoh pembangunan pada awalnya, kami berasa gembira dengan peningkatan pengunjung yang berganda sepanjang tahun ini apabila pusat beli-belah tersebut mula mendapat perhatian.

Pengenalan semula Sunway Putra Hotel bagi mencapai semula bahagian pasaran sedang beransur-ansur cergas. Pengendali hotel tersebut telah melaksanakan beberapa strategi pemasaran dan promosi bagi mencipta kesedaran dan menembusi pasaran korporat dan pelancongan.

Walaupun situasi dalam segmen pejabat mencatatkan lebih bekalan, kami yakin bahawa Sunway Putra Tower menawarkan nilai yang tinggi kepada kehendak penghuni perniagaan. Sunway Putra Tower mempunyai kelebihan lokasi strategik yang berdekatan dengan Daerah Pusat Perniagaan (CBD) Kuala Lumpur dengan kemudahan akses ke lebuh raya utama, di samping mudah dikunjungi dengan pengangkutan awam.

Kami memperakui bahawa prestasi kewangan awal Sunway Putra lebih rendah daripada jangkaan kami; namun begitu, kami yakin bahawa aset kegunaan bercampur-campur 3 dalam 1 tersebut akan menjadi salah satu penyumbang utama kepada portfolio setelah ia mencapai kestabilan dalam tempoh dua hingga tiga tahun dengan mengambil kira keadaan pasaran semasa yang mencabar.

Setelah melalui proses guaman yang berpanjangan dalam beberapa tahun kebelakangan ini, sukacitanya saya maklumkan bahawa kami telah menerima sejumlah RM9.4 juta dalam tahun kewangan ini yang diberikan oleh mahkamah ke atas kes-kes yang melibatkan Sunway Putra. Sejumlah RM6.2 juta, bersamaan dengan DPU 0.21 sen, telah diagihkan kepada pemegang unit pada TK2016. Baki sebanyak RM3.2 juta masih menunggu pengesahan kes diselesaikan dan dijangka menyumbang pada TK2017.



## PERUTUSAN KPE (SAMB.)

### TAHUN YANG PENUH WASPADA

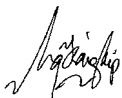
Pada tahun yang mendatang ini, keadaan mencabar yang getir ini dijangka akan berterusan. Oleh itu, dalam waktu yang mencabar ini, kami akan terus menilai semula dan menjajarkan semula strategi kami dengan lebih tangkas bagi menghadapi tantangan yang mendatang. TK2017 akan ditempuhi dengan ketelitian, kewaspadaan dan pelaksanaan berterusan strategi-strategi yang telah dirancang.

#### STRATEGI YANG DIRANCANG UNTUK TK2017

- 1) Pengubahsuaian Sunway Pyramid Hotel East
- 2) Semakan sewa besar-besaran untuk Sunway Pyramid Shopping Mall dan Sunway Carnival Shopping Mall
- 3) Pembesaran Sunway Carnival Shopping Mall
- 4) Mengekalkan sikap berhati-hati dan memilih ke atas peluang pemerolehan pihak ketiga
- 5) Meneroka kepelbagaian peluang pelaburan
- 6) Pengurusan modal secara proaktif
- 7) Pengurusan kos yang lebih berhemat

Berikutan penutupan Sunway Pyramid Hotel East dan penamatan bayaran Pengurus yang dibayar dengan unit berkuatkuasa dari TK2017, kami menjangka DPU pada tahun kewangan akan datang akan menunjukkan penurunan. Penamatan bayaran Pengurus yang dibayar dengan unit dijangka akan membolehkan pertumbuhan DPU yang lebih baik pada masa hadapan berikutan ketiadaan pengeluaran unit baharu. Pengubahsuaian Sunway Pyramid Hotel East yang dipercepatkan akan meletakkan hotel tersebut pada kedudukan yang berdaya saing untuk menguasai peluang-peluang jangka panjang di SRC dan akan memberi sumbangan positif kepada DPU apabila ia dibuka semula pada suku ketiga TK2017. Pada waktu yang mencabar seperti ini, kami perlu melakukan penilaian ganjaran dan risiko dengan pintar dan terus memberikan perhatian yang jitu kepada pengurusan risiko.

Yang benar,



**Dato' Jeffrey Ng Tiong Lip**

KPE

Sunway REIT Management Sdn Bhd

11 Ogos 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF SUNWAY REIT

Sunway REIT is a real estate investment trust formed to own and invest in a diverse portfolio of real estate that will provide stable cash distributions with the potential for sustainable growth in net asset value per unit. The strategy to achieve these objectives is set forth in page 7 and details of the properties are set out in pages 93 to 147.

## FINANCIAL REVIEW

Sunway REIT delivered a moderate DPU growth of 5.2% for FY2016 (FY2015: 4.4%) contributed by resilient performance of the retail segment and full year contribution from Sunway Putra Mall amidst the current challenging market condition.

KEY FINANCIALS	FY2016 RM'000	FY2015 RM'000	GROWTH %
Gross revenue	507,013	453,454	11.8
Net property income	373,851	340,826	9.7
Profit for the year (realised)	262,473	242,032	8.4
Income available for distribution (realised)	270,588	256,577	5.5
EPU (realised) (sen)	8.92	8.25	8.1
DPU (sen)	9.18	8.73	5.2

## KEY HIGHLIGHTS

- Full year contribution from Sunway Putra Mall (re-opened in May 2015 after a 2-year closure for a major refurbishment exercise)
- Full year contribution from Sunway Hotel Georgetown and Wisma Sunway (acquisition completed in January 2015 and March 2015 respectively)
- Sunway Putra Hotel's refurbishment was completed in December 2015
- Sunway Pyramid Hotel East closed for refurbishment from April 2016
- Decline in average occupancy at Sunway Tower and Sunway Putra Tower in an oversupply market condition

GROSS REVENUE				NET PROPERTY INCOME		
PROPERTY	FY2016 RM'000	FY2015 RM'000	CHANGE %	FY2016 RM'000	FY2015 RM'000	CHANGE %
Sunway Pyramid Shopping Mall	294,958	283,722	4.0	220,633	212,863	3.7
Sunway Carnival Shopping Mall	44,249	42,659	3.7	28,350	26,962	5.1
SunCity Ipoh Hypermarket	5,002	5,002	0.0	4,696	4,680	0.3
Sunway Putra Mall <sup>1</sup>	38,610	1,281	2,914.1	15,756	(7,622)	306.7
<b>TOTAL FOR RETAIL SEGMENT</b>	<b>382,819</b>	<b>332,664</b>	<b>15.1</b>	<b>269,435</b>	<b>236,883</b>	<b>13.7</b>
Sunway Resort Hotel & Spa	40,554	32,933	23.1	39,030	31,591	23.5
Sunway Pyramid Hotel East	15,093	18,392	(17.9)	14,620	18,024	(18.9)
Sunway Hotel Seberang Jaya	3,527	4,058	(13.1)	3,319	3,847	(13.7)
Sunway Putra Hotel	9,068	4,371	107.5	7,474	3,821	95.6
Sunway Hotel Georgetown <sup>2</sup>	4,552	1,554	192.9	4,345	1,460	197.6
<b>TOTAL FOR HOTEL SEGMENT</b>	<b>72,794</b>	<b>61,308</b>	<b>18.7</b>	<b>68,788</b>	<b>58,743</b>	<b>17.1</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

GROSS REVENUE				NET PROPERTY INCOME		
PROPERTY	FY2016 RM'000	FY2015 RM'000	CHANGE %	FY2016 RM'000	FY2015 RM'000	CHANGE %
Menara Sunway	16,258	17,772	(8.5)	10,731	12,544	(14.5)
Sunway Tower	3,682	12,652	(70.9)	(921)	7,335	(112.6)
Sunway Putra Tower	3,580	6,865	(47.9)	493	3,785	(87.0)
Wisma Sunway <sup>3</sup>	6,738	1,809	272.5	4,183	1,152	263.1
<b>TOTAL FOR OFFICE SEGMENT</b>	<b>30,258</b>	<b>39,098</b>	<b>(22.6)</b>	<b>14,486</b>	<b>24,816</b>	<b>(41.6)</b>
Sunway Medical Centre	21,142	20,384	3.7	21,142	20,384	3.7
<b>TOTAL FOR OTHER SEGMENT</b>	<b>21,142</b>	<b>20,384</b>	<b>3.7</b>	<b>21,142</b>	<b>20,384</b>	<b>3.7</b>
<b>TOTAL PORTFOLIO</b>	<b>507,013</b>	<b>453,454</b>	<b>11.8</b>	<b>373,851</b>	<b>340,826</b>	<b>9.7</b>

<sup>1</sup> Sunway Putra Mall's soft opening was on 28 May 2015 after a 2-year closure for a major refurbishment exercise

<sup>2</sup> Acquisition completed on 28 January 2015

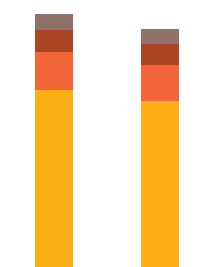
<sup>3</sup> Acquisition completed on 23 March 2015

### BUSINESS REVIEW

Sunway REIT recorded revenue of RM507.0 million in FY2016, a growth of 11.8% against RM453.5 million achieved in FY2015. Net property income (NPI) increased by 9.7% to RM373.9 million from RM340.8 million in FY2015. The strong performance was largely attributable to the full year contribution from Sunway Putra Mall, Sunway Hotel Georgetown and Wisma Sunway and better performance by the hotel segment. However, the results were partially dampened by weaker performance of the office segment.

### REVENUE CONTRIBUTION BY SEGMENT

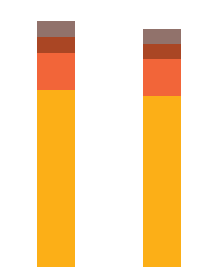
RM'000 507,013  
RM'000 453,454



FY2016 FY2015

### NPI CONTRIBUTION BY SEGMENT

RM'000 373,851  
RM'000 340,826



FY2016 FY2015

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FINANCIAL REVIEW

#### RETAIL SEGMENT

The retail segment, as the key contributor, contributed 76% (FY2015: 73%) and 72% (FY2015: 70%) in terms of revenue and NPI respectively. The retail segment's revenue grew by 15.1% to RM382.8 million from RM332.7 million in FY2015. NPI grew 13.7% from RM236.9 million to RM269.4 million. The strong double digit growth in revenue and NPI was mainly attributable to the full year contribution from Sunway Putra Mall which re-opened in May 2015 after a 2-year closure for a major refurbishment exercise.

**Sunway Pyramid Shopping Mall** maintained its position as the major contributor to Sunway REIT with revenue and NPI contribution to the total portfolio of 58% (RM295.0 million) and 59% (RM220.6 million) respectively. Sunway Pyramid Shopping Mall's revenue and NPI grew by 4.0% and 3.7% respectively during the financial year from rental reversion.

**Sunway Carnival Shopping Mall** achieved revenue and NPI growth of 3.7% and 5.1% respectively despite a marginal decline in average occupancy rate from 97.3% in FY2015 to 94.4%. The lower average occupancy rate was due to remodelling works involving approximately 21,000 sq. ft. from entertainment to food & beverage (F&B) area. The new F&B area with NLA of approximately 16,000 sq. ft. have progressively opened since 4Q FY2016 with occupancy of 92% as at 30 June 2016.

**Sunway Putra Mall** recorded revenue and NPI of RM38.6 million and RM15.8 million respectively with a secured occupancy of 85.7% and average occupancy of 74.9%. Tenants were given 2.5 months rent-free and rebates during the financial year in view of the weak consumer spending post implementation of GST in April 2015.

#### HOTEL SEGMENT

The hotel segment's contribution to Sunway REIT's revenue and NPI remained largely unchanged in FY2016 at 14% and 18% respectively. Revenue and NPI contribution increased 18.7% (from RM61.3 million to RM72.8 million) and 17.1% (from RM58.7 million to RM68.8 million) respectively. The growth was largely contributed by stronger performance of Sunway Resort Hotel & Spa, Sunway Putra Hotel post completion of refurbishment and full year contribution from Sunway Hotel Georgetown.

**Sunway Resort Hotel & Spa's** average occupancy for FY2016 improved to 81.2% (FY2015: 78.0%) with strong demand from the Middle Eastern leisure market. The improved occupancy coupled with better margin from the F&B division had resulted in a 23.1% increase in lease rental from RM32.9 million to RM40.5 million.

**Sunway Pyramid Hotel East** recorded an average occupancy of 71.8% (FY2015: 81.4%). The decline in the average occupancy was mainly attributable to softer demand from the corporate segment and progressive closure in March 2016 prior to commencement of refurbishment in April 2016. The hotel will be closed for approximately a year due to refurbishment works. Consequently, the lease rental dropped 17.9% from RM18.4 million to RM15.1 million.

**Sunway Hotel Seberang Jaya** closed the year with an average occupancy of 65.5% compared to 69.6% achieved in FY2015. The weaker performance was due to softer corporate demand and increased competition from new hotels. Lease rental for the year was RM3.5 million, lower by RM0.5 million compared to FY2015.

**Sunway Putra Hotel's** refurbishment was completed in December 2015. The refurbished hotel was relaunched at promotional rates to achieve higher revenue per available room. Following the completion, the average occupancy for the financial year improved to 50.2% from 28.8%. Lease rental grew from RM4.4 million to RM9.1 million.

**Sunway Hotel Georgetown** which was acquired on 28 January 2015 contributed a full year rental of RM4.6 million in FY2016 compared to RM1.6 million in FY2015. The hotel achieved an average occupancy of 74.0% during the year compared to 69.1% in FY2015. The higher occupancy was the result of tactical strategy to improve revenue per available room with lower average daily rate.

#### OFFICE SEGMENT

The office segment's contribution to the total portfolio revenue and NPI was 6% and 4% respectively. Revenue declined by 22.6% whilst NPI was lower by 41.6% following further drop in average occupancy at both Sunway Tower and Sunway Putra Tower arising from the loss of 2 anchor tenants.

**Menara Sunway's** revenue and NPI were 8.5% and 14.5% lower at RM16.3 million (FY2015: RM17.8 million) and RM10.7 million (FY2015: RM12.5 million) respectively. A tenant which occupied 46,000 sq. ft. (16% of total NLA) did not renew during the financial year. However, 32,500 sq. ft. had been occupied by new tenants since 4Q FY2016 at lower ARR.

**Sunway Tower** suffered a further decline in average occupancy to 19.6% (FY2015: 66.9%) following progressive release of space by the anchor tenant whose tenancy expired in June 2015 and non-renewal of a tenant during the financial year. The Asset Manager only managed to secure approximately 35,000 sq. ft. of replacement amidst the challenging office market condition. Hence, revenue and NPI declined by 70.9% and 112.6% respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FINANCIAL REVIEW

**Sunway Putra Tower**, similarly, saw a further decline in average occupancy from 52.8% to 26.4% upon non-renewal by the anchor tenant since 2Q FY2015. The Asset Manager only managed to secure approximately 27,100 sq. ft. of replacement to commence in FY2017. Hence, revenue and NPI declined by 47.9% and 87.0% respectively.

**Wisma Sunway** which was acquired on 23 March 2015, contributed RM6.7 million in revenue and RM4.2 million in NPI with a marginally higher average occupancy of 90.1% (FY2015: 89.8%).

### OTHER SEGMENT

This segment comprises Sunway Medical Centre which is based on a master lease on a triple net basis with fixed rental and annual increase of 3.5%. It contributed RM21.1 million (FY2015: RM20.4 million) to revenue and NPI.

### PROFIT FOR THE YEAR

**Profit before tax for the year** was RM323.7 million (FY2015: RM547.3million). Profit after tax was RM323.7 million (FY2015: RM541.4 million) comprising realised profit of RM262.5 million (FY2015: RM242.0 million) and unrealised profit of RM61.2 million (FY2015: RM299.4 million).

Realised profit grew 8.4% or RM20.4 million contributed by higher NPI of RM33.0 million and a one-off income of RM6.2 million being court award for Sunway Putra but partially offset by higher finance costs of RM15.5 million. The higher finance costs was mainly attributable to higher outstanding borrowings and due to cessation of interest capitalisation for Sunway Putra Mall upon re-opening in May 2015.

The unrealised profit of RM61.2 million mainly comprised fair value gain after accounting for capex incurred and provision for deferred tax, if any. The higher net fair value gain for the previous year was mainly attributable to Sunway Pyramid Shopping Mall. As reported in the previous financial year Sunway Pyramid Shopping Mall recorded strong growth in revenue and NPI of 9.8% and 11.8% respectively. In addition, the current year fair value gain was adversely affected by lower valuation of Sunway Tower of RM31 million.

### DISTRIBUTION PER UNIT (DPU)

Total income available for distribution for FY2016 was RM270.6 million (FY2015: RM256.6 million), of which 99.8% was distributed. Hence DPU for FY2016 amounted to 9.18 sen, moderately higher by 5.2% compared to FY2015 of 8.73 sen.

The DPU of 9.18 sen for FY2016 was affected by the following:

- The one-off court award mentioned above augmented DPU by 0.21 sen.

- During the financial year, the Manager's fees paid/payable in units have been reduced to 25% from 50%. The Manager made the decision after taking into consideration, amongst others, the implication arising from the implementation of the Goods and Services Tax effective from 1 April 2015, to optimise the income distribution to unitholders and to achieve a positive impact on future DPU growth rate. The impact of the reduction in Manager's fees paid/payable in units to the current year DPU was a reduction of 0.26 sen.

### STATEMENT OF FINANCIAL POSITION

Sunway REIT's total asset value stood at RM6.5 billion as at 30 June 2016 compared to RM6.4 billion in the previous year. The increase of RM0.1 billion was mainly due to the revaluation and capex incurred.

Total borrowings had increased to RM2.2 billion from RM2.1 billion to fund current year capex. Total unitholders' funds was at RM4.1 billion an increase of RM0.1 billion attributable to the fair value gain recorded for the financial year.

### STATEMENT OF CASH FLOWS

#### Operating activities

Net cash generated for operating activities was RM355.1 million in FY2016 which was RM7.5 million higher than FY2015. The higher amount generated in FY2016 was mainly attributed to the full year operations of Sunway Putra Mall which commenced in May 2015.

#### Investing activities

Sunway REIT used RM68.5 million for investing activities during the financial year compared to RM401.0 million in the preceding year. The investing activities in the current year was mainly related to the refurbishment of Sunway Putra Hotel whilst the amount used in prior year was largely for the refurbishment of the entire Sunway Putra (comprising the shopping mall, hotel and office tower) and acquisition of Sunway Hotel Georgetown and Wisma Sunway.

#### Financing activities

Sunway REIT drewdown additional borrowings of RM70.1 million during the financial year to fund capex and operating expenses. The amount drawdown in the previous year was RM392.5 million in line with the higher requirement for capex and acquisitions. Interest paid during the year amounted to RM85.3 million which was RM13.3 million higher than last year in tandem with the higher average outstanding borrowings. Distribution paid in the current year was RM267.9 million compared to RM255.4 million in the previous year.

Hence, as at 30 June 2016 cash and cash equivalent was RM69.7 million, an increase of RM3.5 million from RM66.2 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FINANCIAL REVIEW

#### PERFORMANCE BENCHMARK

PERFORMANCE BENCHMARK	FY2016	FY2015	COMMENTARY
i. Management expense ratio (%)	<b>0.88%</b>	0.80%	Management expense ratio of <b>0.88%</b> (FY2015: 0.80%) is comparable to the top five M-REITs (in terms of market capitalisation) which ranges from 0.61% - 1.00%.
ii. Total return (%)	<b>13.3%</b>	12.6%	Total return for the financial year was <b>13.3%</b> (FY2015: 12.6%) contributed by capital gain of <b>7.8%</b> (FY2015: capital gain of 6.9%) plus distribution yield of <b>5.5%</b> (FY2015: 5.7%).
iii. Average annual total return (5 years) (%)	<b>14.4%</b>	17.6%	The 5-years average annual total return was <b>14.4%</b> (FY2015: 17.6%). The 5-years average annual return for FY2015 was higher contributed by the higher total return achieved in FP2011 of 29.3%.
iv. Average annual total return (3 years) (%)	<b>8.4%</b>	10.2%	The average annual return for the last 3 years was <b>8.4%</b> (FY2015: 10.2%). The average for FY2014 was higher due to the higher return achieved in FY2013 of 18.6%
v. Distribution yield (%)	<b>5.5%</b>	5.7%	Distribution yield has dropped marginally from 5.7% in FY2015 to <b>5.5%</b> due to the higher closing price of RM1.66 compared to RM1.54 in FY2015.
vi. NAV per Unit (after income distribution) (RM)	<b>1.3549</b>	1.3350	NAV per unit was <b>RM1.3549</b> (FY2015: RM1.3350), an increase of 1.5% arising from revaluation of the properties.

- i. The ratio of expenses incurred in operating Sunway REIT of RM35.0 million (FY2015: RM31.2 million) to the NAV of Sunway REIT of RM3,988.8 million (after income distribution) (FY2015: RM3,922.0 million)
- ii. Total return represents the change in unit price during the year plus distribution yield for the year
- iii., iv. Average annual total return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years
- v. Based on DPU of 9.18 sen (FY2015: DPU of 8.73 sen) divided by its closing price as at 30 June 2016 of RM1.66 (30 June 2015: RM1.54)
- vi. Net asset value of Sunway REIT is determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units



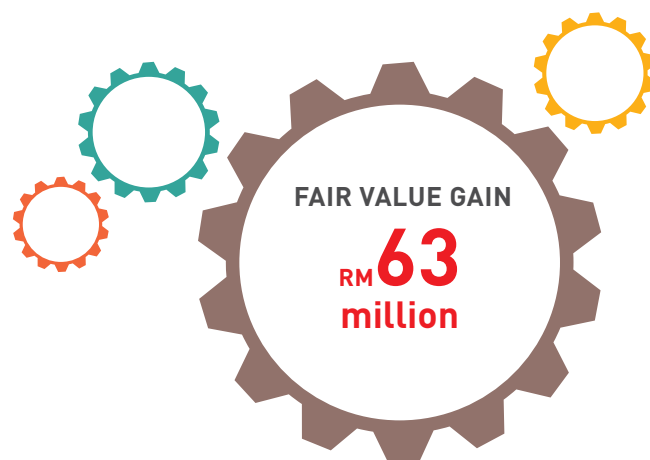
## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FINANCIAL REVIEW

#### FAIR VALUE OF INVESTMENT PROPERTIES

As at 30 June 2016, the value of Sunway REIT's properties was RM6.4 billion compared to RM6.3 billion as at 30 June 2015. The net fair value gain was RM63.5 million after accounting for capex incurred during the financial year of RM45.5 million.

The portfolio property yield for FY2016 improved to 5.81% from 5.47% in FY2015 with higher contribution from Sunway Putra Mall and Sunway Putra Hotel post refurbishment. The property yield was however adversely affected by the lower occupancy at Sunway Tower and Sunway Putra Tower as well as Sunway Pyramid Hotel East which was closed for an estimated 1-year refurbishment since April 2016.



	Fair Value @ 30.6.2016 RM'million	Fair Value @ 30.6.2015 RM'million	Change in Value RM'million	Property Yield FY2016 %	Property Yield FY2015 %
<b>Retail</b>					
Sunway Pyramid Shopping Mall	3,300	3,200	100	6.69	6.65
Sunway Carnival Shopping Mall	380	340	40	7.46	7.93
SunCity Ipoh Hypermarket	61	60	1	7.70	7.80
Sunway Putra Mall	595	588	7	2.65	(1.30)
	4,336	4,188	148	6.21	5.66
<b>Hotel</b>					
Sunway Resort Hotel & Spa	530	530	-	7.36	5.96
Sunway Pyramid Hotel East	295	295	-	4.96	6.11
Sunway Hotel Seberang Jaya	68	75	(7)	4.88	5.13
Sunway Putra Hotel	335	335	-	2.23	1.14
Sunway Hotel Georgetown	72	74	(2)	6.03	4.71 <sup>1</sup>
	1,300	1,309	(9)	5.29	4.64
<b>Office</b>					
Menara Sunway	164	164	-	6.54	7.65
Sunway Tower	135	166	(31)	(0.68)	4.42
Sunway Putra Tower	110	110	-	0.45	3.44
Wisma Sunway	62	62	-	6.75	6.85 <sup>1</sup>
	471	502	(31)	3.08	5.56
<b>Others</b>					
Sunway Medical Centre	326	325	1	6.49	6.27
	326	325	1	6.49	6.27
<b>TOTAL PORTFOLIO</b>	<b>6,433</b>	<b>6,324</b>	<b>109</b>	<b>5.81</b>	<b>5.47</b>
Less : Capital expenditure			(46)		
<b>Fair Value Gain</b>			<b>63</b>		

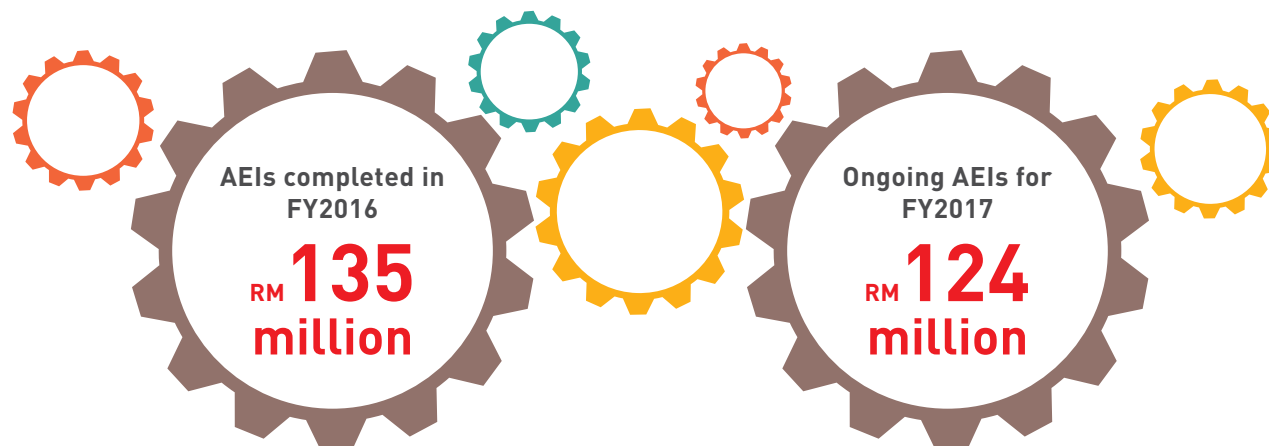
<sup>1</sup> Annualised property yield computed based on NPI from completion of acquisition to 30 June 2015

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## OPERATIONS REVIEW

### ORGANIC GROWTH & KEY OPERATION DATA

#### Asset Enhancement Initiatives



#### A) COMPLETED AEIs

Sunway REIT completed AEIs amounting to RM134.6 million during the financial year with an estimated ROI of 5.9%<sup>1</sup> and created an additional NLA of approximately 3,600 sq. ft. and 32 guestrooms.

<sup>1</sup>ROI for Sunway Putra Hotel is based on stabilised Year 5 post refurbishment

##### i) Sunway Putra Hotel Refurbishment

Sunway Putra Hotel's major refurbishment was completed in 2Q FY2016 at an estimated cost of RM130.4 million. The project successfully brought the hotel on par with a 5-star standard to better meet the expectations of more discerning guests. The total number of rooms increased by 32 units from 618 to 650, after reconfiguring bigger units to smaller but more popular ones. In addition, Level 34 and 35 have been converted to a club lounge and meeting facilities respectively.

##### ii) Sunway Pyramid Shopping Mall – Extension of Oasis Boulevard North

As part of the continuous AEI at Sunway Pyramid Shopping Mall, an additional 3,606 sq. ft. of NLA was created at Oasis Boulevard North at an estimated cost of RM2.1 million. The new area is tenanted by a themed café operator – Hello Kitty Café.

##### iii) Sunway Carnival Shopping Mall – Remodelling Part of 2<sup>nd</sup> Floor into a F&B Area

As part of the strategy to increase food & beverage (F&B) offerings at the mall, approximately 21,000 sq. ft. was converted from an entertainment to a F&B area with NLA of approximately 16,000 sq. ft. Upon completion of the project, with an estimated cost of RM2.1 million, the F&B contribution as a percentage of gross rental income increased from 15.9% as at June 2015 to 20.6% as at June 2016.

#### B) ONGOING AEIs

Sunway REIT's total ongoing major AEIs for FY2017 amounted to RM123.6 million and it includes the refurbishment of Sunway Pyramid Hotel East.

##### i) Sunway Pyramid Hotel East Refurbishment

Sunway Pyramid Hotel East was closed in April 2016 for an estimated 1-year refurbishment at an estimated cost of RM123.6 million. The refurbishment work will elevate the hotel from a superior to a deluxe category, 4-star international-class hotel. The hotel's room inventory will increase to 564 rooms from the current 549, after incorporating 22 new family rooms and suites that are purpose-built to accommodate an increasing number of family and leisure travellers to the destination.



Artist Impression of the Refurbished Family Suite

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## OPERATIONS REVIEW

### BUSINESS SEGMENT REVIEW

#### RETAIL SEGMENT

	FY2016	FY2015
No. of assets	4	4
NLA (sq. ft.) <sup>1</sup>	2,973,405	2,989,869
Occupancy as at 30 June	95.2%	95.1% <sup>2</sup>
Segment contribution by property value	68%	66%

<sup>1</sup> Includes Sunway Pyramid Convention Centre and Sunway Carnival Convention Centre

<sup>2</sup> Computed based on secured tenancies of 82.4% for Sunway Putra Mall

The retail segment represents 68% of the total property value of Sunway REIT and it is the main contributor to the revenue and NPI at 76% and 72% respectively.

#### Key Milestone

Sunway Pyramid Shopping Mall's Oasis Boulevard North was completed with an additional NLA of 3,606 sq. ft.. The space is occupied by the world's first Hello Kitty Gourmet Café. Sunway Carnival Shopping Mall completed the remodelling of an approximately 21,000 sq. ft. on the 2<sup>nd</sup> floor to a food & beverage area with a NLA of approximately 16,000 sq. ft. The remodelled food & beverage area commenced operations in 4Q FY2016.

#### Challenges

As the supply of retail malls continue to grow (please refer to detailed market report on page 251), it exerts pressure on the tenants' performance due to dilution in their business. In addition, consumer spending remained soft post implementation of the Goods and Services Tax (GST) in April 2015. Consumers remained cautious with their spending, in response to higher cost of living caused by the weaker ringgit as well as global and domestic uncertainties.

#### Strategy

- The Asset Manager will continue to leverage on the integrated township of Sunway Resort City and its excellent infrastructure (the Bus Rapid Transit (BRT) system is linked to the recently completed Light Rail Transit (LRT) system at USJ 7) and connectivity to drive footfall and business synergies to Sunway Pyramid Shopping Mall
- To cultivate customer loyalty with Sunway's loyalty card, Sunway Pals. Members can enjoy exclusive discounts, special privileges and earn points which can be converted into cash rebates at participating outlets
- To organise relevant and interesting marketing and promotional activities to encourage visitorship and spending e.g. Kungfu Panda, Captain America etc.
- To continuously revamp tenancy mix to remain relevant by securing popular brands and by introducing first-in-Malaysia/flagship retail stores e.g. Parenthood, JD Sports.
- To enhance the shoppers' experience and convenience with a mobile application
- To ease the shoppers' experience in locating available parking space with a district parking guidance system. The guiding system which will be located at strategic points within the Sunway Resort City township will indicate available parking space at properties within the township

#### Prospects

Retail Group Malaysia expects the retail sector to grow at 4% in CY2016 in line with the GDP growth forecast of 4% – 4.5% by Bank Negara Malaysia. The Manager expects a moderate increase in rental reversion in the coming year in view of the continued softness in consumer spending. Hence, the Manager expects the retail segment to grow moderately in the coming financial year.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## OPERATIONS REVIEW

### BUSINESS SEGMENT REVIEW

#### HOTEL SEGMENT

	FY2016	FY2015
No. of assets	5	5
No. of rooms	2,093	2,061
Average Occupancy	66.7%	62.2%
Segment contribution by property value	20%	21%

Sunway REIT has 5 hotel properties within its portfolio with a total of 2,093 rooms. The hotel segment represents 20% of the total property value and contributes 14% and 18% to the revenue and NPI of Sunway REIT respectively.

#### Key Milestone

Sunway Putra Hotel's major refurbishment was completed during the financial year. Consequently, the average occupancy improved to 50.2% from 28.8% in FY2015.

#### Challenges

The hotel industry continued to face challenges amidst growing supply, weak corporate demand, declining tourist arrivals and rising costs. Tourist arrivals for calendar year 2015 was 25.7 million, a decline of 6.3% compared to 2014.

#### Strategy

- The hotel operator shall continue to deploy effective yield management to optimise the revenue per available room
- To improve operating efficiency to better manage operating expenses e.g. change to LED lighting, menu re-engineering etc.
- To emphasize on providing excellent customer service and experience
- To reconfigure rooms in Sunway Pyramid Hotel East (which is currently undergoing an estimated 1-year refurbishment) into family rooms to cater for this market segment.
- To refurbish older properties e.g. Sunway Resort Hotel & Spa to maintain competitiveness and relevance, and to enhance guests experience
- To penetrate new market such as China and other Middle Eastern countries
- To supplement traditional internet booking engines e.g. TripAdvisor, Agoda, Booking.com etc. with Sunway's own booking portal to widen the marketing channel

#### Prospects

The Manager expects the hotel segment to suffer a drop in revenue and NPI in the coming financial year. The expected decline is due to the closure of Sunway Pyramid Hotel East for an estimated 1-year refurbishment which commenced in April 2016. In addition, the Manager expects corporate demand to remain soft in view of the slower economic growth for CY2016.

#### OFFICE SEGMENT

	FY2016	FY2015
No. of assets	4	4
NLA (sq. ft.)	1,048,271	1,048,271
Occupancy as at 30 June	52.6%	65.9%
Segment contribution by property value	7%	8%

The office segment represents 7% of the total property value and contributes 6% and 4% to the revenue and NPI of Sunway REIT respectively.

#### Challenges

The occupancy for the office portfolio has declined from 65.9% to 52.6% as at 30 June 2016 amidst a challenging situation caused by the oversupply of office space and slower economic growth upon non-renewal by anchor tenants at Sunway Tower and Sunway Putra Tower in the previous financial year. The Asset Manager managed to replace approximately 62,000 sq. ft. out of a total vacancy of 327,000 sq. ft. as at the beginning of the financial year.

In view of the challenging market condition which resulted in the tenants' market, the Asset Manager cautions that it may take longer to secure replacement tenants for the remaining vacant space.

#### Strategy

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

#### Prospects

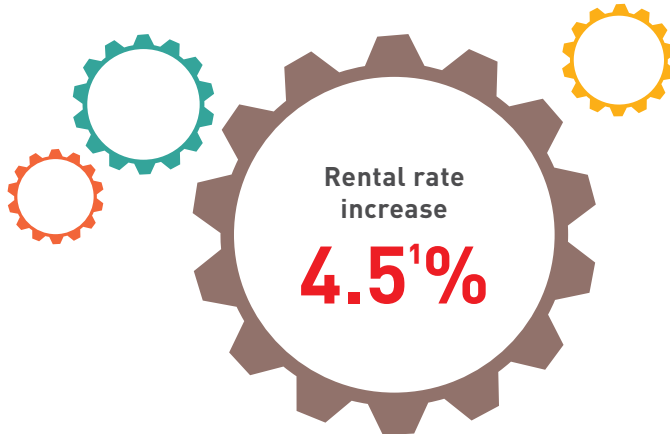
The Manager expects the contribution from the office segment to gradually improve in the coming financial year as the Asset Manager continues to secure new tenants albeit at a slow pace. The Manager believes that FY2016 was the worst year when both anchor tenants at Sunway Tower and Sunway Putra Tower did not renew upon tenancy expiry in June 2015 and December 2014 respectively. However, Menara Sunway and Wisma Sunway's performance was stable in view of their location and captive markets.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OPERATIONS REVIEW

#### KEY OPERATING INFORMATION

##### Rental Renewals



Sunway REIT recorded a lower average rental reversion of 4.5<sup>1</sup>% (FY2015: 13.51%) for the portfolio's 854,789 sq. ft. (FY2015: 606,515 sq. ft.) new/renewed tenancies during the financial year. The lower reversion rate was attributable to a rental reduction for an office property in line with the prevailing office market rate. Excluding the aforesaid rental reduction, the rental reversion for the portfolio was 7.21% under the current weaker market condition. The retail segment renewed/secured new tenants for 539,711 sq. ft. (FY2015: 531,914 sq. ft.) with a renewal rate of 96.0% (FY2015: 95.9%) of the total space due for renewal. The office segment managed to renew 315,078 sq. ft. (FY2015: 74,601 sq. ft.) or 86.4% (FY2015: 25.2%) of the total space due for renewal.

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

##### Lease Expiry Profile And Lease Structure



The weighted average lease expiry (WALE) as at year end was lower at 1.98 years (FY2015: 2.19 years) with 950,812 sq. ft. and 353,127 sq. ft. due for renewal in FY2017 at Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall respectively.

The portfolio has 22.1%, 12.8% and 56.3% of NLA expiring in FY2017, FY2018 and after FY2019 respectively. The majority of tenancies are three-year tenancies with a renewal option for another three year term, subject to renewal at market rates. Certain anchor tenants or major tenants have the option to renew their tenancies for three terms of three years each. Included in the tenancies expiring in FY2017 are monthly tenancies occupying 0.5% (FY2015: 3.4%) of the total space.

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

RETAIL <b>1.33</b> years	OFFICE <b>2.18</b> years
HOTEL <b>4.59</b> years	OTHERS <b>6.50</b> years

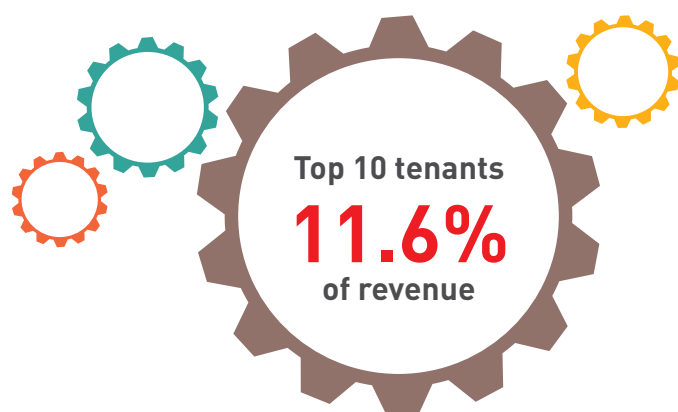
Property	Expiry of first 10-year term
Sunway Resort Hotel & Spa, Sunway Pyramid Hotel East and Sunway Hotel Seberang Jaya	July 2020
Sunway Putra Hotel	September 2021
Sunway Medical Centre	December 2022
Sunway Hotel Georgetown	January 2025

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OPERATIONS REVIEW

#### KEY OPERATING INFORMATION

##### Top 10 Tenants



Sunway REIT has a diverse tenant mix of approximately 1,268 tenancies (FY2015: 1,200), four hotel master leases and a hospital master lease. The 10<sup>1</sup> largest tenants contribute approximately 11.6% (FY2015: 12.5%) of the total revenue.

##### Top 10 tenants by total revenue

Tenant	Trade	Tenancy expiry date <sup>1</sup>	% of total revenue <sup>2</sup>
Parkson Corporation Sdn Bhd	Department Store	18 July 2019 & 31 August 2019	1.9
GCH Retail (M) Sdn Bhd	Hypermarket/Supermarket	30 April 2017 to 27 May 2018	1.8
TGV Cinemas Sdn Bhd	Cinema	22 July 2018 & 14 September 2018	1.6
Aeon Co.(M) Bhd	Department Store	29 September 2019	1.4
Padini Dot Com Sdn Bhd	Fashion	27 May 2018 & 6 September 2019	0.9
Cotton On (Malaysia) Sdn Bhd	Fashion	20 January 2017 & 27 May 2018	0.9
Sunway Integrated Properties Sdn Bhd	Property Developer	30 September 2016 to 31 December 2018	0.8
Sunway Management Sdn Bhd	Management Services	31 December 2016 to 31 March 2019	0.8
Peregrine Technology Sdn Bhd	Electronics	31 December 2016 to 27 May 2018	0.8
Sunway Resort Hotel Sdn Bhd	Convention Centre	30 September 2018	0.7
			11.6

<sup>1</sup> In cases where leases have more than one expiry date (i.e. the tenants have several leases), lease expiry dates are shown as a range

<sup>2</sup> Based on total gross income for the month of June 2016, excluding hotel and hospital master lease rental income and car park tenancies



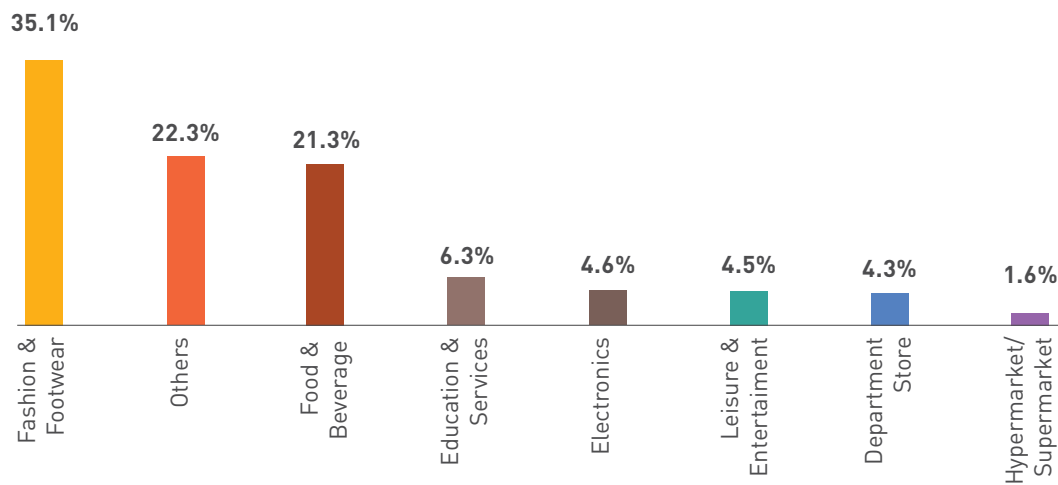
## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OPERATIONS REVIEW

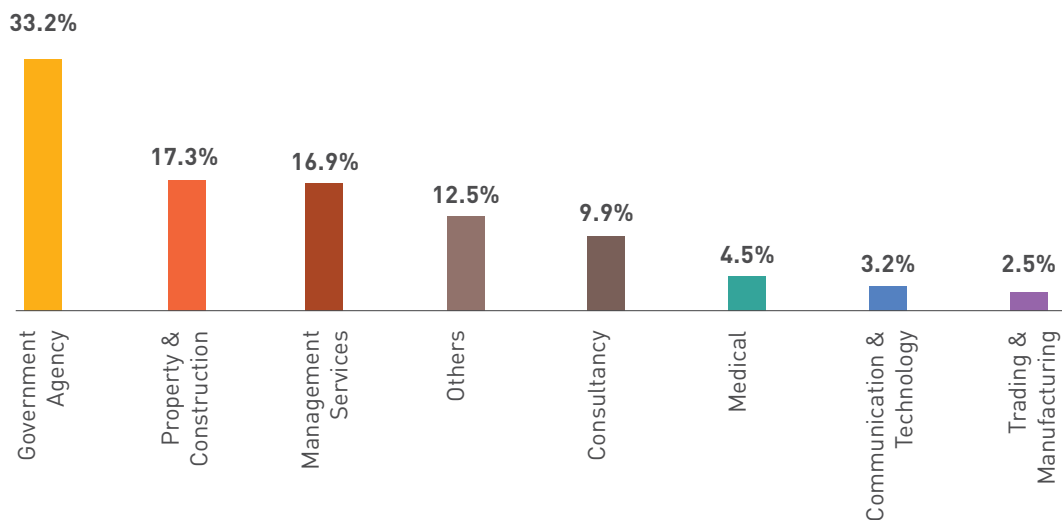
#### Trade Sector Analysis

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

#### Retail Properties



#### Office Properties



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### CAPITAL MANAGEMENT

	FY2016	FY2015	FY2014	FY2013	FY2012
Total borrowings (RM billion)	<b>2.176</b>	2.142	1.742	1.633	1.568
Average cost of debt (%)	<b>3.93</b>	3.93	3.85	3.77	4.45
Fixed : Floating ratio	<b>94 : 6</b>	88 : 12	76 : 24	81 : 19	20 : 80
Average maturity period (years)	<b>1.0</b>	1.7	2.2	3.1	0.6
Interest service cover ratio (times)	<b>4.9</b>	3.7	5.0	5.0	3.8
Gearing ratio (%)	<b>33.3</b>	33.3	31.1	31.0	33.5

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

The Manager intends to implement this strategy by

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

### DEBT CAPITAL

As at 30 June 2016, Sunway REIT's outstanding borrowings was RM2.17 billion, an increase of RM0.03 billion from RM2.14 billion. The additional borrowings were mainly utilised to fund the refurbishment for Sunway Putra Hotel.

During the financial year, the Manager further converted an additional RM150 million of floating rate borrowings to a 3-year fixed rate borrowing at the average rate of 3.94% through interest rate swaps. Consequently fixed rate

borrowing increased from 88% in FY2015 to 94%, in line with the Manager's strategy to maintain the ratio of fixed rate borrowings at 80% to 90% and above. Despite the higher proportion of fixed rate borrowings, Sunway REIT's average cost of debt was maintained at 3.93% which is within the target rate of 4% and below.

The average maturity of borrowings was shortened to 1.0 year as at 30 June 2016 compared to 1.7 years as at the end of the last financial year as some of the earlier long term borrowings are reaching their maturity period. However the average maturity of the portfolio lengthens to 2.0 years (FY2015 : 3.0 years) if computed based on the 7-year tenure of the Commercial Paper (CP) Programme (expiring in April 2019) instead of the tenure of the CPs which are rolled over on a monthly basis. The Manager does not foresee any problem in refinancing any loan underpinned by the quality of the underlying asset and an adequate liquidity in the market. In addition, Sunway REIT's interest service cover ratio which stood at 4.9 times is higher than the debt covenant requirement of 1.5 times.

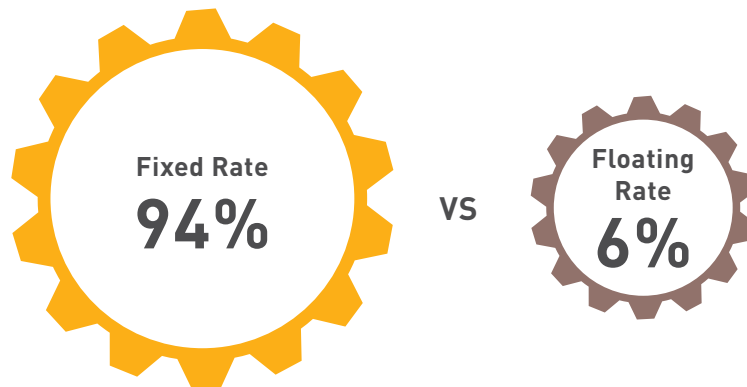
Sunway REIT's gearing was at 33.3% as at the close of the current financial year, well below the gearing of 45.0% allowed under the debt covenant. At the current gearing level, Sunway REIT has a debt headroom of approximately RM700.0 million – RM900.0 million to fund its ongoing and future capex plans as well as future acquisitions before reaching an optimum level at the low 40s%.

As at 30 June 2016, Sunway REIT has unencumbered assets worth RM460.0 million or 7.2% of total assets which can be used to secure future borrowings. Unutilised facility from the RM1.6 billion commercial paper programme amount to RM0.8 billion.

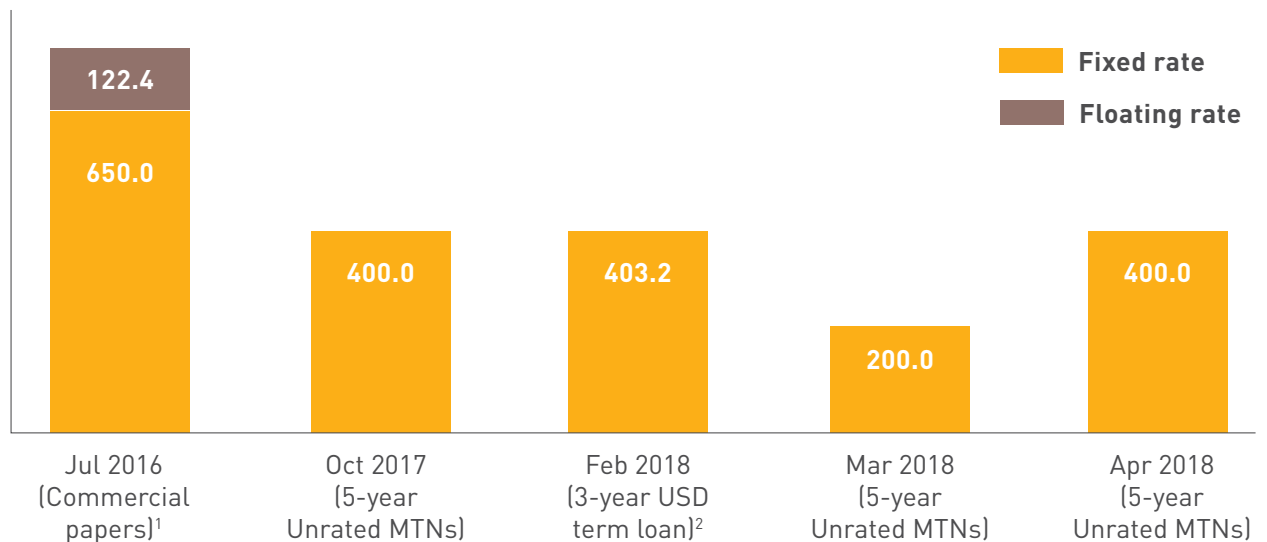
## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### CAPITAL MANAGEMENT

#### FIXED VS. FLOATING RATE BORROWINGS



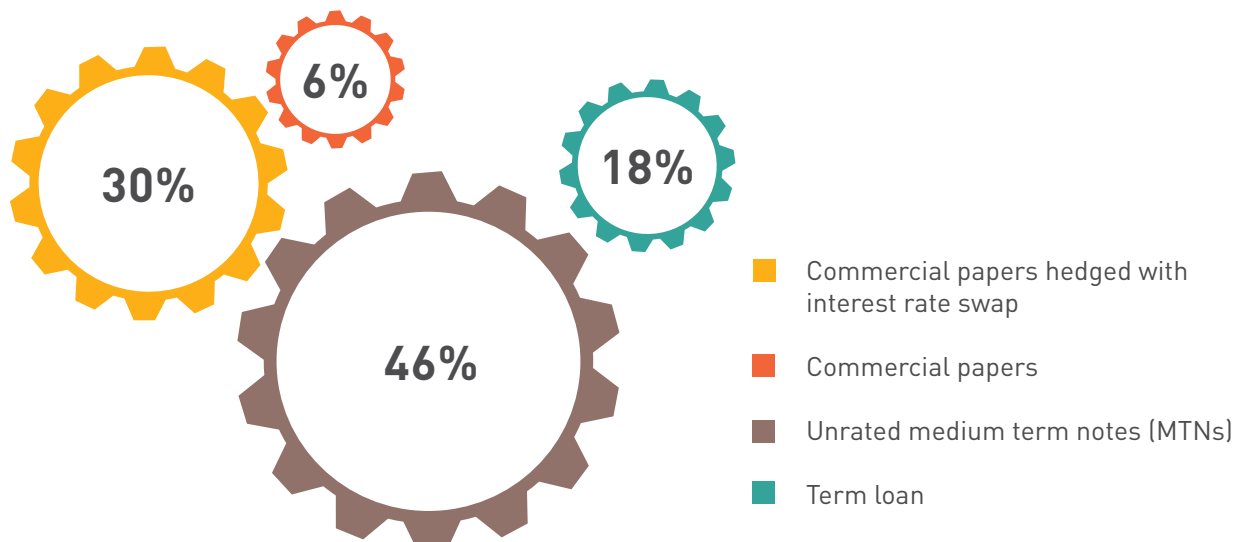
#### DEBT MATURITY PROFILE (RM MILLION)



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

<sup>2</sup> Fully hedged via a cross currency swap.

#### SOURCES OF BORROWINGS



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### RISK MANAGEMENT

The Board places importance on and is committed to maintaining effective risk management practices as an integral process in achieving Sunway REIT's business objectives. The Manager adopts a robust risk management framework that enables it to continuously identify, assess, treat and manage risks that affect Sunway REIT in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk management scorecard to facilitate systematic review and monitoring.

The risk management process is embedded into key activities and business processes, enabling proper risk management at the operation level of each property as well as the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis. Please refer to page 179 to 180 for Sunway REIT's detailed risk management framework.

### KEY RISKS FACTORS

#### Acquisition & Investment Risk

Risk that assets are not yield accretive and distort existing portfolio which is retail focused or difficulty in acquiring quality assets.

#### **Mitigation**

The Manager remains very selective and manages such risk by evaluating potential acquisitions against an approved investment criteria. All acquisition proposals are evaluated by the Investment Appraisal Working Group prior to recommendation to the Board and due diligence will be undertaken prior to acquisition.

#### Valuation Risk

Risk that assets may suffer a decline in value thus affecting profitability and gearing. Such a situation may occur if the asset suffers a decline in occupancy and rental rates.

#### **Mitigation**

The Manager strives to ensure that all the assets under the management maintains its high occupancy level and rental rates by adopting various asset management strategies such as developing strong relationship with tenants, providing value-added property related services to tenants, improving tenancy mix, reducing reliance on major tenants, organizing promotional activities to attract customers to the properties etc. Further, the Manager continuously reviews the quality of asset management to ensure it meets relevant needs at both the REIT and asset level.

For office properties with low occupancy due to the prevailing challenging office market, the Manager continuously engages with the Asset Manager to review its progress and strategy to secure new tenants. Office properties represent

7.3% of the total portfolio value of RM6.4 billion as at 30 June 2016. During the financial year, the value of Sunway Tower declined by RM31 million. However, the decline was fully mitigated by increase in value of the other properties within the portfolio which resulted in a net fair value gain of RM63.5 million after accounting for capex incurred. During the year, the Asset Manager managed to secure replacement tenants for 35,000 sq. ft. and 27,000 sq. ft. for Sunway Tower and Sunway Putra Tower respectively.

The diversification of Sunway REIT's portfolio further mitigates risk of weaker market in certain sub-sector of the property market.

#### Financing & Refinancing Risk

Risk that fundings will not be available from banks or debt capital market to meet requirements when due.

#### **Mitigation**

To mitigate such risks, the Manager has established a 7-year commercial paper programme (CP Programme) of up to RM1.6 billion in nominal value since 2012 and a 15-year medium term note programme (MTN Programme) of RM1 billion in nominal value since 2013 to diversify the sources of debt funding.

The CP programme has been accorded a rating of P1 by RAM Rating Services Berhad (RAM) and is fully underwritten by a financial institution. The P1 rating has been reaffirmed by RAM in their annual review dated June 2016. The MTN Programme is unrated. The CP Programme is on a floating rate basis whilst the MTN Programme is on fixed rate basis. The programmes with different maturity profile will enable a more manageable refinancing when due. The average maturity period of Sunway REIT's borrowings was 1.0 year as at 30 June 2016. However the average maturity of the portfolio lengthens to 2.0 years (FY2015: 3.0 years) if computed based on the 7-year tenure of the Commercial Paper (CP) Programme (expiring in April 2019) instead of the tenure of the CPs which are rolled over on a monthly basis. In addition, the amount of unutilised facility available to fund capital expenditure and acquisitions under the CP Programme amount to RM0.8 billion as at 30 June 2016.

#### Liquidity Risk

Risk that funds are inadequate to meet obligations.

#### **Mitigation**

The Manager, working together with the Asset Manager actively and continuously monitors the debtors ageing record of tenants. The Asset Manager shall promptly engage with tenants who are slow and will take necessary actions against such tenants. As at 30 June 2016, debtors turnover was approximately 12.0 days and do not pose any significant risk to Sunway REIT. In addition, interest service cover ratio as at 30 June 2016 was 4.9 times.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## RISK MANAGEMENT

### Interest Rate Risk

Risk that adverse movements in floating interest rates will affect financial performance.

#### **Mitigation**

The Manager strives to maintain a high fixed rate borrowings ratio to mitigate the risk of interest rate movements. As at 30 June 2016, approximately 94% of the total outstanding borrowings of Sunway REIT were on a fixed rate basis whilst the balance 6% was on a floating rate basis. The Manager closely monitors the interest rate environment and plans to maintain fixed rate borrowings at 80% to 90% and above of total borrowings if the interest rate market is favourable for fixing of rate.

Outstanding borrowings on a floating rate basis amounted to RM122.4 million as at 30 June 2016. Every 25 bps movement in interest rate would result in a change in finance cost by RM0.3 million and DPU by 0.01sen.

### Business / Market Risk

Risk that the properties face decline in revenue due to poor market condition, competition and geographical concentration.

#### **Mitigation**

The Manager will ensure that the Asset Manager collaborates closely with the Sponsor, Sunway Bhd, to leverage on and seek to maximise the operating synergies between the properties in the Sunway REIT portfolio and the surrounding developments within the townships that are master-planned and developed by the Sponsor. The Manager will also actively identify and capitalize on potential asset enhancement initiatives within the portfolio to maintain market position and competitiveness. The Manager will address the geographical concentration risk of its portfolio at Sunway Resort City by strategizing to acquire properties at other key growth cities throughout Malaysia.

Due to the current oversupply situation and slower economic growth, the office segment suffered a decline in occupancy. Average occupancy at Sunway Tower and Sunway Putra Tower was 19.6% (FY2015: 66.9%) and 26.4% (FY2015: 52.8%) respectively. The impact of decline in average occupancy, correspondingly affected the revenue and NPI contribution of both properties to the portfolio at 2.4% and 3.1% respectively. Although DPU was adversely affected by 0.39 sen arising from the drop in occupancy of these two properties, Sunway REIT's DPU grew moderately by 5.2% for FY2016, supported by robust growth of the retail segment. This further reinforces the importance of a diversified portfolio which is able to mitigate the risks of weaker performance of certain sub-sector. (Please refer to page 72 on the strategies by the Asset Manager to address the situation)

### Tenant Concentration Risk

Risk that revenue of Sunway REIT is dependent on anchor tenants. Termination or non-renewal of tenancy by the anchor tenants will negatively impact the performance of the properties.

#### **Mitigation**

Sunway REIT does not have any tenant concentration risk as its top ten tenants represent 11.6% of total revenue with no tenants contributing more than 2.0% of total revenue.

### Currency Risk

Risk that Sunway REIT is exposed to foreign currency and exchange rate fluctuations.

#### **Mitigation**

Sunway REIT's properties are all located in Malaysia, hence, there is no exposure to foreign currency risks arising from business operations. Sunway REIT has a USD100 million term loan which has been fully hedged via a cross currency swap. Other than this loan, all other borrowings are from the domestic debt capital market.

### Compliance Risk

Risk that Sunway REIT fails to comply with applicable laws and regulations.

#### **Mitigation**

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

### Human Capital Risk

Risk that the Manager fails to attract and retain competent staff force to manage its portfolio and to execute its strategies for sustainable growth.

#### **Mitigation**

The Manager has a strong and prevailing employee engagement philosophy and strategy which reinforces the importance of having an engaged workforce. The Manager has an established salary structure that is reviewed annually in line with the general market. The Manager also practices an annual talent review which is a talent retention and development programme besides providing various trainings for the employees' career progression.

## INVESTOR AND PUBLIC RELATIONS

Globalisation and technology have led to seamless communication and information transmission. We recognise the increased sophistication amongst investors and stakeholders in which we are committed to ensure effective communication and proactive stakeholders' engagement. It is crucial that we strengthen our communication with the stakeholders in challenging times to allow stakeholders to make informed decisions.

We continuously enhance our communication channels to cater to the growing needs of the stakeholders through traditional communication channels and leveraging on technological platforms.

### INVESTOR RELATIONS COMMUNICATION CHANNELS AND STAKEHOLDER ENGAGEMENT

COMMUNICATION CHANNEL	MEDIUM OF COMMUNICATION	STAKEHOLDERS
ANALYST AND INVESTOR BRIEFING	<ul style="list-style-type: none"> <li>Quarterly financial earnings release</li> <li>Material development</li> <li>Corporate exercise</li> </ul>	<ul style="list-style-type: none"> <li>Institutional investors</li> <li>Analysts</li> </ul>
PROPERTY TOUR	<ul style="list-style-type: none"> <li>Group tour</li> <li>One-on-one tour</li> </ul>	<ul style="list-style-type: none"> <li>Institutional investors</li> <li>Analysts</li> </ul>
MANAGEMENT MEETING	<ul style="list-style-type: none"> <li>Small group meeting</li> <li>One-on-one meeting</li> </ul>	<ul style="list-style-type: none"> <li>Institutional investors</li> <li>Analysts</li> </ul>
CONFERENCE	<ul style="list-style-type: none"> <li>Investors conference</li> <li>Non-deal roadshow</li> <li>Industry conference</li> <li>Retail investors workshop</li> </ul>	<ul style="list-style-type: none"> <li>Institutional investors</li> <li>Retail investors</li> <li>Analysts</li> <li>Industry affiliates</li> </ul>
CORPORATE WEBSITE AND INVESTOR RELATIONS PORTAL	<ul style="list-style-type: none"> <li>www.sunwayreit.com</li> <li>Corporate announcements</li> <li>Enquiry contact: irsunreit@sunway.com.my</li> </ul>	<ul style="list-style-type: none"> <li>Institutional investors</li> <li>Retail investors</li> <li>Analysts</li> <li>Media</li> </ul>
RESEARCH COVERAGE	<ul style="list-style-type: none"> <li>13 research coverage as at 30 June 2016</li> </ul>	<ul style="list-style-type: none"> <li>Institutional investors</li> <li>Retail investors</li> <li>Analysts</li> <li>Media</li> </ul>
MEDIA ENGAGEMENT	<ul style="list-style-type: none"> <li>Media briefing</li> <li>Media release</li> <li>Media interview</li> <li>Roundtable discussion</li> </ul>	<ul style="list-style-type: none"> <li>Media</li> <li>Public</li> </ul>
ANNUAL GENERAL MEETING AND ANNUAL REPORT	<ul style="list-style-type: none"> <li>Reporting of financial performance which include Management discussion and analysis and business strategies</li> </ul>	<ul style="list-style-type: none"> <li>Unitholders</li> <li>Public</li> </ul>

### INVESTOR RELATIONS ACTIVITIES

Sunway REIT conducted a series of investor relations activities for the financial year ended 30 June 2016. We routinely conduct financial earnings release conference calls to international and local investment community to brief them on the financial performance, performance analysis of the assets and business outlook for the coming year.

Sunway REIT 3<sup>rd</sup> Annual General Meeting was held in Sunway Resort Hotel & Spa, a venue that is conveniently accessible through public transportation. During the AGM, unitholders were encouraged to share their concerns, views and feedback to the Board of Directors and Senior Management, where the latter attended to their feedback accordingly.



## INVESTOR AND PUBLIC RELATIONS (CONT'D)

### Investor Relations Event Calendar

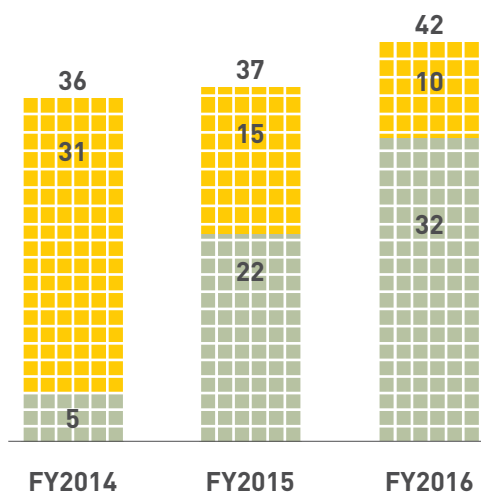
DATE	EVENT
11 August 2015	• 4 <sup>th</sup> Quarter FY2015 financial earnings release
30 September 2015	• Sunway REIT 3 <sup>rd</sup> Annual General Meeting
29 October 2015	• 1 <sup>st</sup> Quarter FY2016 financial earnings release
29 January 2016	• 2 <sup>nd</sup> Quarter FY2016 financial earnings release
27 April 2016	• 3 <sup>rd</sup> Quarter FY2016 financial earnings release



Sunway REIT's 3<sup>rd</sup> Annual General Meeting

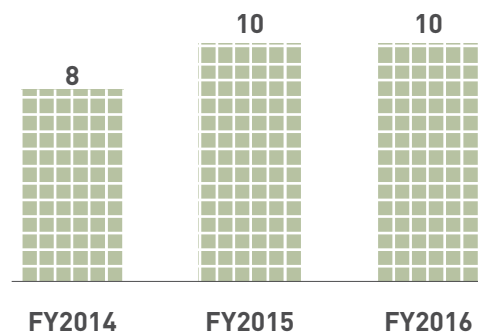
During the financial year, our engagement activities with the investment community focused on effective communication. We held private one-on-one and small group meetings in order to ensure productive interaction and communication between the management and investors and/or analysts.

### Management Meetings (FY2014 – FY2016)



Local Investors/Analysts  
Foreign Investors/Analysts

### Property Tours (FY2014 – FY2016)



Source: Sunway REIT

Source: Sunway REIT

## INVESTOR AND PUBLIC RELATIONS (CONT'D)

Sunway REIT hosted three large group property tours organised by Maybank Investment Bank Berhad, Hong Leong Investment Bank Berhad and KAF-Seagroatt Campbell Securities Sdn Bhd to our properties in the Klang Valley during the financial year.

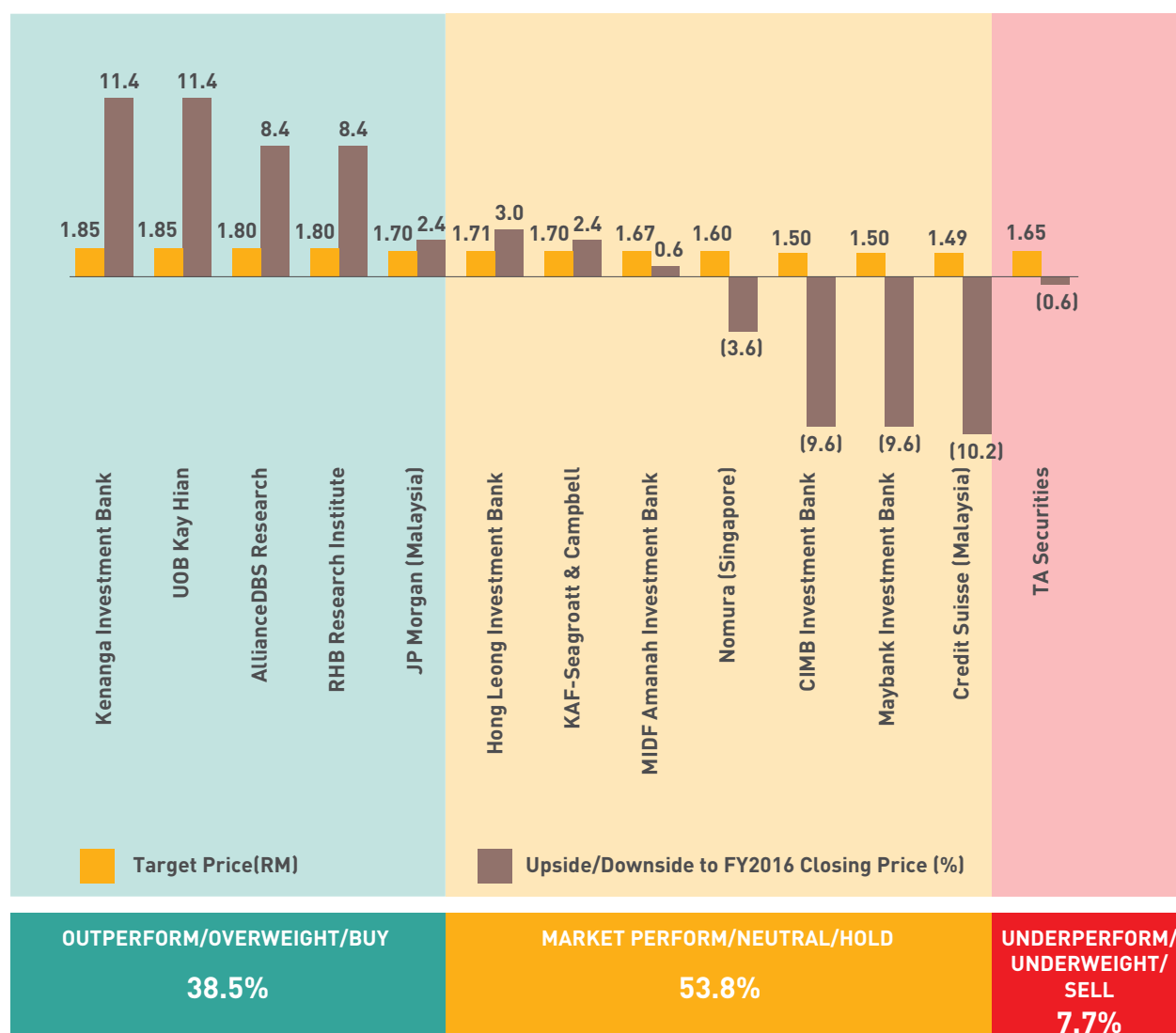
Our engagement with the retail investors and public at large is primarily through the Investor Relations (IR) enquiry platform where it is channelled to [irsunreit@sunway.com.my](mailto:irsunreit@sunway.com.my). We constantly communicate with the members of the media to update them about development in Sunway REIT. We contribute our opinions and views through media in reaching these information to the mass retail investors.

In collaboration with Bursa Malaysia Securities Berhad and the Malaysian REIT Managers Association, Sunway REIT participated in a nationwide workshop series, Product@Bursa, where we presented on "REIT as a Defensive Investment" to licensed dealers representatives in the country. Our session in Penang held on 28 February 2016 was well attended by 280 participants.

## RESEARCH COVERAGE

Sunway REIT is widely followed by the investment community. The number of research coverage was unchanged at 13 for the financial year ended 30 June 2016. Based on the coverage universe, the average 12-month target price is RM1.68.

### Research Recommendations for Sunway REIT

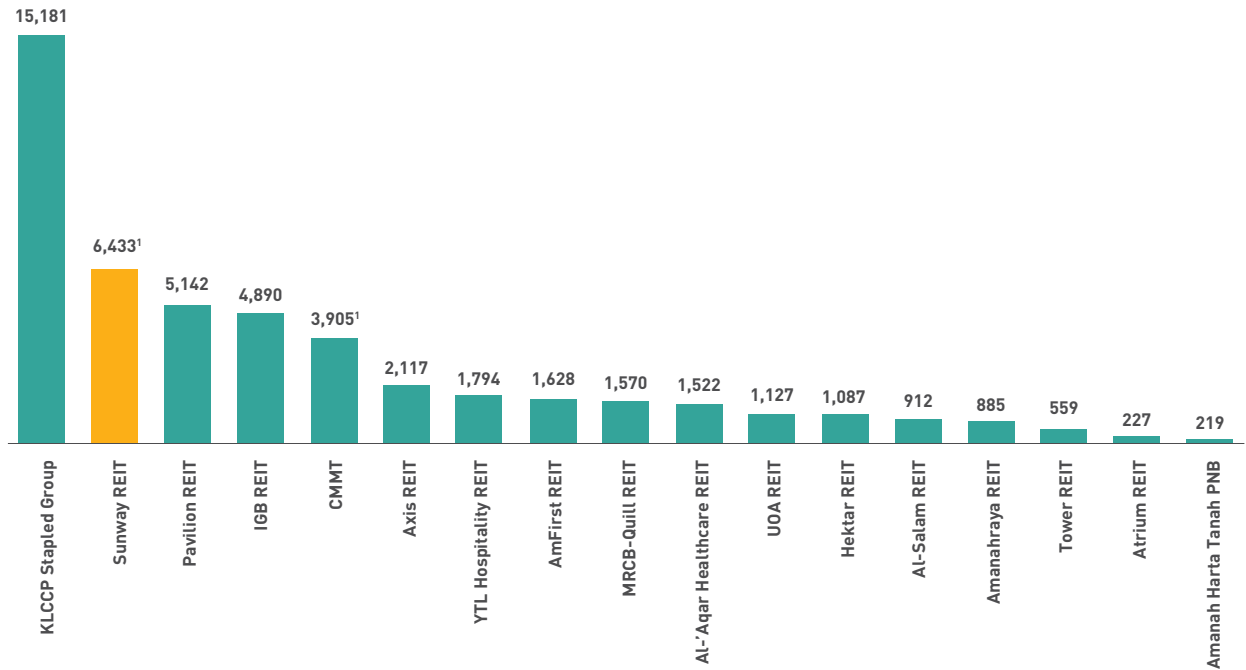


## INVESTOR AND PUBLIC RELATIONS (CONT'D)

### SUNWAY REIT REMAINS AS ONE OF THE LEADING M-REITS

The property value and market capitalisation of M-REITs stood at RM49.2 billion and RM41.1 billion respectively as at 30 June 2016. Sunway REIT remained as the second largest REIT in Malaysia measured by property value. Meanwhile, Sunway REIT's market capitalisation of RM4.9 billion as at 30 June 2016 placed it at fourth ranking.

Property Value as at 30 June 2016 (RM million)



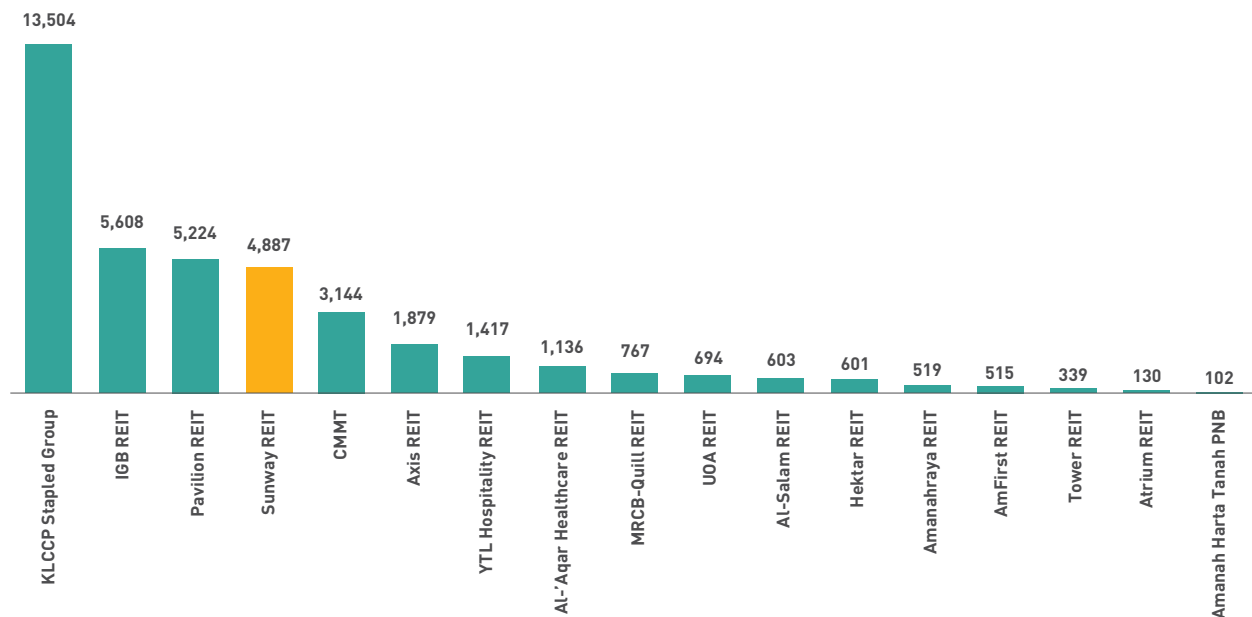
Note:

<sup>1</sup> Information as at 30 June 2016

All other information as at 31 March 2016

Source: Bursa Malaysia, M-REITs' financial statement

Market Capitalisation as at 30 June 2016 (RM million)



Source: Bloomberg

## INVESTOR AND PUBLIC RELATIONS (CONT'D)

Sunway REIT has recorded a total return of 13.3% for FY2016, contributed by 7.8% in capital appreciation and distribution yield of 5.5%. The ranking was maintained at 5<sup>th</sup> in FY2016. Sunway REIT has registered a 5-year average total return of 14.4% for the period from 1 July 2011 to 30 June 2016, ranked 2nd after Pavilion REIT.

### Annual Total Return for the period from 1 July 2015 to 30 June 2016 (%)



Source: Bloomberg

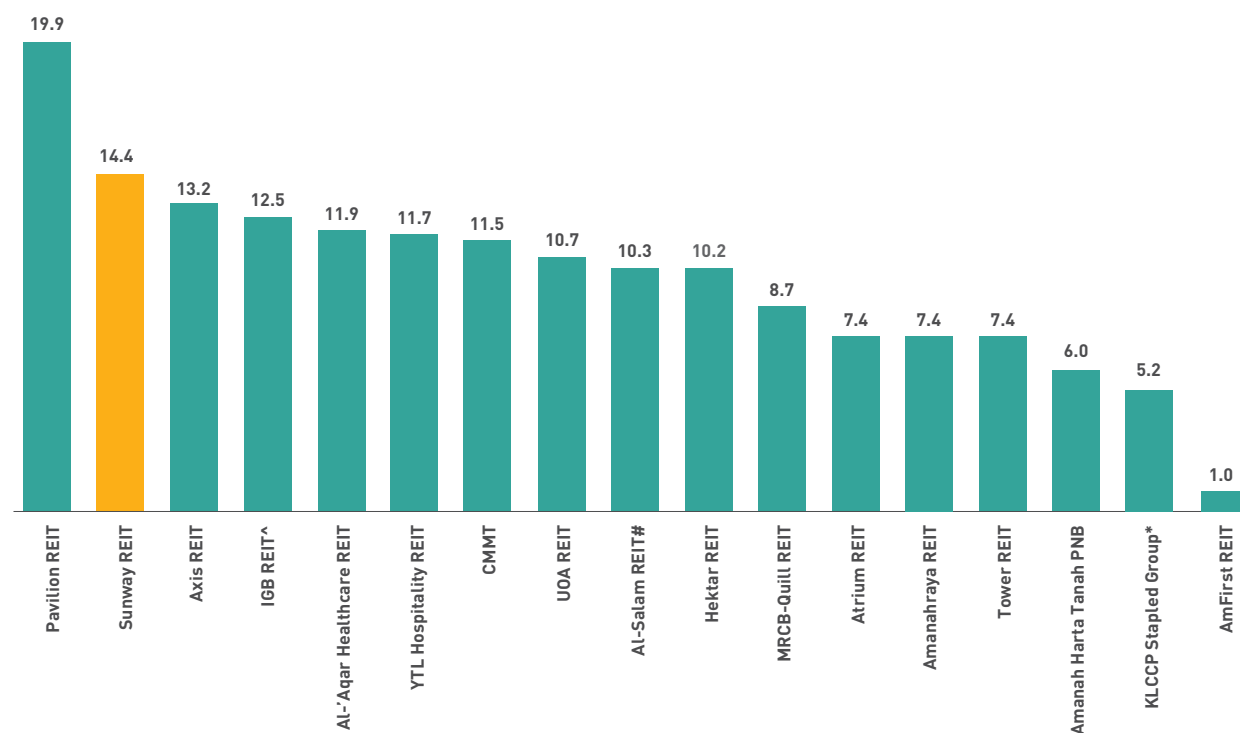
#### Notes:

Distribution yield is computed based on consensus DPU.

Sunway REIT's distribution yield is computed based on actual DPU for FY2016 of 9.18 sen

Information of Al-Salam is computed from its IPO on 29 September 2015 to 30 June 2016 based on IPO price of RM1.00

### 5-Year Average Total Return for the period from 1 July 2011 to 30 June 2016 (%)



Source: Bloomberg, Bursa Malaysia, Various M-REITs financial statements

#### Notes:

<sup>^</sup> Since IPO on 21 September 2012

<sup>#</sup> Since IPO on 29 September 2015

<sup>\*</sup> Since IPO on 9 May 2013

# INVESTOR AND PUBLIC RELATIONS (CONT'D)

REIT | Malaysia | Equity research | January 26, 2016

**Company Note**

**Malaysia**

**HOLD** (re-affirmed)

Current price: RM1.48  
Target price: RM1.50  
Upside: 1.4%

Revised: Bloomberg: SREIT MK  
Market cap: RM1.25m  
USD 55m  
Average daily turnover: RM0.37m  
Current share size: 3.70m  
Free float: 82.1%

**Sunway REIT**  
**A holiday season boost**

- Sunway REIT's 1H FY16 core net profit came in below expectations, making up 47% of our FY16 forecast and 49% of Bloomberg consensus.
- 2Q FY16 DPU of 2.57 sen was declared, bringing 1H FY16 DPU to 4.80 sen.
- 1H FY16 revenue increased 11.1% yoy on the back of higher contributions from its retail and hotel segments.
- We trim our FY16-18 EPS forecasts by 5-8% to account for the slower office space demand outlook and the closure of one of its hotels.
- Maintain HOLD with lower DDM-based target price of RM1.50.

**2Q FY16 net profit below expectations**  
Sunway REIT's 2Q FY16 core net profit increased 12% yoy to RM1.5m, in line with a 15.7% yoy increase in revenue to RM131.6m. This brought 1H FY16 core net profit to RM130m (+7.4% yoy), which was below expectations, accounting for 47% of our full year forecast and 49% of consensus estimates.

**2Q FY16 DPU of 2.57 sen**

**RHB**

Results Review, 30 October 2015

**Sunway REIT (SREIT MK)**  
Property - REITs  
Market Cap: USD1,019m

**Neutral (Maintained)**  
Target Price: MYR1.54  
Price: MYR1.50

**Decent Start To FY16**

Macro: +  
Risks: +  
Growth: +  
Value: +

April 28, 2016

**Maybank iB Research**

**Sunway REIT (SREIT MK)**  
**3Q FY16: No surprises**

**HOLD**

Share Price: MYR 1.60  
12m Price Target: MYR 1.50 (+6%)  
Previous Price Target: MYR 1.50

**Research by kenanga**

21 June 2016

**Sunway REIT**  
Acquisition of Vacant Land in Penang

**OUTPERFORM** (re-affirmed)

Price: RM1.64  
Target Price: RM1.74

By Marie Yee | [marie.yee@kenanga.com.my](mailto:marie.yee@kenanga.com.my) | Lim Jia Yi | [jia.yi@kenanga.com.my](mailto:jia.yi@kenanga.com.my)

**TA SECURITIES**  
A MEMBER OF THE TA GROUP

COMPANY UPDATE  
Timeline: 21 June 2016  
FPO/LO: 1.63x25  
Sector: REIT

**Sunway Real Estate Investment Trust**  
Acquiring Land to Expand Sunway Carnival Shopping Mall

**TP: RM1.65 (+0.8%)**  
Last Traded: RM 2.64

Sell

**UOB Kay Hian**

Regional Morning Notes  
Thursday, 24 April 2016

**COMPANY RESULTS**  
**Sunway REIT (SREIT MK)**  
2Q FY16 Results in Line

**HOLD (Maintained)**

Share Price: RM1.50  
Target Price: RM1.55  
Upside: +3.3%

**COMPANY DESCRIPTION**  
Sunway Real Estate Investment Trust invests in retail, office, and hotel properties.

**Malaysia Company Guide**  
**Sunway REIT**

Version 4 | Bloomberg: SREIT MK | Revision: 5/2016-6/16

Refer to important disclosures at the end of this report.

DBS Group Research - Equity  
28 Jun 2016

**BUY**

Last Traded Price: RM1.62 (BLC: 1.62x5.5)  
Price Target: RM1.80 (11% upside) (Pre RM1.70)

**What's New**

- Long-term extension plan for Sunway Carnival Mall
- Retaining our positive outlook on rising Sunway Putra contributions, asset enhancement work and asset injection opportunities
- TP raised on lower risk-free rate assumption

**Noteworthy prospects**  
TP raised on lower risk-free rate assumption. Given the prevalent risk-off environment particularly following the Brexit and expectation of continued easy monetary policies, our 10-year risk-free rate assumption (based on 10-year MGS yield) has been lowered to 4.0% from 4.2%.

**Sell-positive about its prospects.** We remain positive on Sunway REIT (SunREIT), as DPU remains attractive at the near to medium term, following the completion of refurbishment works for Sunway Putra assets (mall, office and hotel) and full-year income contribution from Sunway Hotel Georgetown. Furthermore, we expect further earnings accretion from the asset enhancement work done on Pyramid Tower East, slated to be completed by 2Q FY17.

**Visible sponsor asset pipeline.** Sunway REIT's sponsor and shareholder (STI) stake Sunway Bhd has a large pipeline of potential assets for injection under its "build-own-operate" model. Future injections could include Sunway University and Marriot University campuses, The Pinnacle office tower, Sunway 500 mall, Sunway VVOCity mall and Sunway Pyramid Phase 3. These underpin an attractive growth pipeline for the REIT. We are optimistic about potential injections from sponsor Sunway Bhd to meet the REIT's 2018 asset target by 2017.

**KF**

18 March 2016

**Sunway REIT**  
**Hold (from Buy)**

Price: RM1.58  
Target price: RM1.70

**Poised for growth, but limited upside**

The impact from growing vacancies within SunREIT's office segment does not appear as significant to us, while the group is still poised for growth via its retail segment and pipeline of potential injections from Sunway Bhd. Given that there is now limited upside to our TP of RM1.70, we downgrade the stock to a Hold.

**J.P.Morgan**

Asia Pacific Equity Research

28 April 2016

**Sunway REIT (SREIT MK)**

**Overweight**

Price: M\$1.80  
27 Apr 2016  
Price Target: M\$1.70  
PT End Date: 30 Dec 2016

Good performance despite a seasonally low period for hotel segment; Maintain OW







# INVESTOR AND PUBLIC RELATIONS (CONT'D)

**Star BIZ WEEK**

## Diversification pays off big for Sunway REIT

By ARIK ISA  
@arika\_13

**SUNWAY REIT** has seen double-digit percentage growth in both its revenue and net property income, thanks to its diversified portfolio of assets which has proven to be highly resilient despite tough market conditions.

Between the start of the financial year on June 30, 2015 and June 30 this year, its revenue has jumped double-digit, thanks to its diversified portfolio of assets which has proven to be highly resilient despite tough market conditions.

Not only has the stock price gained 6.2% during the year, value added to the REIT's net asset value (NAV) has also increased by 11.9% over the past year, which is all the more impressive given the sluggishness of equity markets globally and economies that were impacted by trade risk decline during the same period.

In an interview with *StarBizWeek*, Sunway REIT chief executive officer Datuk Jeffrey Ng said he is keen that the group will continue to diversify its portfolio and that it will continue to be a strong performer in the property market.

Ng, 51, is a former senior executive of the property market giant Sunway Group, which is a subsidiary of Sunway Berhad, a listed company on the Kuala Lumpur Stock Exchange (KLSE).

Ng said Sunway REIT's performance has been very good because of the company's diversified portfolio of assets, which includes commercial, residential, and industrial properties.

Ng said Sunway REIT's performance has been very good because of the company's diversified portfolio of assets, which includes commercial, residential, and industrial properties.

Ng said Sunway REIT's performance has been very good because of the company's diversified portfolio of assets, which includes commercial, residential, and industrial properties.

(吉隆坡27日讯)

## 零售与酒店业务改善，带动双威产托 (SUNREIT, 5176, 主要板产托) 截至12月底2016财年次季净利按年上扬13%，至5152万令吉；建议派发每单位2.57仙收入分配。

双威产托向马证交所报备，配合业绩宣布，建议派发每单位2.57仙收入分配，比去年同期的每单位2.27高出13.2%。这将是公司上半年的每单位收入分配提高至4.69仙。

该公司次季净利起13%，至5152万令吉；

# 雙威產託次季獲利增13%

## 零售酒店業務改善

### SunREIT buys land for RM17mil

**PETALING JAYA:** Sunway Real Estate Investment Trust (SunREIT) is acquiring 1.33ha of land in Seberang Jaya, Penang from Sunway Bid for RM17.2mil.

Sunway said in a filing with Bursa Malaysia that its subsidiary Commercial Parade Sdn Bhd was expected to gain RM17mil from the sale of the land adjacent to Sunway Carnival Shopping Mall.

Commercial Parade will utilise the sales proceeds to redeem its non-cumulative redeemable preference shares amounting to RM9.3mil and to repay its short-term debt.

Sunway added the land was acquired in 2004 for RM8.35 while SunREIT's purchase would enable it to expand Sunway Carnival mall.

Meanwhile, in a separate statement, SunREIT said it plans to build a nine-to-ten storey retail space and a nine-to-ten storey parking lot at the basement. The expansion of the mall would allow SunREIT to cater to larger retail space requirement sought by international and regional retailers.

Ms.BS

## BISNES

### Sunway REIT beli tanah RM17.2 juta di Pulau Pinang

2016年6月21日 星期二 A6

## 双威产托1720万购地 扩建双威嘉年华广场

(吉隆坡20日讯) 双威产托 (SUNREIT) 27日公告，斥资1.72亿令吉，在吉打州购买1.33公顷土地，用于扩建双威嘉年华广场。

STANDARD, WEDNESDAY 16 FEBRUARY 2017

## news 3

# Upside seen in Reits

### Decline in their share prices has pushed up yields, say experts

By ANIK ISA  
@arika\_13

**PETALING JAYA:** The yields in real estate investment trusts (Reits) were among the best in the market last year, during a time of great volatility and weakening sentiment towards equities.

Despite the prevailing market uncertainty, a combination of factors have made Reits an interesting investment proposition this year, say industry experts.

While Reits were battered during the second half of 2015 alongside conventional equities, the decline in their share prices had the effect of pushing up yields.

After wrapping up their full-year results for 2015, several Reits actually reported improved earnings in spite of the oversupply of office and retail spaces, particularly in the Klang Valley.

For office space Reits, the strong employment was a clear cut, lock in high-quality tenants on long-term leases. For example, both KLCC Stapled Reit and MRCB-Quill Reit manage properties whose tenants comprise major multinational companies.

Both Reits reported improved earnings for their respective full financial years ended Dec 31, 2015 (FY16). KLCC reported a significant increase in retail assets income, while MRCB-Quill benefited from income coming from its Platinum Sentral acquisition.

MRCB-Quill Management Sdn Bhd chief executive officer Yung Jui Lin told *StarBizWeek* that the strategy of targeting tenants on long-term leases helped it weather the challenging property market environment.

"We are in a relatively strong position, given that our properties are close to 100% occupied. Only 7% of our total net lettable area is up for a lease renewal this year, and most of it is for a long-term lease," he said.

Ng said Sunway REIT's performance has been very good because of the company's diversified portfolio of assets, which includes commercial, residential, and industrial properties.

Ng said Sunway REIT's performance has been very good because of the company's diversified portfolio of assets, which includes commercial, residential, and industrial properties.

Ng said Sunway REIT's performance has been very good because of the company's diversified portfolio of assets, which includes commercial, residential, and industrial properties.

## MARKET REPORT SUMMARY

### ECONOMIC OVERVIEW

Spearheaded by private sector growth the Malaysian economy continues to grow, albeit at a slower pace. Even though the economy expanded slower in CY2015 than in CY2014 (6%), the 5% expansion is still considered a respectable growth, given the weak and uneven global economic recovery. Based on the latest figures released by Bank Negara Malaysia (BNM) the Gross Domestic Product (GDP) registered a growth of 4.2% in 1Q CY2016 (4Q CY2015: 4.5%). The slight moderation in growth mainly reflected the external shock to the economy and cautious spending by the private sector. Going forward, the Malaysian economy is expected to remain on a sustainable growth path of

and transportation sectors, which more than offset the higher investment by the Federal Government.

Inflation is on an upward trend where consumer price index (CPI) increased by 2.7% y-o-y in the first half of 2016 as consumers are grappling with higher cost of living and utility costs. On a brighter note, transportation related inflation retreated due to lower crude oil price. BNM expects inflation to be contained within 2.0% - 3.0% in CY2016 barring any unforeseen circumstances.

BNM decided to reduce the Overnight Policy Rate (OPR) to 3.00% at the recent Monetary Policy Committee (MPC) meeting on 13 July 2016. The adjustment to the OPR is

#### GDP Growth and Unemployment Rate, 4Q CY2010 – 1Q CY2016



4.0% – 4.5%, despite the challenging economic environment globally and domestically. Domestic demand will continue to be the principal driver of growth, sustained primarily by private sector spending. However, domestic consumption is expected to grow at a moderate pace as households continue to adjust to the higher cost of living. Uncertainties in the external environment and the on-going adjustments in the domestic economy pose downside risks to growth.

Private investment registered a slower growth of 2.2% in 1Q CY2016 (4Q CY2015: 4.9%), the cautious business sentiments and lower commodity prices continued to weigh down on investments in the upstream mining sector. Nevertheless, there was continued investment in the manufacturing and service sectors.

Private consumption growth expanded by 5.3% in 1Q CY2016 (4Q CY2015: 4.9%), supported by continued wage and employment growth.

Growth in public sector consumption improved to 3.8% in 1Q CY2016 (4Q CY2015: 3.3%), as a result of higher spending on emoluments.

On the other hand, public investment declined by 4.5% in 1Q CY2016 (4Q CY2015: 0.4%) due to lower spending on fixed assets by public corporations, particularly in the oil and gas

intended for the degree of monetary accommodativeness to remain consistent with the policy stance. This is to ensure that the domestic economy continues on a steady growth path amidst stable inflation supported by continued healthy financial intermediation in the economy.

### RETAIL MARKET OVERVIEW

The Malaysian retail industry recorded a 4.4% fall in sales in 1Q CY2016 compared to a 4.6% growth a year ago, according to Retail Group Malaysia (RGM) the fall was attributed to higher pre-GST sales a year ago, as well as weak Chinese New Year sales in February 2016. RGM maintains its forecast of 4% growth rate for the Malaysian retail industry in CY2016.

The Consumer Sentiment Index (CSI) improved by 9.1 points to 72.9 points in 1Q CY2016 (4Q CY2015: 63.8 points), still below the threshold level of confidence. "With no real changes in the economic outlook, Malaysians' confidence remains low and we see that this trend will continue to be the case until the pressure on the Ringgit eases. Only when the pressure of the Ringgit improves, can consumers start to feel the burden of their day-to-day spending lessen," said Country Manager Nielsen Malaysia. The view of the CSI index improvement over the last few quarters indicates that GST impact has normalised.

## MARKET REPORT SUMMARY (CONT'D)

The average occupancy rate of retail centres in Klang Valley marginally contracted to 80.3%, 0.4% lower than 4Q CY2015. Nevertheless the overall occupancy rate of prime grade retail space was higher compared with secondary grade space. The average occupancy rate of prime and secondary grade retail centres in the city centre were 91% and 81% respectively, while the average occupancy rates in the Suburbs were 96% and 66% respectively. In view of the current socio-economic climate and the growing supply of retail space, retailer demand is expected to be selective and generally weaker, as the market dilutes, especially in the short term because of weakening consumer demand and higher costs of doing business.

Some landlords of retail centres are starting to see an increase in the number of early termination of tenancy contracts which contribute to lower occupancy rates. Newly completed retail centres are also grappling to achieve satisfactory occupancy rates as pre-commitments from retailers are dwindling, especially for the smaller neighbourhood retail centres with restrictive target catchments.

Prime retail centres in good locations are expected to be resilient, albeit registering slower rental growth. These prime centres are able to secure continuous rental income from retailers as they offer a well-balanced mix of merchandise, food and beverage and entertainment which appeal to numerous segments of consumer.

### HOSPITALITY OVERVIEW

The uncertainties regarding both domestic and global economies have resulted in fewer travellers and also less spending. Companies are cutting down on business trips, while individual tourists are likely to erase or tighten their travel budgets. CY2016 is expected to once again be a very challenging year as the double impact of slowing economies and weaker business conditions continue. The number of tourist arrivals to Malaysia in CY2015 was 25.7 million, which was 13% lower than the targeted number of 29.4 million tourist arrivals and 6.2% lower than 27.4 million tourist arrivals in CY2014. The tourism sector garnered tourist receipts of RM69.1 billion in CY2015 (CY2014: RM72 billion) a drop of 4% compared to the previous year.

The average national occupancy rates of hotels saw a slight decline from 62.6% in CY2014 to 61.0% in CY2015 as reported by Tourism Malaysia in tandem with the drop in tourist arrivals. As at end-CY2015, there were 2,587 hotels across the country offering 208,747 rooms. Another 116 hotels (24,069 rooms) were in the incoming supply led by Kuala Lumpur with 5,125 rooms. There were another 85 hotels (16,341 rooms) at the planned supply stage.

For CY2016, the number of tourist arrivals is targeted at a fairly unrealistic 30.5 million. However efforts are being made by the authorities to entice foreign tourists to Malaysia via the issuance of e-visa to major target market, specifically China, while considerations are being made for issuance of e-visa to tourists from India. More cultural programmes, motor grand prix, sales campaigns (the first of three shopping campaigns in CY2016 kicked off on 1<sup>st</sup> March 2016 adopting a new tagline "Super Bargains, Fantastic Experience"), eco-tourism

initiatives and entertainment events are being promoted to attract more tourists. The tourism agency has also embarked on promotional activities in Scandinavian countries (Sweden, Norway and Finland), Korea and Japan and is simultaneously increasing promotions in other countries.

To counter the effect of the slowing down of foreign tourist arrivals and to take advantage of the higher cost of international travel for Malaysians due to the depreciation in the Malaysian Ringgit, Tourism Malaysia is also actively promoting "attractive" domestic tourism packages to encourage domestic tourism.

### OFFICE OVERVIEW

The office sub-sector saw a slight downturn in the overall national occupancy rate at 83.7% in CY2015 down from 84.9% in CY2014. The annual take-up though positive at 2.822 million sq. ft., was substantially lower than 9.34 million sq. ft. recorded in CY2014. Government buildings occupancy rates of 98.7% helped cushion-off the moderate performance of private office buildings at 78.5%. In terms of space, private buildings supplied nearly 75% of the national existing space and accounted for 70% of the occupied space.

The Klang Valley's existing office space increased to 111 million sq. ft. in 1Q CY2016 compared to 108.9 million sq. ft. in 4Q CY2015, as a result of the completion of five office buildings. The continued abundance of supply and modest office space inquiries have led to a consolidated "tenant market" situation where year-on-year occupancy has declined from 82% to 80%. An estimated, 11.8 million sq. ft. of office space is expected to become available between 2Q CY2016 to 2018 in the Klang Valley which is considered excessive based on the current state of the economy and the anticipated slower demand for office space.

In general, market rentals are expected to come under pressure due to the large incoming supply as well as the large amount of existing vacant space available in the market. Although asking rents are unlikely to decrease significantly effective rents are expected to be lower. Many landlords especially those with poorly occupied buildings will be willing to negotiate attractive rental rates as well as offer longer rent-free periods which will result in lower effective rents. Landlords of newer buildings with good quality specifications, green certification and MSC compliance will be in a better position to attract tenants and thus registering higher rental rates. Furthermore due to higher construction costs, rising operational and maintenance costs of office buildings, these landlords are unlikely to reduce their rental rates but may offer generous incentives such as longer rent free periods (6 months to 12 months) and fit-outs and fittings to secure tenants.

The contraction of the O&G sector, the main lifeline of the office segment following the plunge in crude oil prices, has negatively impacted the office market. In the coming quarters, with a high level of existing and impending supply coupled with a weaker leasing market which is seeing more consolidation cum mergers & acquisitions activities, competition among building owners are expected to heighten.

## PORTFOLIO AT A GLANCE

GEOGRAPHICAL CONTRIBUTION BY PROPERTY  
VALUE OF RM6.43 BILLION AS AT 30 JUNE 2016

### 8% PENANG

SUNWAY CARNIVAL SHOPPING MALL  
SUNWAY HOTEL SEBERANG JAYA  
SUNWAY HOTEL GEORGETOWN

### 18% KUALA LUMPUR

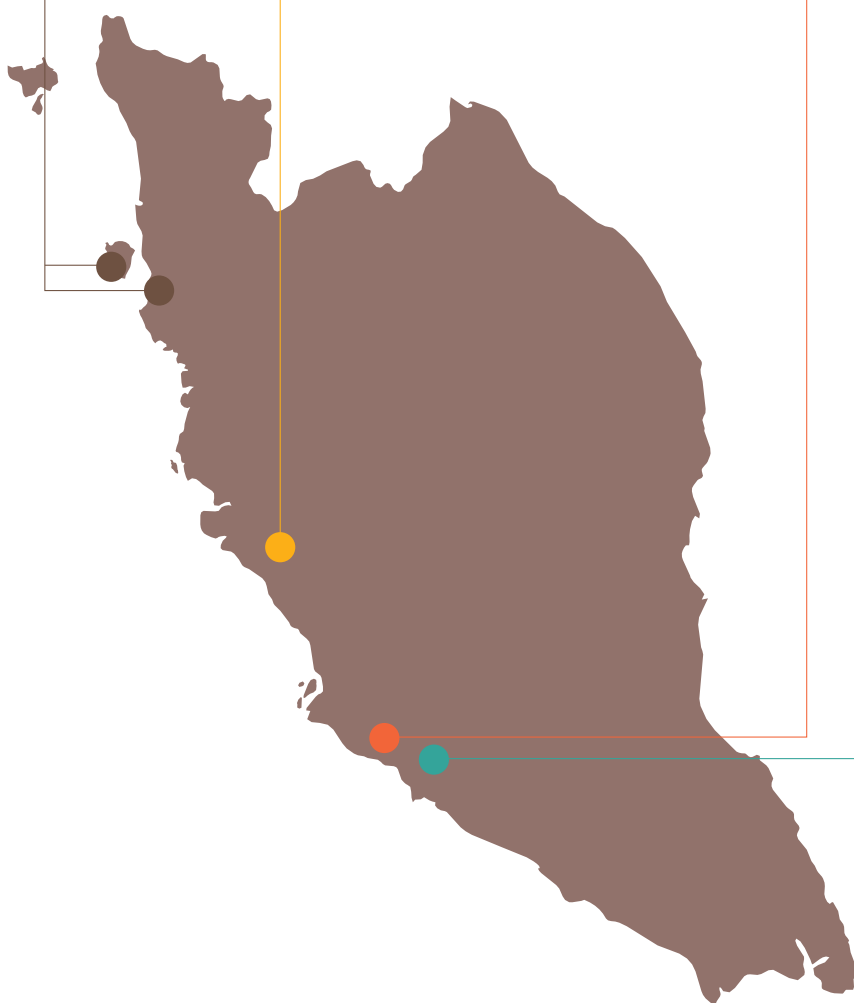
SUNWAY TOWER  
SUNWAY PUTRA MALL  
SUNWAY PUTRA HOTEL  
SUNWAY PUTRA TOWER

### 1% PERAK

SUNCITY IPOH HYPERMARKET

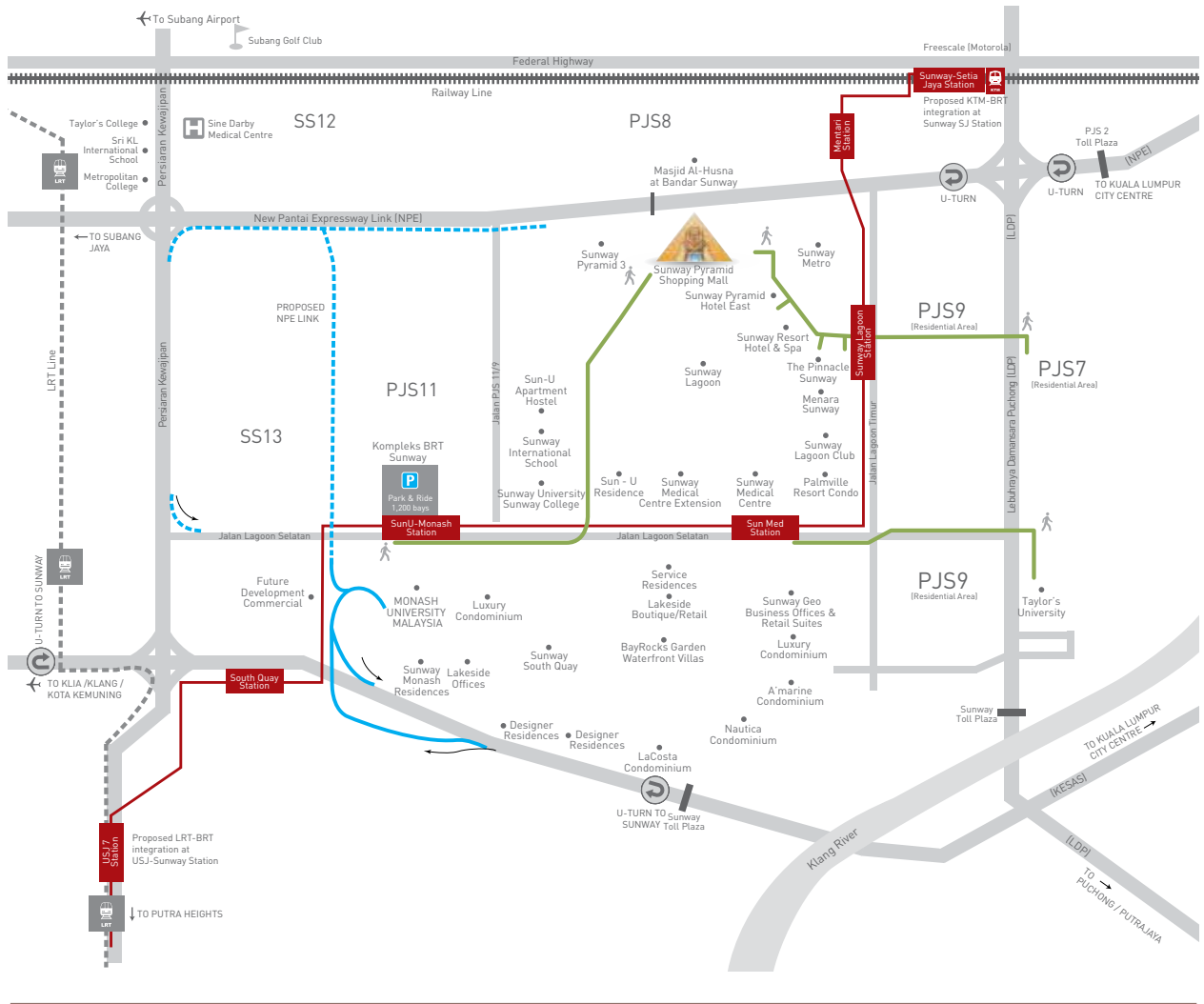
### 73% SELANGOR

SUNWAY PYRAMID SHOPPING MALL  
SUNWAY RESORT HOTEL & SPA  
SUNWAY PYRAMID HOTEL EAST  
MENARA SUNWAY  
SUNWAY MEDICAL CENTRE  
WISMA SUNWAY



## PORTFOLIO AT A GLANCE (CONT'D)

### BANDAR SUNWAY



#### LEGEND

- Malaysia's First Elevated Bus Rapid Transit (BRT) Sunway Line
- Kelana Jaya LRT (Light Rail Transit) Extension Link
- KTM Komuter Railway
- Road expansion / improvements by Sunway
- Completed new KESAS link by Sunway
- Elevated Pedestrian & Canopy Walk
- ⤵ U-turn



# RETAIL





## PROPERTY SUMMARY (RETAIL)



**SUNWAY PYRAMID  
SHOPPING MALL**

**LOCATION**

SELANGOR

**DATE OF ACQUISITION**

8 JULY 2010

**ACQUISITION PRICE (RM MILLION)**

2,132

**TITLE, EXPIRY DATE & YEARS REMAINING**

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

All in Bandar Sunway, Daerah Petaling, Negeri Selangor

**TENURE**

Leasehold - 99 years

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Private Caveat by Public Bank Berhad
3. Charged to HSBC Amanah Malaysia Berhad

**YEAR OF COMPLETION**

Phase 1 in 1997; Phase 2 in 2007

**APPRAISED VALUE (RM MILLION)**

3,300

**DATE OF LATEST VALUATION\***

JUNE 2016

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



**SUNWAY CARNIVAL  
SHOPPING MALL**

**LOCATION**

PENANG

**DATE OF ACQUISITION**

8 JULY 2010

**ACQUISITION PRICE (RM MILLION)**

232

**TITLE, EXPIRY DATE & YEARS REMAINING**

- PN 1816 Lot No. 5497 - 21 October 2092  
(76 years remaining)
- PN 1817 Lot No. 5498 - 21 October 2092  
(76 years remaining)
- PN 1818 Lot No. 5499 - 21 October 2092  
(76 years remaining)

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

**TENURE**

Leasehold - 99 years

**ENCUMBRANCE**

1. Charged to Affin Hwang Investment Bank Berhad

**YEAR OF COMPLETION**

2007

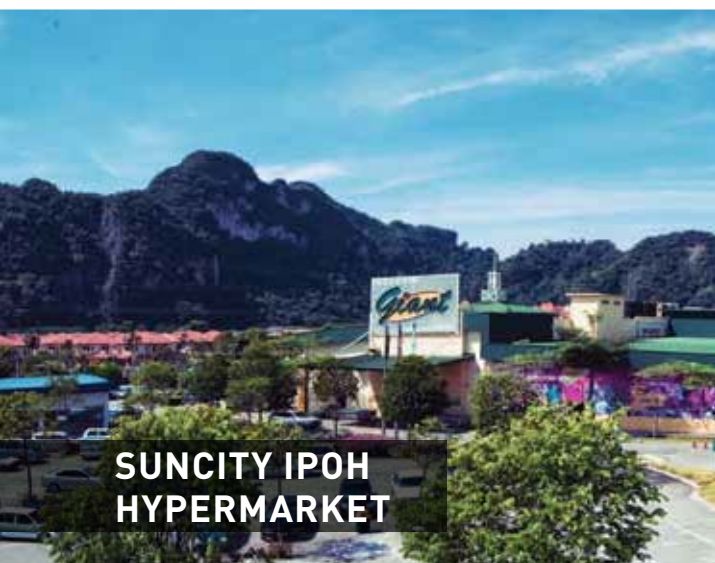
**APPRAISED VALUE (RM MILLION)**

380

**DATE OF LATEST VALUATION\***

JUNE 2016

## PROPERTY SUMMARY (RETAIL) (CONT'D)



**SUNCITY IPOH  
HYPERMARKET**

**LOCATION**

PERAK

**DATE OF ACQUISITION**

8 JULY 2010

**ACQUISITION PRICE (RM MILLION)**

46

**TITLE, EXPIRY DATE & YEARS REMAINING**

- PN 258216 Lot No. 331232 - 22 February 2100 (84 years remaining)

Mukim Hulu Kinta, Daerah Kinta, Negeri Perak

**TENURE**

Leasehold - 99 years

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Charged to HSBC Amanah Malaysia Berhad
3. Private Caveat by Public Bank Berhad

**YEAR OF COMPLETION**

2005

**APPRAISED VALUE (RM MILLION)**

61

**DATE OF LATEST VALUATION\***

JUNE 2016



**SUNWAY  
PUTRA MALL**

**LOCATION**

KUALA LUMPUR

**DATE OF ACQUISITION**

19 APRIL 2011

**ACQUISITION PRICE (RM MILLION)**

219

**TITLE, EXPIRY DATE & YEARS REMAINING**

- Geran 10012, Lot No. 38, Seksyen 51

Kuala Lumpur, Wilayah Persekutuan

**TENURE**

Freehold

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Charged to HSBC Amanah Malaysia Berhad
3. 30 years lease to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad) expiring 4 April 2017
4. Private Caveat by Trustee

**YEAR OF COMPLETION**

1988; Refurbished in 2015

**APPRAISED VALUE (RM MILLION)**

595

**DATE OF LATEST VALUATION\***

JUNE 2016

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

## PROPERTY SUMMARY (RETAIL) (CONT'D)

RETAIL ASSETS	SUNWAY PYRAMID SHOPPING MALL	SUNWAY CARNIVAL SHOPPING MALL	SUNCITY IPOH HYPERMARKET	SUNWAY PUTRA MALL	TOTAL
Land Area (sq. ft.)	820,070	348,428	354,994	193,621 <sup>1</sup>	1,717,113
Gross Floor Area - Retail and Convention Centre (sq. ft.)	2,454,795	769,546	193,408	988,988	4,406,737
Gross Floor Area - Car Park (sq. ft.)	1,873,470	213,554	-	575,258 <sup>1</sup>	2,662,282
Net Lettable Area - Retail (sq. ft.)	1,614,549	458,794	181,216	543,087	2,797,646
Net Lettable Area - Convention Centre (sq. ft.)	143,467	32,292	-	-	175,759
Number of Parking Bays	> 3,900	> 1,100	400	> 1,500 <sup>1</sup>	> 6,900
Number of Tenancies	750	210	1	233	1,194
Occupancy as at 30 June 2016 (%)	97.8	96.0	100.0	84.6	95.2
Annual Shopper Traffic (million)	> 36.0	> 8.0	N/A	> 8.0	> 52.0
Revenue (RM million)	295.0	44.2	5.0	38.6	382.8
Net Property Income (RM million)	220.6	28.3	4.7	15.8	269.4
Appraised Value as at 30 June 2016 (RM million) <sup>2</sup>	3,300	380	61	595	4,336
Value per sq. ft. (RM)	1,877	774	337	1,096	N/A
Capitalisation Rate - Current / Reversionary (%)	6.00 to 8.00	6.50 to 8.00	6.50 / 7.00	6.25 to 6.75	N/A

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

<sup>2</sup>All the properties are valued by C H Williams Talhar & Wong Sdn Bhd

N/A - Not Applicable

## PROPERTY DETAILS (RETAIL)

### SUNWAY PYRAMID SHOPPING MALL

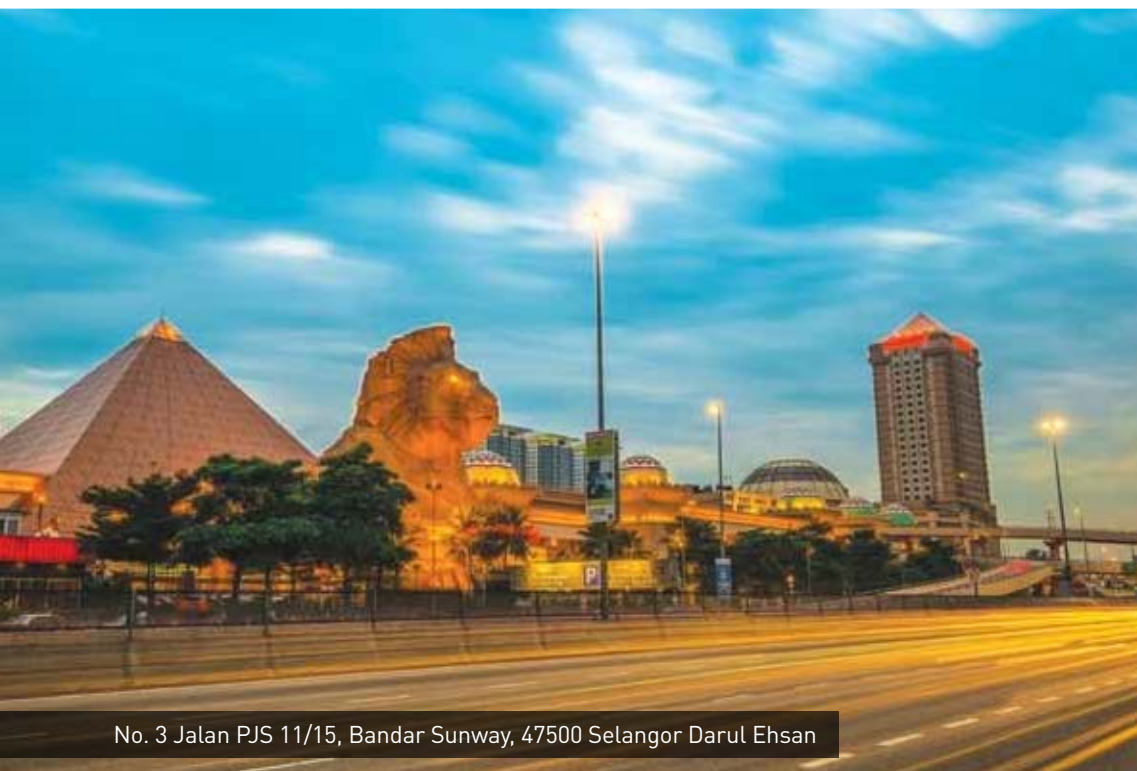
Sunway Pyramid Shopping Mall, the trophy asset of Sunway REIT, is one of the largest malls in Malaysia that has won many prestigious awards. It is the first Health Promoting Mall in Malaysia that promotes healthy living among shoppers who patronize this mall.

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

The mall is located within the heart of an internationally renowned integrated township known as Sunway Resort City (SRC) which is master-planned and developed by the Sponsor, Sunway Berhad. It is seamlessly connected to our other assets such as Sunway Resort Hotel & Spa, Sunway Pyramid Hotel East, Menara Sunway and Sunway Medical Centre and enjoys convenient access to Kuala Lumpur and Klang Valley via five major expressways, namely the New Pantai Expressway, North-Klang Valley Expressway, KESAS Expressway, Damansara-Puchong Highway and the Federal Highway.

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

### MALAYSIA'S FIRST HEALTHY LIFESTYLE SHOPPING MALL



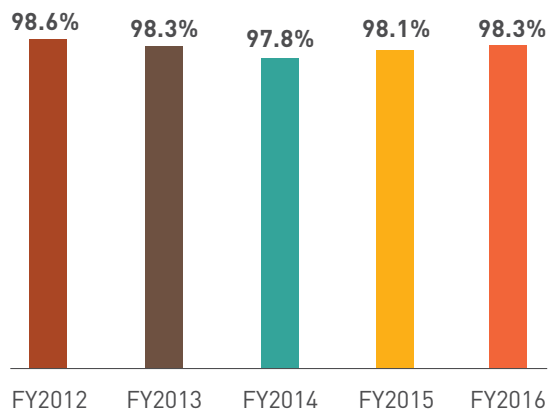
## PROPERTY DETAILS (RETAIL) (CONT'D)

### SUNWAY PYRAMID SHOPPING MALL

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Annual Shopper Traffic (million)	Revenue (RM million)	NPI (RM million)
820,070	2,454,795 (Retail & Convention Centre) 1,873,470 (Car Park)	1,614,549 (Retail) 143,467 (Convention Centre)	> 3,900	750	97.8	> 36.0	295.0	220.6

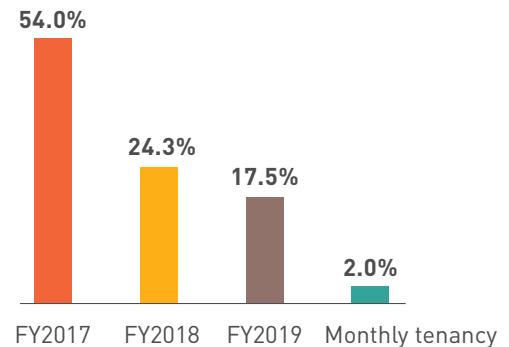
### HISTORICAL OCCUPANCY RATE

Average occupancy rate



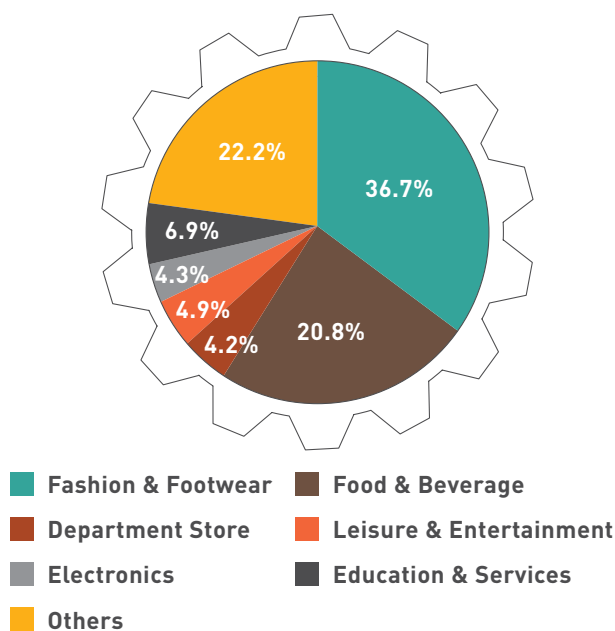
### LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



### TENANT MIX BY TRADE SECTOR

Based on June 2016 Gross Rental Income

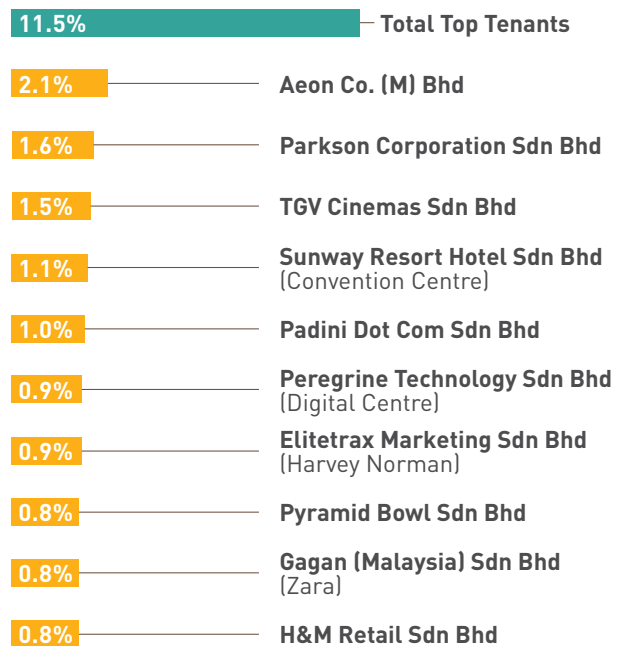


Weighted Average Lease Expiry

**1.16** years

### TOTAL TOP TENANTS

Based on June 2016 Gross Rental Income





## PROPERTY DETAILS (RETAIL) (CONT'D)

### SUNWAY PYRAMID SHOPPING MALL MARKETING ACTIVITIES

#### 1. HARI RAYA AIDILFITRI (July 2015)

Inspired by the traditional art of 'anyaman', the mall's Raya celebration was themed "Weaving a Joyous Raya". The mall held exclusive 'anyaman' workshops, Raya activities and exciting redemptions. The festive joy was spread beyond the mall's vicinity when Leo who was dressed in his Baju Melayu and Leona who was dressed in her Baju Kurung handed out Raya packets filled with various shopping and dining vouchers to over 3,000 vehicles passing through the New Pantai Expressway (NPE) Pantai toll plaza heading towards Bandar Sunway.

#### 2. DEEPAVALI (November 2015)

Shoppers at Sunway Pyramid enjoyed a Golden Deepavali with colour of gold coursing through the mall. The Diwali decorations featured an inspired setting of the ragoli (or kolam) motifs and other elements such as elephant sculpture, towering crossing arch and flowers. Shoppers also stood a chance to win attractive shopping vouchers by joining the Instagram contest using hashtags - #goldendeepavali and #sunwaypyramid.

#### 3. CHRISTMAS (November 2015 - December 2015)

In the spirit of Christmas, the mall was transformed into a festive haven with an exclusive aquatic wonderland themed "Christmas in Atlantis". Shoppers were mesmerized by the exquisite décor and were given a chance to take home the experience by uploading a photo with the hashtag #ChristmasInAtlantis and collecting the free personalised printed photo at the concourse area. There were also redemption treasures that were added to the excitement of the shoppers.

#### 4. CHINESE NEW YEAR CELEBRATION (January 2016 - February 2016)

In conjunction with the movie "Kung Fu Panda 3", the mall's Lunar New Year celebration's theme was "BountiFU Spring Celebration". To celebrate the incoming year of the Fire Monkey, there were various exciting festive activities and exclusive redemptions such as a plush monkey toy, a panda blanket and JoyFU angpau packets to reward our valued shoppers. On the second day of the New Year, there was an acrobatic lion dance performance at the Main Entrance of the mall to bless the mall. Throughout this festive season, the mall prepared free Buggy Service at selected car park levels for our shoppers.

#### 5. MIRACLE BABY – KEE SUN WAY (September 2015)

It was a joyous occasion at Sunway Pyramid Shopping Mall for both the parents of "miracle baby" named as Kee Sun Way and the management of the shopping mall. The staffs who were there to assist with the delivery were recognised for their effort and received a certificate of commendations while Sunway University honoured the four brave young girls with a certificate of appreciation. During the full moon celebration, the family were showered with gifts, vouchers and a lifetime free-parking card at the mall.

#### 6. SCHOOL HOLIDAYS WITH NICKELODEON CHARACTERS (March 2016)

During the March school holidays, the Blue Concourse at LG2 was transformed into a little fun play area for the children. They had the opportunity to take lots of selfies and photos with the Scream Park and Nickelodeon characters such as Spongebob Squarepants, Patrick, Dora the Explorer and Boots. There was also a mini petting zoo where the children were able to get up close and personal with rabbits, guinea pigs, hedgehog and other creatures.

#### 7. CAPTAIN AMERICA: CIVIL WAR (April - May 2016)

For the release of the new Marvel film, Sunway Pyramid collaborated with Disney and Marvel exclusively to bring the superhero craze to shoppers and Marvel fans. TGV Sunway Pyramid held a premiere screening of the film on 27 April with many local celebrities in attendance, like Dennis Yin, Reuben Kang, Dan Khoo, Era FM's Dina Nadzir, Mix FM's Linora Low and more.

Highly detailed figurines from Hot Toys, along with life-sized figurines of Captain America and Iron Man greeted shoppers at the LG2 Orange Concourse. Shoppers were able to fulfill their superhero dreams through an interactive augmented reality station where they virtually donned Captain America's shield or Iron Man's gauntlet and took home a photo. Other activities included themed shooting booths where the shoppers' accuracy skills were put to the test.



## PROPERTY DETAILS (RETAIL) (CONT'D)



Christmas



Hari Raya Aidilfitri



Captain America: Civil War



Deepavali



Chinese New Year Celebration

School Holidays With  
Nickelodeon Characters

Miracle Baby – Kee Sun Way

Silver in the ICSC 2015 Asia  
Pacific Shopping Center AwardsInnovative Shopping Centre  
(Integrated) Award

## AWARDS AND RECOGNITION

### 1. Innovative Shopping Centre (Integrated) Award 2014/2015

Sunway Pyramid Shopping Mall has won the Innovative Shopping Centre (Integrated) Award at the 19<sup>th</sup> Malaysia Tourism Awards 2014/2015. The Malaysia Tourism Award is the highest form of recognition by the Ministry of Tourism and Culture Malaysia for industry players who have played a significant role in the success of Malaysia's tourism industry.

### 2. Silver in the ICSC 2015 Asia Pacific Shopping Center Awards

The International Council of Shopping Centers (ICSC) recognises the region's most innovative shopping centers for outstanding achievement in marketing, design and development and retail. ICSC has named Sunway Pyramid Shopping Mall as a Silver winner in the cause related marketing category for their "One Man's Wish" initiative.

Sunway Pyramid Shopping Mall received accolades for their "One Man's Wish" initiative, which aided a community post natural disaster. The center's team united to repair a small village in a neighbouring remote community decimated by a massive flooding. The team undertook multiple tasks including cleaning and repairing homes and community facilities in advance of the Lunar New Year. The pinnacle of the program was the staging of a massive feast and fireworks celebration allowing thousands of local families whose lives had been decimated by the natural disaster to celebrate the New Year.

The video is available <https://www.youtube.com/watch?v=b214rY7Xr14>

## PROPERTY DETAILS (RETAIL)

### SUNWAY CARNIVAL SHOPPING MALL

Sunway Carnival Shopping Mall is a stylish 4-storey shopping mall strategically located within the town centre of Seberang Jaya, Penang – a well-integrated township initiated by the Government to boost the administrative, residential, industrial and commercial sector of Malaysia's northern region. The mall opened in June 2007 with a gross built-up area of approximately 983,000 sq. ft.

With more than 200 specialty outlets that includes international to regional retailers, shoppers could indulge in a wholesome range of offerings such as fashion boutiques, restaurants, cineplex and fitness centre.

### THE MAINLAND'S TREASURED MALL



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

### FUTURE INITIATIVE

On 20<sup>th</sup> June 2016, Sunway REIT entered into a conditional sale and purchase agreement to acquire a piece of commercial land for the extension of the new wing of Sunway Carnival Shopping Mall. The proposed new wing will be a nine-storey retail building with six levels of parking bays above the retail space and a future commercial tower block.

#### Brief details on the proposed land acquisition

<b>Property:</b>	A parcel of vacant commercial land
<b>Locality :</b>	Within Pusat Bandar Seberang Jaya, Seberang Jaya
<b>Title No.:</b>	PN 1814
<b>Lot No.:</b>	Lot 5493, Mukim 1, District of Seberang Perai Tengah, Pulau Pinang
<b>Tenure:</b>	Leasehold 99 years expiring on 21 October 2092 (unexpired lease of 76 years)
<b>Land Area:</b>	13,306 square meters
<b>Encumbrances:</b>	Nil
<b>Date of Acquisition:</b>	Date of the sale and purchase agreement - 20 June 2016 The sale may be completed by the end of 2016
<b>Acquisition Price:</b>	RM17,200,000
<b>Market Value:</b>	RM17,200,000
<b>Valuation Date:</b>	6 June 2016
<b>Valued by:</b>	C H Williams Talhar & Wong Sdn Bhd
<b>Vendor:</b>	Commercial Parade Sdn Bhd

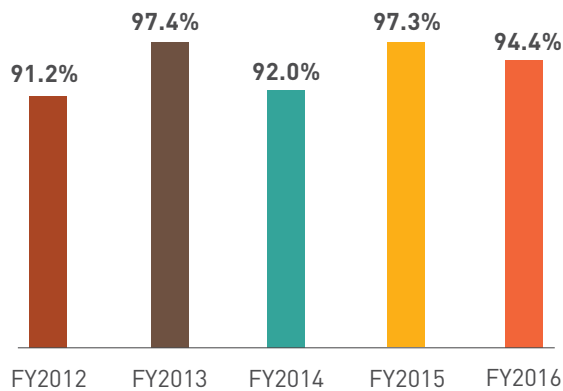
## PROPERTY DETAILS (RETAIL) (CONT'D)

### SUNWAY CARNIVAL SHOPPING MALL

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Annual Shopper Traffic (million)	Revenue (RM million)	NPI (RM million)
348,428	769,546 (Retail & Convention Centre) 213,554 (Car Park)	458,794 (Retail) 32,292 (Convention Centre)	> 1,100	210	96.0	> 8.0	44.2	28.3

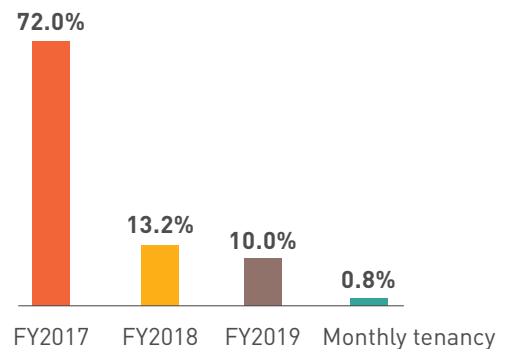
#### HISTORICAL OCCUPANCY RATE

Average occupancy rate



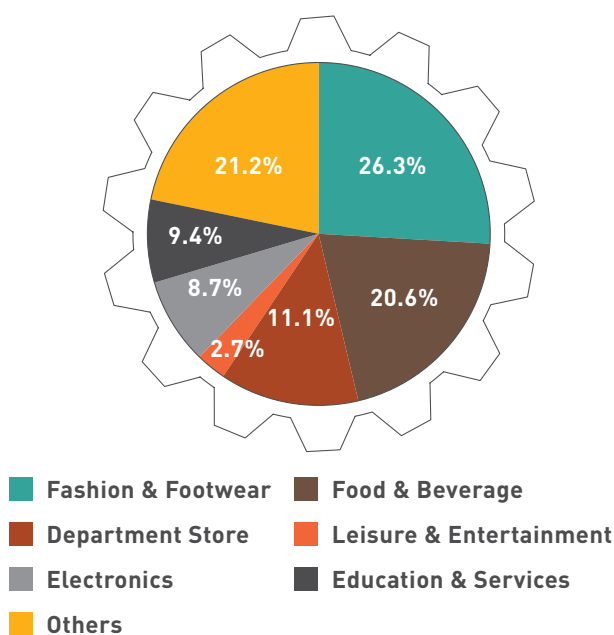
#### LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



#### TENANT MIX BY TRADE SECTOR

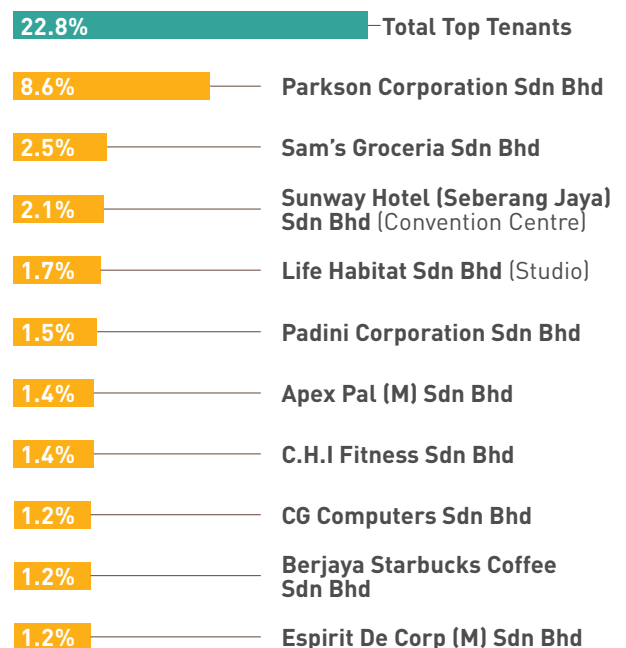
Based on June 2016 Gross Rental Income



Weighted Average Lease Expiry  
**1.55** years

#### TOTAL TOP TENANTS

Based on June 2016 Gross Rental Income



## PROPERTY DETAILS (RETAIL) (CONT'D)

### SUNWAY CARNIVAL SHOPPING MALL MARKETING ACTIVITIES

#### 1. MANIS-NYA RAYA (26 June – 19 July 2015)

Throughout the Raya season, shoppers stood a chance to be rewarded with an exclusive candy jar and Raya packets. They were also entitled to join a free fun learning workshop of their choice – the “Batik on Rock” or “Pottery Vase”. Raya is further celebrated with the Malay musical and live band performances, traditional dances like “Joget”, “Tarian Buluh” and modern dances. In conjunction with the Mega Sale season, shoppers had the chance to participate in the “Shopaholic Rewards” contest.

#### 2. LANTERN AFFAIRS (September 2015)

During the 17-day mooncake festival celebration, Sunway Carnival Shopping Mall treated their shoppers with various activities such as the Chinese musical instrument performances, lantern and mooncake making workshops and a “Lantern Walk”. The shoppers were rewarded with an exclusive Chinese tea cup set.

#### 3. GOLDEN DIWALI (23 October – 10 November 2015)

The Diwali festive mood was cheered up by different activities such the Diwali Sand Art, Henna Tattoo and a Flower Garland making workshop. During this festive season, the shoppers were rewarded with an exclusive jewelry box and/or a limited edition Diwali packet(s).

#### 4. A HOOPFUL CHRISTMAS (November 2015 – January 2016)

The 45 days celebration of ‘A Hoopful Christmas’ was officiated by YB Phee Boon Poh; Penang State EXCO and Chairman of Welfare, Caring Society and Environment Committee. Shoppers were entitled to redeem a cute teddy plush toy. To light up the mall ambience, there were activities like Santa Claus walkabout, magic shows, Christmas carols, workshops and funfair games. Running concurrently with the Christmas festivity was the 1Malaysia Year End Sale Zappy Happy Rewards Contest that enabled shoppers to stand a chance to win attractive prizes like a Sony 60” Internet LED TV, Samsung Galaxy Note 5, Tissot watch and cash vouchers.

#### 5. A HOPEFUL SPRING (15 January – 22 February 2016)

This event was officiated by YB Danny Law Heng Kiang; Penang State EXCO for Tourism Development and Culture. There were Chinese dance performances as well as traditional lion dance performances and the God of Prosperity made its appearance throughout the event period. Furthermore, shoppers were entitled to redeem limited edition red packets and/or a calligraphy set.

#### 6. 1 MALAYSIA SUPER SALE (March 2016)

With great deals and bargains, shoppers stood a chance to be rewarded with a new Ipad Mini 4 (64GB) and also a free movie ticket.



## PROPERTY DETAILS (RETAIL) (CONT'D)



A Hoopful Christmas



A Hopeful Spring

### 7. SNAZZY FASHIONISTA (April 2016)

Throughout this period, shoppers were entertained with artiste appearances and strings of fashion shows. Shoppers were entitled to stand a chance to win a Honda Spacy Motorcycle worth RM5,000 for their loyalty and patronage.

### 8. THE WEDDING HOST – FAIRY TALE EDITION (May 2016)

This event was a grand collaboration between Sunway Carnival Shopping Mall, Sunway Hotel Seberang Jaya and Ken Link, endorsed by the Penang State Government. The 4-day event was officiated by YB Danny Law Heng Kiang, Penang State EXCO for Tourism Development and Culture on 13 May 2016. There were stunning bridal gowns on display and special offers on pre-wedding photography packages. The main highlight of The Wedding Host was the Mass Wedding which was held on 15 May 2016, witnessing 23 couples renewing or exchanging their wedding vows.

### 9. TO MUM AND DAD WITH LOVE (April – June 2016)

On 7<sup>th</sup> and 8<sup>th</sup> May, shoppers were entitled to redeem an exclusive Golden Rose Lip Liner with RM10 cash voucher and a bowl of delicious snow ice from USNO for their awesome mum. Following that, shoppers stood a chance to win awesome prizes for their dad in conjunction with Father's Day.

## AWARDS AND RECOGNITION

### 1. Cleanest Toilet Award for Penang Shopping Mall Category – Consolation Prize (December 2015)

Sunway Carnival Shopping Mall won the Consolation Prize in the 2015 Cleanest Toilet Competition for Penang Shopping Mall category. This competition was organised by the Penang State Government.

## PROPERTY DETAILS (RETAIL)

### SUNCITY IPOH HYPERMARKET

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

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

It is conveniently located near an exit point of the North-South Expressway that connects Kuala Lumpur to Penang. The township is planned to include approximately 3,500 residential and commercial properties by 2025, more than 1,650 of which have been built by the Sponsor. The township offers a diverse mix of retail, office, entertainment, hospitality and residential properties, which includes the Lost World of Tambun theme park, a 174-room Lost World Hotel and the luxury retreat known as The Banjaran Hotsprings Retreat.

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

### THE SHOPPER'S HYPERMARKET



Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Annual Shopper Traffic (million)	Revenue (RM million)	NPI (RM million)
354,994	193,408	181,216	400	1	100.0	N/A	5.0	4.7



## PROPERTY DETAILS (RETAIL) (CONT'D)

### SUNWAY PUTRA MALL

Strategically situated within the Diamond Triangle, one of the most vibrant hubs and central business and residential district of Kuala Lumpur, Sunway Putra Mall's refurbishment exercise was completed in February 2015 and the mall re-opened on 28 May 2015. Following an extensive transformation, the mall is positioned as an urban-chic lifestyle mall, uncovering endless discoveries and unraveling excitement-packed retail and entertainment experiences.

Completely revamped with an ultra-modern architecture design, stunning interior layout and housing over 270 outlets, Sunway Putra Mall enjoys superb access and connectivity, providing an exhilarating place to shop, which caters to the surrounding business and residents with 10 levels of retail podiums.

An exciting foray of retail brands are set to be part of the rejuvenated Sunway Putra Mall, with most of the famed local and international brands leveraging on the atrium frontage location. Some of the notable mini anchor tenants include TGV Cinemas and Cold Storage while international retail brands comprise of, but not limited to, Aeropostale, Esprit, Mango, UNIQLO, Braun Buffel, Adidas and H&M.

With a strong catchment population of 2 million within a 25km radius, Sunway Putra Mall attracts the affluent residential catchment of Bukit Tunku, Mont Kiara, Jalan Duta, Jalan Kuching, Bangsar and amongst others, alongside high income projects of Hartamas, Sentul East and West. In addition, the mall also attracts international and local delegates and visitors from the numerous conventions, concerts and prestigious events organised at the Putra World Trade Centre and MATRADE.

In terms of connectivity, Sunway Putra Mall enjoys superb pedestrian traffic and accessibility via a number of public transportation hub namely KTM, Rapid KL, bus, monorail and LRT; all within 15 minutes drive from most parts of the city. It is also indirectly connected to KLIA and KLIA2, via the KLIA Express which can be taken via the KTM commuter.

### REFRESHED



No. 100 Jalan Putra, 50350 Kuala Lumpur, Malaysia

## PROPERTY DETAILS (RETAIL) (CONT'D)

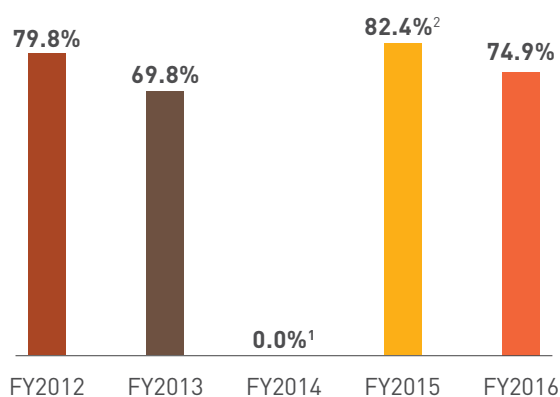
### SUNWAY PUTRA MALL

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Annual Shopper Traffic (million)	Revenue (RM million)	NPI (RM million)
193,621 <sup>1</sup>	988,988 (Retail)	543,087	> 1,500 <sup>1</sup>	233	84.6	> 8.0	38.6	15.8
	575,258 <sup>1</sup> (Car Park)							

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

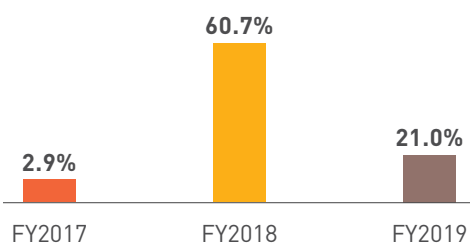
### HISTORICAL OCCUPANCY RATE

Average occupancy rate



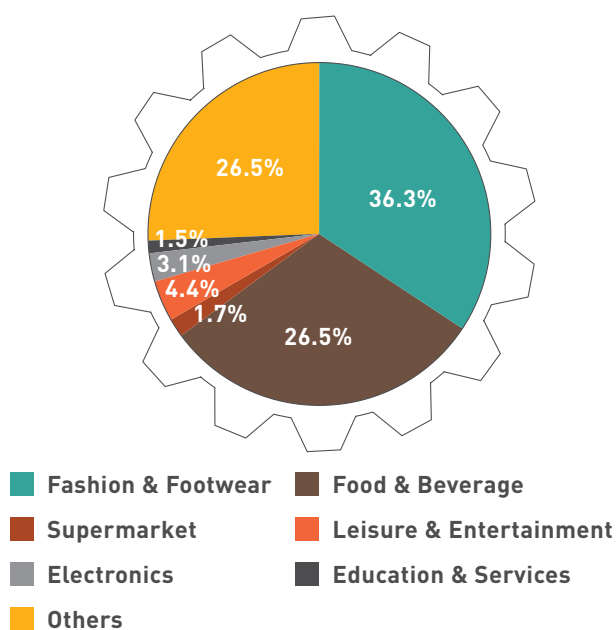
### LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



### TENANT MIX BY TRADE SECTOR

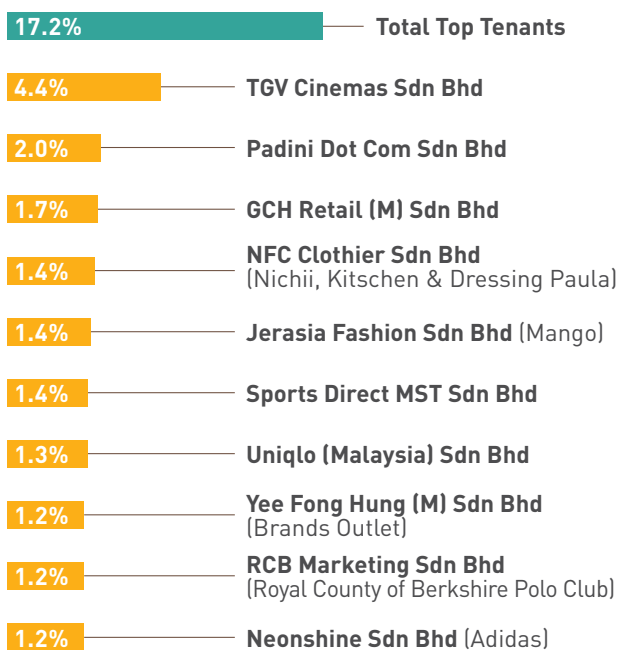
Based on June 2016 Gross Rental Income



Weighted Average Lease Expiry  
**2.14** years

### TOTAL TOP TENANTS

Based on June 2016 Gross Rental Income



<sup>1</sup> The mall was closed for refurbishment from May 2013 to May 2015 and re-opened on 28 May 2015

<sup>2</sup> Secured occupancy as at 30 June 2015

## PROPERTY DETAILS (RETAIL) (CONT'D)

### SUNWAY PUTRA MALL MARKETING ACTIVITIES

#### 1. BE YOUR OWN BEAUTY (BYOB) (August – September 2015)

In order to showcase the beauty brands and beauty precinct, Vanity Hall – a series of short campaigns were introduced for shoppers to be acquainted with the revised offerings of the newly refurbished mall. From giant props for selfies to vouchers giveaway, these were designed to get shoppers to discover and try the various beauty brands available.

#### 2. BLOOMING REWARDS (August – November 2015)

To encourage spending during the opening, a special 3-month contest was unveiled to reward shoppers on a weekly basis. 1,000 winners were rewarded with shopping vouchers with a total worth of RM500,000.

#### 3. LOVE NOTE CONTEST (February 2016)

A cross marketing campaign with Sunway Putra Hotel to celebrate the day of love with the intention of driving new crowd into the mall.

#### 4. KUNG FU PANDA 3 (March 2016)

Strategically done to coincide with the March school holidays and the worldwide release of this movie to strengthen the awareness and attraction of the mall.

#### 5. CAPTAIN AMERICA: CIVIL WAR (May 2016)

Another movie campaign with a similar intention as Kung Fu Panda 3 by leveraging on the popularity of the movie.

#### 6. FESTIVE CAMPAIGNS

The first festive celebrations for Hari Raya, Christmas and Lunar New Year saw the mall rolling out elaborate advertising and decorative campaigns as a way to showcase the mall and promote festive spending.



Festive Campaigns



Festive Campaigns

### AWARDS AND RECOGNITION

Sunway Putra Mall clinches its 1<sup>st</sup> International Award in 2015 having been named Asia Pacific's Top 3 Best Refurbished Building in 2015 by MIPIM Asia Awards.



# HOTEL





## PROPERTY SUMMARY (HOTEL)



**SUNWAY RESORT  
HOTEL & SPA**

**LOCATION**

SELANGOR

**DATE OF ACQUISITION**

8 JULY 2010

**ACQUISITION PRICE (RM MILLION)**

445

**TITLE, EXPIRY DATE & YEARS REMAINING**

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

All in Bandar Sunway, Daerah Petaling, Negeri Selangor

**TENURE**

Leasehold - 99 years

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Charged to HSBC Amanah Malaysia Berhad
3. Private Caveat by Public Bank Berhad
4. 10 years lease to Sunway Resort Hotel Sdn Bhd  
expiring 7 July 2020

**YEAR OF COMPLETION**

Sunway Resort Hotel & Spa (1997); Three Villas: 2004

**APPRAISED VALUE (RM MILLION)**

530

**DATE OF LATEST VALUATION\***

JUNE 2016



**SUNWAY PYRAMID  
HOTEL EAST**

**LOCATION**

SELANGOR

**DATE OF ACQUISITION**

8 JULY 2010

**ACQUISITION PRICE (RM MILLION)**

250

**TITLE, EXPIRY DATE & YEARS REMAINING**

Strata Title

- PN 17415/M1/1/1 [A1-A84] Lot No. 62060 - 21  
February 2102 (86 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

**TENURE**

Leasehold - 99 years

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Charged to HSBC Amanah Malaysia Berhad

**YEAR OF COMPLETION**

2004

**APPRAISED VALUE (RM MILLION)**

295

**DATE OF LATEST VALUATION\***

JUNE 2016

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



## PROPERTY SUMMARY (HOTEL) (CONT'D)



**SUNWAY HOTEL  
SEBERANG JAYA**

**LOCATION**

PENANG

**DATE OF ACQUISITION**

8 JULY 2010

**ACQUISITION PRICE (RM MILLION)**

52

**TITLE, EXPIRY DATE & YEARS REMAINING**

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

Mukim 1, Daerah Seberang Perai Tengah,  
Negeri Pulau Pinang

**TENURE**

Leasehold - 99 years

**ENCUMBRANCE**

1. Charged to Affin Hwang Investment Bank Berhad
2. 10 years lease to Sunway Hotel (Seberang Jaya) Sdn Bhd expiring 7 July 2020
3. 30 years lease to Tenaga Nasional Berhad expiring 15 March 2028

**YEAR OF COMPLETION**

1997; Refurbished: 2013

**APPRAISED VALUE (RM MILLION)**

68

**DATE OF LATEST VALUATION\***

JUNE 2016



**SUNWAY  
PUTRA HOTEL**

**LOCATION**

KUALA LUMPUR

**DATE OF ACQUISITION**

19 APRIL 2011

**ACQUISITION PRICE (RM MILLION)**

214

**TITLE, EXPIRY DATE & YEARS REMAINING**

- Geran 10012, Lot No. 38, Seksyen 51

Kuala Lumpur, Wilayah Persekutuan

**TENURE**

Freehold

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Charged to HSBC Amanah Malaysia Berhad
3. 30 years lease to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad) expiring 4 April 2017
4. Private Caveat by Trustee

**YEAR OF COMPLETION**

1993; Refurbished in 2015

**APPRAISED VALUE (RM MILLION)**

335

**DATE OF LATEST VALUATION\***

JUNE 2016

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

## PROPERTY SUMMARY (HOTEL) (CONT'D)

### LOCATION

PENANG

### DATE OF ACQUISITION

28 JANUARY 2015

### ACQUISITION PRICE (RM MILLION)

74

### TITLE, EXPIRY DATE & YEARS REMAINING

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

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

### TENURE

Freehold

### ENCUMBRANCE

1. 10 years lease to Sunway Biz Hotel Sdn Bhd expiring 27 January 2025
2. 30 year lease to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad) expiring 14 February 2024

### YEAR OF COMPLETION

1994; Refurbished in 2013

### APPRAISED VALUE (RM MILLION)

72

### DATE OF LATEST VALUATION\*

JUNE 2016



**SUNWAY HOTEL  
GEORGETOWN**

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

## PROPERTY SUMMARY (HOTEL) (CONT'D)

HOTEL ASSETS	SUNWAY RESORT HOTEL & SPA	SUNWAY PYRAMID HOTEL EAST	SUNWAY HOTEL SEBERANG JAYA	SUNWAY PUTRA HOTEL	SUNWAY HOTEL GEORGETOWN	TOTAL
Land Area (sq. ft.)	376,274	-	46,220	193,621 <sup>1</sup>	33,592	649,707
Gross Floor Area (sq. ft.)	1,130,177	356,888	174,800	833,520	192,383	2,687,768
Number of Rooms	439 rooms and 3 villas	549 <sup>4</sup>	202	650	250	2,093
Number of Parking Bays	> 580	> 540	> 60	> 1,500 <sup>1</sup>	> 100	> 2,780
Average FY2016 Occupancy (%)	81.2	71.8	65.5	50.2	74.0	66.7
Revenue (RM million) <sup>2</sup>	40.5	15.1	3.5	9.1	4.6	72.8
Net Property Income (RM million)	39.1	14.6	3.3	7.5	4.3	68.8
Appraised Value as at 30 June 2016 (RM million) <sup>3</sup>	530	295	68	335	72	1,300
Average Value per Room (RM)	1,199,095	537,341	336,634	515,385	288,000	N/A
Capitalisation / Discount Rate (%)	7.00 to 9.00	7.00 to 9.00	7.00 to 9.00	7.00 to 9.00	7.00 to 9.00	N/A

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

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

<sup>3</sup> All the properties are valued by C H Williams Talhar & Wong Sdn Bhd

<sup>4</sup> Number of rooms will increase to 564 upon full completion of the refurbishment exercise in 1Q CY2017

N/A - Not Applicable

## PROPERTY DETAILS (HOTEL)

### SUNWAY RESORT HOTEL & SPA

Sunway Resort Hotel & Spa (SRHS) is the flagship 5-star hotel located in the integrated township of Sunway Resort City. The award-winning hotel forms part of a cluster of three distinct hotel towers, complemented by a massive convention centre, an iconic shopping mall and a popular theme park in the 800-acre vibrant destination, just minutes from Kuala Lumpur city centre.

As one of Kuala Lumpur's most iconic hotels, SRHS offers 439 well-appointed guestrooms, suites and pool villas with commanding views of the theme park and the resort cityscape. The collection of rooms include Premier Rooms, Junior Suites, Premier Executive Suites, The Club Rooms and Suites, an impressive Presidential Suite and the Pool Villas which are tucked away amidst lush tropical gardens. Equipped with all the conveniences and modern amenities, the Hotel is a preferred choice for both business and leisure travellers.

For meetings, incentives, conventions and exhibitions, this integrated destination offers over 10,000 square metres of world-class meeting space, including 62 meeting and function rooms, a grand ballroom, specialised meeting zone and the massive Sunway Pyramid Convention Centre, making SRHS one of Kuala Lumpur's most versatile conventions and exhibitions venues.

The hotel's food and beverage offerings include an all-day dining restaurant which serves Malaysian, Asian and regional favourites with a selection of Middle Eastern and Western cuisines, along with a lounge and bar for evening cocktails and a cigar lounge. These are complemented further by a range of dining offerings right at the hotel's door steps with over 160 speciality food and beverage outlets within the resort city.

### SPECTACULAR CHOICES, MEMORABLE EXPERIENCES!



Persiaran Lagoon, Bandar Sunway, 47500 Selangor Darul Ehsan

## PROPERTY DETAILS (HOTEL) (CONT'D)

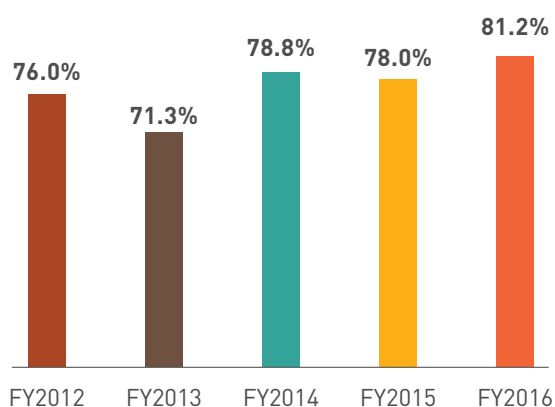
### SUNWAY RESORT HOTEL & SPA

Land area (sq. ft.)	GFA (sq. ft.)	No. of rooms	No. of parking bays	Average FY2016 Occupancy (%)	Revenue* (RM million)	NPI (RM million)
376,274	1,130,177	439 rooms and 3 villas	> 580	81.2	40.5	39.1

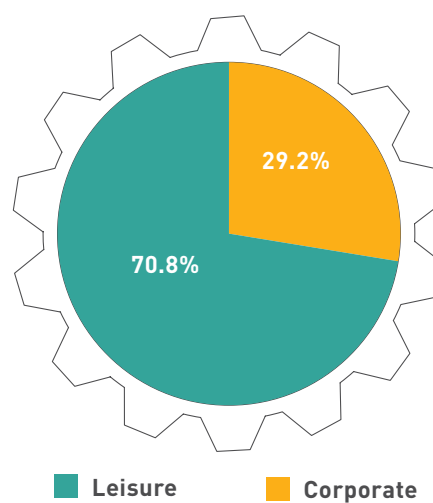
\* Note: The revenue represents the total rent under the hotel master lease and car park tenancy agreement

### HISTORICAL OCCUPANCY RATE

Average occupancy rate



### GUEST PROFILE



### MASTER LEASE DETAILS

**MASTER LESSEE** Sunway Resort Hotel Sdn Bhd

**DURATION** 10 years from 8 July 2010 with an option to renew for another 10 years

**TOTAL RENT** The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Resort Hotel & Spa and Sunway Pyramid Hotel East consists of RM42.0 million for FY2011 and FY2012 and RM31.6 million for each of the financial years for the remaining 10-year term



## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY RESORT HOTEL & SPA MARKETING ACTIVITIES



A Chef's Dinner Table Featuring Treasures of the Middle East

#### **1. A CHEF'S DINNER TABLE FEATURING TREASURES OF THE MIDDLE EAST (6 August 2015)**

Sunway Resort Hotel & Spa's Resident Middle Eastern Cuisine Chef Ala'a Ali Ansawi created an extensive Middle Eastern menu for The Resort Café, featuring over 35 authentic flavours. The menu was unveiled at a Dinner Showcase to invited guests consisting of Ambassadors and Senior Personnel from the Middle Eastern Embassies in Kuala Lumpur. Members of the media and bloggers were also invited to taste and feature the offering in the publications.

#### **2. MTV WORLD STAGE 2015 (12 September 2015)**

The hotel hosted artists for the MTV World Stage held on 12 September 2015 at Sunway Lagoon. The artists hosted at Sunway Resort Hotel & Spa were Jason Derulo, Carly Rae Jepsen, Apink and Sekai No Owari.

#### **3. DIWALI LIGHTING CEREMONY (4 November 2015)**

Sunway Resort Hotel & Spa kicked-off the 2015 Diwali celebrations, themed 'The Glow of Diwali' with a 'Kolam' lighting ceremony at the 4-star Sunway Pyramid Hotel East before proceeding to the main lobby of the 5-star Sunway Resort Hotel & Spa. The event was attended by the hotel's senior management team and members of the staff who came dressed in traditional Indian attires to mark the occasion.

## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY RESORT HOTEL & SPA MARKETING ACTIVITIES



#### **4. THERE IS SOMETHING ABOUT MERRY CHRISTMAS CELEBRATION – 2015 FESTIVE YEAR-END (15 December 2015 – 3 January 2016)**

Sunway Resort Hotel & Spa celebrated the year-end festivities of 2015 with the theme “There is Something About Merry”, featuring vacation ideas, dining specials, festive gourmet treats, spa escapades, celebratory packages, and much more. Guests were welcomed and awed by dazzling show lights adorning the main street of Persiaran Lagoon, followed by illuminated outlines of snowflakes and bells forming an inviting sight at the hotel’s grand entrance. Stepping in, the lobbies of the 5-star hotel and the adjacent Sunway Pyramid Hotel East showcased brightly-lit Christmas trees, coupled by festive wreaths, garlands, Poinsettia and other ornaments capturing the lively spirit of the season.

#### **5. CHINESE NEW YEAR LION DANCE PERFORMANCE (8 February 2016)**

Sunway Resort Hotel & Spa ushered in the Year of the Monkey with energetic Lion Dance performances at the Main Lobby driveway for a large crowd in attendance. While the God of Prosperity handed out blessed oranges to the guests, the beating of the drums and clanging of cymbals accompanied the spectacular performance signifying the New Year celebrations as the lions bestowed blessings for a prosperous year ahead.

PROPERTY DETAILS (HOTEL) (CONT'D)

SUNWAY RESORT HOTEL & SPA  
AWARDS AND RECOGNITION



1. HOLIDAY WITH KIDS – READERS’ CHOICE TOP 10 AWARDS 2015

Top Ten Best Resorts for Families 2015 (Malaysia)  
Sunway Resort Hotel & Spa

Holiday With Kids is Australia’s number #1 travel website offering inspiration, information and deals to help families book their holiday. Sunway Resort Hotel & Spa was a winner in the site’s annual Readers’ Choice award in the Best Resorts for Families in Malaysia based on votes.

2. TRIPADVISOR TRAVELLERS’ CHOICE HOTEL AWARDS 2016

Top 10 Hotels for Families in Malaysia  
Sunway Resort Hotel & Spa

Based on reviews submitted by the website’s millions of travellers over the past 12 months, the Travellers’ Choice Awards are widely recognised as a direct reflection of guest experiences at the hotel.

3. BOOKING.COM AWARD 2016

- |                          |                             |
|--------------------------|-----------------------------|
| 8.6 Guest Review Score   | - The Villas                |
| 8.5 Guest Review Score   | - Sunway Resort Hotel & Spa |
| Outstanding Support 2015 | - Sunway Resort Hotel & Spa |
| Outstanding Support 2015 | - Sunway Pyramid Hotel East |

Booking.com is an online travel agent and annually awards top performing properties based on recorded online sales data.



## PROPERTY DETAILS (HOTEL)

### SUNWAY PYRAMID HOTEL EAST

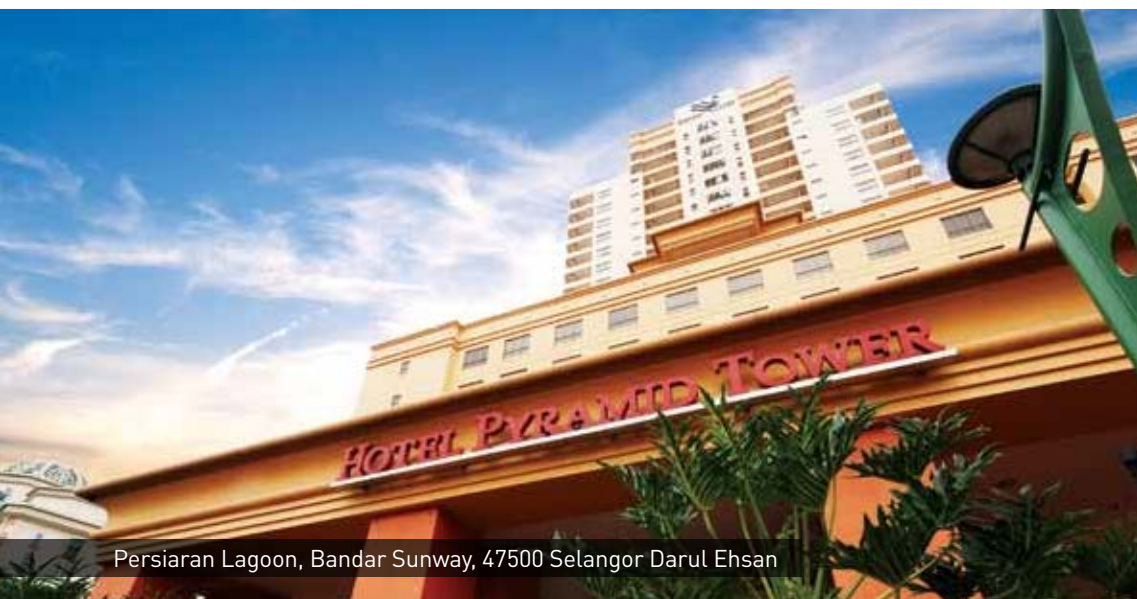
Sunway Pyramid Hotel East went into a full closure on 1 April 2016 to make way for a complete makeover of the 4-star hotel and is set to re-open in the first quarter of 2017, bringing a breath of freshness with more choices and new experiences into the market.

This will elevate the hotel from a superior to a deluxe category 4-star international-class hotel; and will also increase the hotel's room inventory to 564 rooms from the current 549. New family rooms and suites, purpose-built to accommodate a growing increase in family and leisure travellers, will be incorporated. Upon completion, the new family rooms will be amongst the hotel's largest, offering comfortable spaces, useful amenities and added extras, e.g. two bathrooms and various bedding options.

Each guestroom and suite in the new Sunway Pyramid Hotel East will include convenient touches and technology improvements, complemented by enhanced facilities and technology upgrades. The renovation includes a complete transformation of the hotel's driveway, main lobby, food and beverage kiosk area, lift landings, guest floor corridors, guestrooms, bathrooms and back of house spaces.

Designed to attract highly valued corporate and leisure travellers from around the region, the concepts and inspirations for the new Sunway Pyramid Hotel East were the result of months of customer focus groups, data insights and design simulations in realizing a more functional and efficient design.

## CORPORATE HOSPITALITY PREFERENCE



Persiaran Lagoon, Bandar Sunway, 47500 Selangor Darul Ehsan

### ONGOING INITIATIVES

The hotel was fully closed in April 2016 and it is currently undergoing refurbishment. The hotel is set to reopen in the first quarter of 2017.

## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY PYRAMID HOTEL EAST

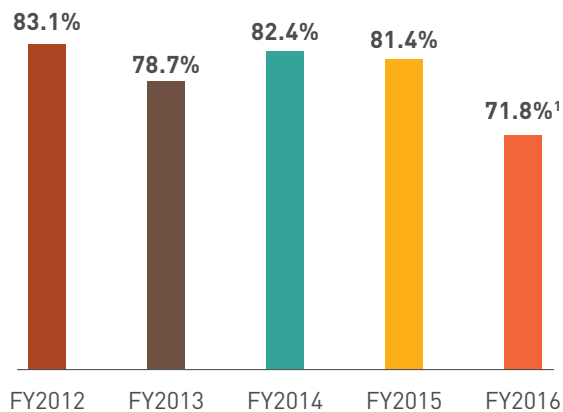
Land area (sq. ft.)	GFA (sq. ft.)	No. of rooms	No. of parking bays	Average FY2016 Occupancy (%)	Revenue* (RM million)	NPI (RM million)
-	356,888	549 <sup>1</sup>	> 540	71.8	15.1	14.6

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

<sup>1</sup> Number of rooms will increase to 564 upon full completion of the refurbishment exercise in 1Q CY2017

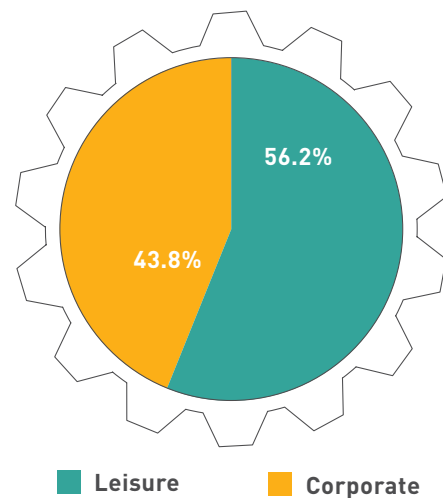
### HISTORICAL OCCUPANCY RATE

Average occupancy rate



<sup>1</sup> Computed up to March 2016 before full closure for refurbishment

### GUEST PROFILE



### MASTER LEASE DETAILS

**MASTER LESSEE** Sunway Resort Hotel Sdn Bhd

**DURATION** 10 years from 8 July 2010 with an option to renew for another 10 years

**TOTAL RENT** The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Resort Hotel & Spa and Sunway Pyramid Hotel East consists of RM42.0 million for FY2011 and FY2012 and RM31.6 million for each of the financial years for the remaining 10-year term



## PROPERTY DETAILS (HOTEL)

### SUNWAY HOTEL SEBERANG JAYA

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

The 15-storey Sunway Hotel Seberang Jaya offers 202 fully renovated Deluxe and Club guestrooms, featuring new furnishing, bedding and linens, a wide range of facilities and amenities upgrades. Sunway Hotel Seberang Jaya is also a popular venue for corporate meetings and functions. After the renovation programme in 2013, its full inventory of meeting and function rooms as well as Ballroom were refreshed with enhanced lighting and added meeting facilities.

The hotel's convention centre – Sunway Carnival Convention Centre (SCCC), located just steps away, is one of the largest pillar free convention centre in Mainland Penang. With 20,000 sq. ft. of ample meeting space, it is equipped with state-of-the-art audio visuals as well as an enhanced visual quality with a 320 sq. ft. digital video wall. Furthermore, it can accommodate events of various sizes from 1,000 guests in a banquet-style seating to 1,500 guests in a theatre-style setting. The hotel is a preferred choice for large scale conferences, events and exhibitions.

### STAY WITH US AND FEEL THE DIFFERENCE



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

### COMPLETED INITIATIVES

**Product innovation** – Installation of digital video wall which boasts over 1,152 square meters of pillar-less grandeur and is equipped with state-of-the-art audio visual and lighting. SCCC has enhanced the visual quality by installing a 32ft x 10ft digital video wall which is ideal for dynamic digital backdrop and informational video wall applications. Digital video walls are not limited to a single purpose but are now being used in dozens of different applications such as high resolution video playing, backdrop display and live showcasing.

## PROPERTY DETAILS (HOTEL) (CONT'D)

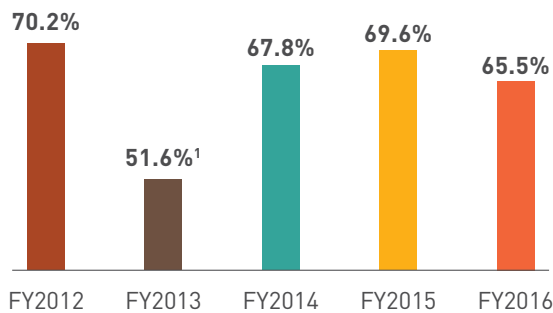
### SUNWAY HOTEL SEBERANG JAYA

Land area (sq. ft.)	GFA (sq. ft.)	No. of rooms	No. of parking bays	Average FY2016 Occupancy (%)	Revenue* (RM million)	NPI (RM million)
46,220	174,800	202	> 60	65.5	3.5	3.3

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

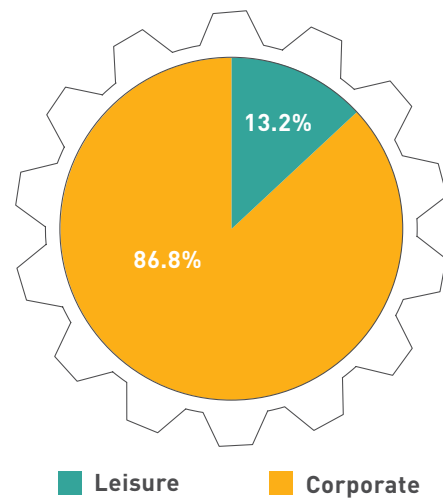
### HISTORICAL OCCUPANCY RATE

Average occupancy rate



<sup>1</sup> Lower occupancy due to refurbishment of the hotel

### GUEST PROFILE



### MASTER LEASE DETAILS

**MASTER LESSEE** Sunway Hotel (Seberang Jaya) Sdn Bhd

**DURATION** 10 years from 8 July 2010 with an option to renew for another 10 years

**TOTAL RENT** The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Hotel Seberang Jaya consists of RM4.5 million for FY2011 and FY2012 and RM3.4 million for each of the financial years for the remaining 10-year term

## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY HOTEL SEBERANG JAYA MARKETING ACTIVITIES



Thank You Party



The Wedding Host

#### **1. RAMADAN BUFFET (20 June – 14 July 2015)**

In conjunction with the fasting month, a rewarding Ramadan culinary experience themed “Jom Buka Puasa Aneka Citarasa Nusantara, SEMPOI!” was held nightly from 20<sup>th</sup> June – 14<sup>th</sup> July 2015 at Sunway Carnival Convention Centre (SCCC) and Sun Café Seberang Jaya. Key initiatives to promote this event include placing an advertisement in “Harian Metro”, distributing 15,000 flyers to both business and residential areas, placing banners at strategic locations and doing a food review by the local press.

#### **2. THANK YOU PARTY (24 November 2015)**

A Thank You Party themed “Masquerade Party” was held with the objective to thank loyal clientele from government and corporate sectors as well as the media for their tremendous support throughout 2015. Apart from the tantalizing buffet spread, 160 over guests were also entertained with games, dance performances and door gifts. Besides that, there were 55 lucky draw prizes which were sponsored by other business units under Sunway Group and collaborated vendors.

#### **3. THE WEDDING HOST (SEASON 5)**

For the fifth consecutive year, Sunway Hotel Seberang Jaya jointly organised The Wedding Host 2016 (Season 5) with Sunway Carnival Shopping Mall and Ken Link Advertising Sdn Bhd. Officiated by YB Danny Law, Penang State EXCO for Tourism Development, the 5<sup>th</sup> edition of The Wedding Host was themed “Fairy Tale”, a magical world with gothic castles, princesses and carriages. During the four-day event, Sunway Hotel Seberang Jaya also set up a booth at the concourse area to promote the wedding packages.

#### **4. LONG STAY GUEST COCKTAIL PARTY**

As an appreciation to the long stay guests for their loyalty and support, Sunway Hotel Seberang Jaya hosted a monthly cocktail parties at the end of every month at The Lounge. Guests were entitled for finger food and beverages with performances by an in-house band.

## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY HOTEL SEBERANG JAYA AWARDS AND RECOGNITION



#### 1. RECOMMENDED ON HOLIDAYCHECK 2015

Presented by HolidayCheck.com once a year to hotels which have good reviews, Sunway Hotel Seberang Jaya has scored an average rating of 4.5 out of 6.

#### 2. AWARD OF EXCELLENCE FOR BOOKING.COM GUEST REVIEW

Sunway Hotel Seberang Jaya has been conferred the winner of Excellence Guest Review Award by Booking.com, the large online travel agency. The award is a symbol of excellence as a best guest experience provider among some 800,000 properties on Booking.com.



## PROPERTY DETAILS (HOTEL)

### SUNWAY PUTRA HOTEL

Sunway Putra Hotel is strategically located within the vibrant city of Kuala Lumpur and a stone's throw away from the country's busiest financial centre and trendiest shopping haven.

Sunway Putra Hotel completed its massive refurbishment exercise in December 2015 and is now equipped with 650 tastefully furnished rooms that offer total comfort to both professional and leisure travellers. Themed to inspire calmness, tranquility and coolness, the Hotel is constructed to fit the taste of all modern and minimalist minded guests with four classic takes on casual elegance - Superior, Deluxe, Classic Suites and Clubs - fitted with conveniences and amenities that will enable the guests to enjoy a premier stay in Kuala Lumpur.

For meetings, incentives, conventions and exhibition, Sunway Putra Hotel offers 17 spacious function rooms including a Grand Ballroom that can accommodate up to 1,200 persons in a theatre-style setting and 800 persons in a banquet-style seating. The Hotel's food and beverage offering includes its flagship restaurant Coffee House, which serves signature Malaysian cuisine as well as a selection of Western cuisines, a Japanese restaurant and a lobby lounge that serves signature coffee and evening cocktails.

Meanwhile, adjoining the Hotel, is a range of shopping and dining offerings by Sunway Putra Mall providing guests and local diners an array of local and international brands. The integrated property of Sunway Putra Kuala Lumpur is further elevated with canopied walkways linking the hotel and mall to the Light Rail Transit (LRT) station and Putra World Trade Centre (PWTC).

### A PREFERRED CITY HOTEL



### COMPLETED INITIATIVES

The refurbishment of Sunway Putra Hotel was completed in December 2015. Rooms, restaurants, fitness centre, swimming pool, Grand Ballroom and meeting rooms were all upgraded and rejuvenated. This includes the introduction of The Club Lounge and Meet on 25. With exceptional views of the city's skyline welcoming the guests, The Club Lounge designed for Club & Suites guests for added comfort, privacy and exclusivity was opened in late November 2015. At the same time, Level 35 is converted into a meeting/function space that caters to private business functions, wedding solemnisations and after-parties.



## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY PUTRA HOTEL

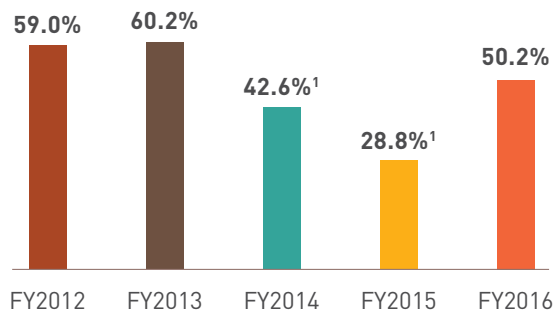
Land area (sq. ft.)	GFA (sq. ft.)	No. of rooms	No. of parking bays	Average FY2016 Occupancy (%)	Revenue* (RM million)	NPI (RM million)
193,621 <sup>1</sup>	833,520	650	> 1,500 <sup>1</sup>	50.2	9.1	7.5

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

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

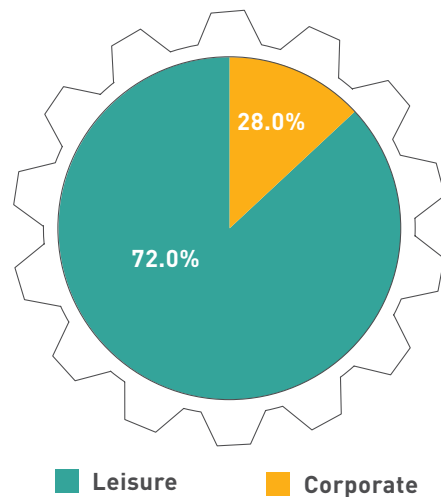
### HISTORICAL OCCUPANCY RATE

Average occupancy rate



<sup>1</sup> Lower occupancy due to the adverse impact of the refurbishment of the adjoining Sunway Putra Mall and the hotel's own refurbishment which was completed in 2Q FY2016

### GUEST PROFILE



### MASTER LEASE DETAILS

**MASTER LESSEE** Sunway Putra Hotel Sdn Bhd

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

#### TOTAL RENT

The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Putra Hotel consists of RM9.1 million for FY2012, RM12.1 million for FY2013, RM9.8 million for FY2014, RM9.1 million for FY2015 to FY2021 and RM2.3 million for FY2022

#### VARIATION TO MASTER LEASE

- The variations to the Master Lease were announced on 3 July 2013 and 19 May 2014 for the 3<sup>rd</sup> and 4<sup>th</sup> Fiscal Year respectively and were made in light of the major refurbishment of the adjoining Sunway Putra Mall which was expected to adversely affect the business of Sunway Putra Hotel
- The total rent payable by the Lessee shall be the amount calculated in accordance with the variable rent formula for the period between 1 July 2013 to 30 June 2014 (3<sup>rd</sup>

Fiscal Year) and further extended for another financial year commencing 1 July 2014 to 30 June 2015 (4<sup>th</sup> Fiscal Year). As such, guaranteed rent stated in the Master Lease shall not apply to both the 3<sup>rd</sup> and 4<sup>th</sup> Fiscal Years

- If the variable rent calculated is less than the Guaranteed Rent for the 3<sup>rd</sup> and 4<sup>th</sup> Fiscal Years, the difference between the guaranteed rent and the variable rent (differential sum) shall be adjusted in agreed proportions and added to the guaranteed rent from the 5<sup>th</sup> Fiscal Year until the 11<sup>th</sup> Fiscal Year
- The differential sum for the 3<sup>rd</sup> and 4<sup>th</sup> Fiscal Years was RM4.0 million and RM4.7 million respectively. The total differential sum of RM8.7 million shall be added to the guaranteed rent from the 5<sup>th</sup> Fiscal Year until the 11<sup>th</sup> Fiscal Year as follows:

FISCAL YEAR	GUARANTEED RENT (RM)	ADJUSTMENT (RM)	ADJUSTED GUARANTEED RENT (RM)
5 <sup>th</sup>	9,067,084	-	9,067,084
6 <sup>th</sup>	9,067,084	871,623	9,938,707
7 <sup>th</sup> – 10 <sup>th</sup>	9,067,084	1,743,246	10,810,330
11 <sup>th</sup>	2,266,771	871,623	3,138,394

## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY PUTRA HOTEL MARKETING ACTIVITIES



Special Appearances By VIPs



Sunway Putra Hotel Food Festival

#### 1. SUNWAY PUTRA HOTEL FOOD FESTIVAL (March 2016)

Sunway Putra Hotel launched its 2016 SPH Food Festival in March 2016 to showcase its excellent food and drink choices. The campaign attracted a combined visitors from corporate sectors, public, bloggers and members of the press to sample the hotel's culinary delights. The food festival was held with an aim to catapult Sunway Putra Hotel amongst the top hot spots for food in Kuala Lumpur.

Among the planned show for the day was the 2016 SPH Food Festival Cook Off Challenge between three young, talented and upcoming local artists. Extending their prowess outside the entertainment industry, these three local celebrities competed in a Mystery Box challenge, cooking three famous dishes from the menus of Sunway Putra Hotel.

The winner of the challenge will see his or her creation, be incorporated into the menu at the Coffee House, Sunway Putra Hotel – with special description and recommendation from the lucky celebrity.

#### 2. SPECIAL APPEARANCES BY VIPs

Local celebrity photoshoots at Sunway Putra Hotel : Dato' Siti Nurhaliza binti Tarudin, Rozita Che Wan, Zahid AF and Amyra Rosli.

Tun Dato' Seri Dr Mahathir bin Mohamad attended the Appreciation Dinner for the Speakers of the HIAF (Human Life Advancement Foundation) Annual Award and Workshop along with 20 other international speakers at Sunway Putra Hotel on 29 September 2015.

Duli Yang Maha Mulia Paduka Seri Sultan Dr. Nazrin Muizzuddin Shah ibni Almarhum Sultan Azlan Muhibbuddin Shah Al-Maghfurlah attending the Malam Gemala Puteri Aurelia Sekolah Menengah Sain Seri Puteri on 9 October 2015. The gala saw the attendance of 300 guests.

Dato' Seri Dr. Ahmad Zahid Hamidi, Deputy Prime Minister of Malaysia attending the General Police and Special Equipment and Conference (GPEC) Asia 2015 Dinner on 22 October 2015. The GPEC Asia dinner hosted close to 270 dignitaries, police officers and international speakers from all around Asia.

## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY PUTRA HOTEL AWARDS AND RECOGNITION



TripAdvisor: Certificate Of Excellence 2015

#### 1. TRIPADVISOR: CERTIFICATE OF EXCELLENCE 2015

Based on the hotel's consistent outstanding traveller reviews



Booking.Com: Best Supportive Hotel 2015

#### 2. BOOKING.COM: BEST SUPPORTIVE HOTEL 2015

## PROPERTY DETAILS (HOTEL)

### **SUNWAY HOTEL GEORGETOWN**

Sunway Hotel Georgetown is centrally located in historical, bustling Georgetown, right in the heart of the island where both culture and commerce thrive at their best. Georgetown is accorded a listing as UNESCO World Cultural Heritage Site and the hotel's close proximity to the Penang Heritage Trail is the perfect choice for leisure travellers. It is also within easy walking distance to one of Penang's famous landmarks – KOMTAR, the hub of government's activities.

The 4-star hotel was refurbished in 2013 with a contemporary design which appeals to discerning business and leisure travellers. The Hotel offers a collection of 250 guestrooms comprising Deluxe rooms, Club rooms, Executive rooms and Suites. The facilities of the hotel include a coffee house, a club lounge, 3 function rooms (capacity ranging from 60 pax to 240 pax), a swimming pool and gymnasium.

### **AT THE CROSSROAD OF PENANG'S HERITAGE & COMMERCE**



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

## PROPERTY DETAILS (HOTEL) (CONT'D)

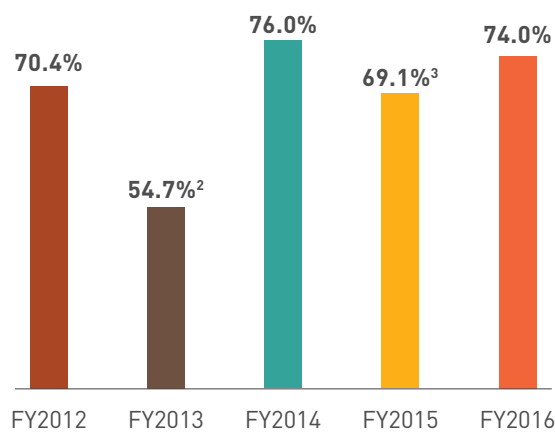
### SUNWAY HOTEL GEORGETOWN

Land area (sq. ft.)	GFA (sq. ft.)	No. of rooms	No. of parking bays	Average FY2016 Occupancy (%)	Revenue* (RM million)	NPI (RM million)
33,592	192,383	250	>100	74.0	4.6	4.3

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

### HISTORICAL OCCUPANCY RATE

Average occupancy rate<sup>1</sup>

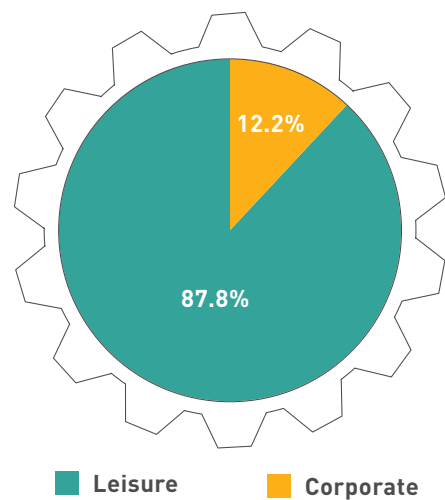


<sup>1</sup> Historical information (FY2012 to FY2014) are provided by the vendor

<sup>2</sup> Lower occupancy due to refurbishment of the hotel

<sup>3</sup> From completion of acquisition on 28 January 2015 to 30 June 2015

### GUEST PROFILE



### MASTER LEASE DETAILS

**MASTER LESSEE** Sunway Biz Hotel Sdn Bhd

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

**TOTAL RENT** The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Hotel Georgetown consists of RM4.4 million for Year 1 and Year 2 and RM3.3 million for each of the years for the remaining 10-year term



## PROPERTY DETAILS (HOTEL) (CONT'D)

### SUNWAY HOTEL GEORGETOWN MARKETING ACTIVITIES

#### 1. THAILAND – BLOGGER FAMILIARISATION TRIP (November 2015)

Tourism Malaysia Bangkok held a campaign to promote Malaysia as the top of the mind destination by visiting three cities, with Penang being one of them. 9 top Thai bloggers and media (including a television station) joined the campaign.

#### 2. NORTHERN REGION MEDIA NIGHT 2015 (16 November 2015)

Sunway Group Brand, Marketing and Communications hosted one of its latest northern region media nights in Sunway Hotel Georgetown. Over 120 guests from various media and publications in Penang were treated to an exquisite meal and lucky draw with prizes up to RM5,000 in value ranging from Room Nights at their sister properties or a 50-inch LED television, iPhones, iPads, Samsung S6 Edge and Galaxy Note.

#### 3. THANK YOU COCKTAIL (17 November 2015)

Sunway Hotel Georgetown hosted over 80 pax at the “Thank You Cocktail” event for their corporate clients and agents with lucky draw prizes to be won.

#### 4. ANNUAL CHINESE NEW YEAR LION DANCE PERFORMANCE (February 2016)

As the year of the Monkey swings in Sunway Hotel Georgetown, Penang the hotel hosted its annual Lion Dance Performance throughout the hotel, including the front office, café, club lounge, banquet halls and offices.

#### 5. HO CHI MINH – TRAVEL AGENT FAMILIARISATION TRIP 2016 (25 April 2016)

Sunway Hotel Georgetown hosted a 1 night stay for Ho Chi Minh Travel Agent Familiarisation Trip in conjunction with Air Asia and Tourism Malaysia.

#### 6. PENANG ANIME MATSURI – OFFICIAL HOTEL (14 May 2016)

Sunway Hotel Georgetown was the official hotel for Sozo (Singapore’s Second Penang Anime Matsuri). The second press conference was attended by Chief Minister YB Lim Guan Eng, Japanese Consulate General Mr Kiyoshi Itoi and upcoming artist Chong Fei Giap.

#### 7. YANGOON TRAVEL AGENT FAMILIARISATION TRIP (19 May 2016)

In conjunction with the Yangoon Travel Agent Familiarisation Trip, organised by the Tourism Malaysia Bangkok, Sunway Hotel Georgetown hosted 16 agents to the “Dinner and Inspection for Agents”.

#### 8. MANILA FAMILIARISATION TRIP (24 – 27 May 2016)

Sunway Hotel Georgetown hosted in media familiarisation trip in conjunction with AirAsia Philippines and Penang Global Tourism. Amongst the media were bloggers, news agencies, celebrity chef, and an actor from the Philippines. Chef Luigi Muhlach enlightened bloggers and staff with a cooking demonstration at the hotel during his stay.



Northern Region Media Night 2015

## PROPERTY DETAILS (HOTEL) (CONT'D)



Annual Chinese New Year Lion Dance Performance



Penang Anime Matsuri – Official Hotel



Chinese Preferred Hotel

## AWARDS AND RECOGNITION

### 1. EXPEDIA.COM – MOST POPULAR PACKAGE 2015

Sunway Hotel Georgetown was awarded the “Most Popular Package” amongst other hotels in Penang.

### 2. NEW RISING STAR 2015 AWARD FROM CTRIP

Awarded to 11 participating hotels, Sunway Hotel Georgetown was privileged to receive the “New Rising Star” award from Ctrip along with various hotels in the Southeast Asia Region.

### 3. CHINESE PREFERRED HOTEL – 23 MAY 2016

Sunway Hotel Georgetown received the “Chinese Preferred Hotel” award from Ctrip.



# OFFICE



## PROPERTY SUMMARY (OFFICE)



**MENARA SUNWAY**

**LOCATION**

SELANGOR

**DATE OF ACQUISITION**

8 JULY 2010

**ACQUISITION PRICE (RM MILLION)**

128

**TITLE, EXPIRY DATE & YEARS REMAINING**

- PN 17105 Lot No. 61760 - 1 April 2097  
(81 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

**TENURE**

Leasehold - 99 years

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Charged to HSBC Amanah Malaysia Berhad
3. Private Caveat by Public Bank Berhad

**YEAR OF COMPLETION**

1993

**APPRAISED VALUE (RM MILLION)**

164

**DATE OF LATEST VALUATION\***

JUNE 2016



**SUNWAY TOWER**

**LOCATION**

KUALA LUMPUR

**DATE OF ACQUISITION**

8 JULY 2010

**ACQUISITION PRICE (RM MILLION)**

171

**TITLE, EXPIRY DATE & YEARS REMAINING**

- Geran 45110, Lot No. 55, Seksyen 45  
Kuala Lumpur, Wilayah Persekutuan

**TENURE**

Freehold

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Charged to HSBC Amanah Malaysia Berhad
3. 30 years lease to Tenaga Nasional Berhad expiring  
14 January 2023

**YEAR OF COMPLETION**

1996

**APPRAISED VALUE (RM MILLION)**

135

**DATE OF LATEST VALUATION\***

JUNE 2016

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



## PROPERTY SUMMARY (OFFICE) (CONT'D)



**SUNWAY  
PUTRA TOWER**

**LOCATION**

KUALA LUMPUR

**DATE OF ACQUISITION**

19 APRIL 2011

**ACQUISITION PRICE (RM MILLION)**

80

**TITLE, EXPIRY DATE & YEARS REMAINING**

- Geran 10012, Lot No. 38, Seksyen 51  
Kuala Lumpur, Wilayah Persekutuan

**TENURE**

Freehold

**ENCUMBRANCE**

1. Charged to Public Investment Bank Berhad
2. Charged to HSBC Amanah Malaysia Berhad
3. 30 years lease to Lembaga Letrik Negara Tanah Melayu (Tenaga Nasional Berhad) expiring 4 April 2017
4. Private Caveat by Trustee

**YEAR OF COMPLETION**

1993

**APPRAISED VALUE (RM MILLION)**

110

**DATE OF LATEST VALUATION\***

JUNE 2016



**WISMA  
SUNWAY**

**LOCATION**

SELANGOR

**DATE OF ACQUISITION**

23 MARCH 2015

**ACQUISITION PRICE (RM MILLION)**

60

**TITLE, EXPIRY DATE & YEARS REMAINING**

Strata Title

- |                    |                     |
|--------------------|---------------------|
| • PN 21876/M1/B1/1 | • PN 21876/M1/11/10 |
| • PN 21876/M1/1/3  | • PN 21876/M1/12/11 |
| • PN 21876/M1/N1/4 | • PN 21876/M1/13/12 |
| • PN 21876/M1/N1/5 | • PN 21876/M1/14/13 |
| • PN 21876/M1/2/6  | • PN 21876/M1/15/14 |
| • PN 21876/M1/8/7  | • PN 21876/M1/16/15 |
| • PN 21876/M1/9/8  | • PN 21876/M1/17/16 |
| • PN 21876/M1/10/9 |                     |

29 August 2094 (78 years remaining)

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

**TENURE**

Leasehold - 99 years

**ENCUMBRANCE**

-

**YEAR OF COMPLETION**

1997; Refurbished in 2013

**APPRAISED VALUE (RM MILLION)**

62

**DATE OF LATEST VALUATION\***

JUNE 2016

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



## PROPERTY SUMMARY (OFFICE) (CONT'D)

OFFICE ASSETS	MENARA SUNWAY	SUNWAY TOWER	SUNWAY PUTRA TOWER	WISMA SUNWAY	TOTAL
Land Area (sq. ft.)	193,395	25,898	193,621 <sup>1</sup>	47,813	460,727
Gross Floor Area - Office (sq. ft.)	399,446	348,998	453,842	174,171	1,376,457
Gross Floor Area - Car Park (sq. ft.)	266,696	107,606	575,258 <sup>1</sup>	127,552	1,077,112
Net Lettable Area (sq. ft.)	291,370	268,306	317,051	171,544	1,048,271
Number of Parking Bays	> 650	> 290	> 1,500 <sup>1</sup>	> 380	> 2,820
Number of Tenancies	49	11	6	8	74
Occupancy as at 30 June 2016 (%)	90.2	21.2	25.7	87.6	52.6
Revenue (RM million)	16.3	3.7	3.6	6.7	30.3
Net Property Income (RM million)	10.7	(0.9)	0.5	4.2	14.5
Appraised Value as at 30 June 2016 (RM million) <sup>2</sup>	164	135	110	62	471
Value per sq. ft. (RM)	563	503	347	361	N/A
Capitalisation Rate - Current / Reversionary (%)	6.50 to 7.00	6.00 to 6.50	6.00 to 6.50	6.75 to 7.25	N/A

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

<sup>2</sup> All the properties are valued by C H Williams Talhar & Wong Sdn Bhd

N/A - Not Applicable

## PROPERTY SUMMARY (OFFICE)

### MENARA SUNWAY

Menara Sunway is a 19-storey office building in Bandar Sunway consisting of a main tower and an annexe. Unlike a standalone office building, Menara Sunway offers a unique office environment where its tenants can take advantage of the convention centre and the surrounding hospitality, leisure and retail options offered by the Sunway Resort City. With its headquarters based in Menara Sunway, Sunway Group is the main tenant occupying 70.3% of the NLA.

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

### SUNWAY GROUP'S HOMEPLACE



### ONGOING INITIATIVES

Menara Sunway's façade is being upgraded to modernize the building and enable it to blend with Sunway Pinnacle.

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

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

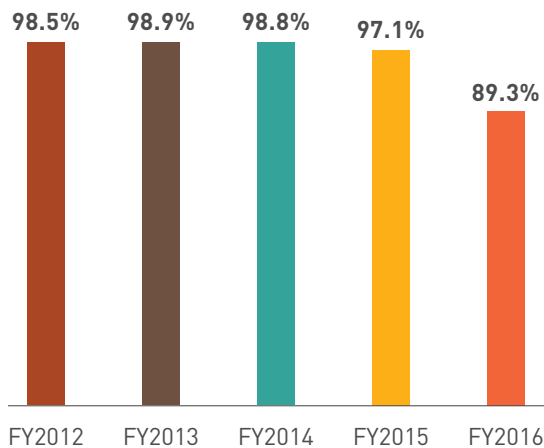
## PROPERTY SUMMARY (OFFICE) (CONT'D)

### MENARA SUNWAY

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Revenue (RM million)	NPI (RM million)
193,395	399,446 (Office) 266,696 (Car Park)	291,370	> 650	49	90.2	16.3	10.7

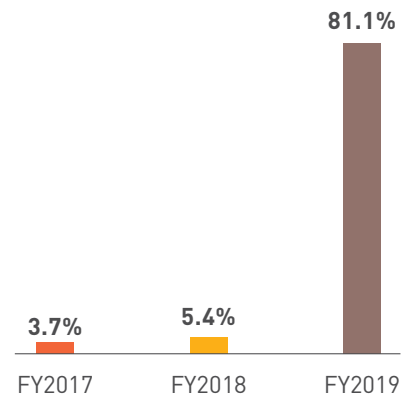
### HISTORICAL OCCUPANCY RATE

Average occupancy rate



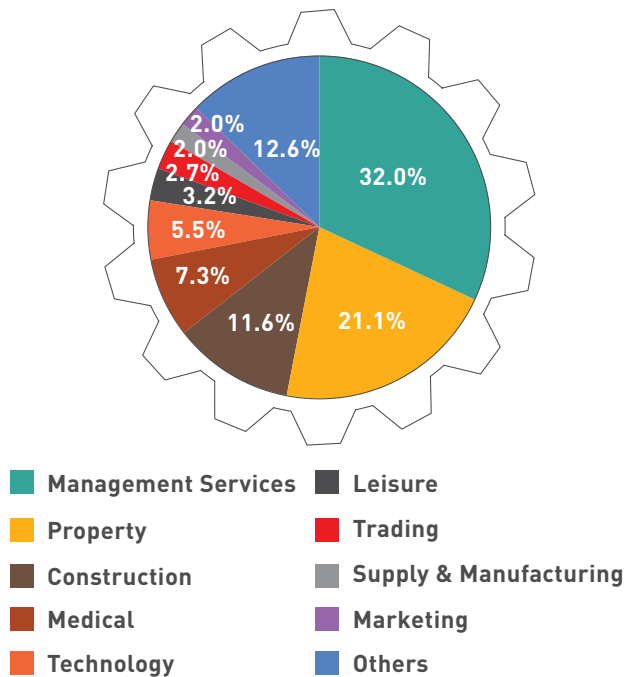
### LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



### TENANT MIX BY TRADE SECTOR

Based on June 2016 Gross Rental Income

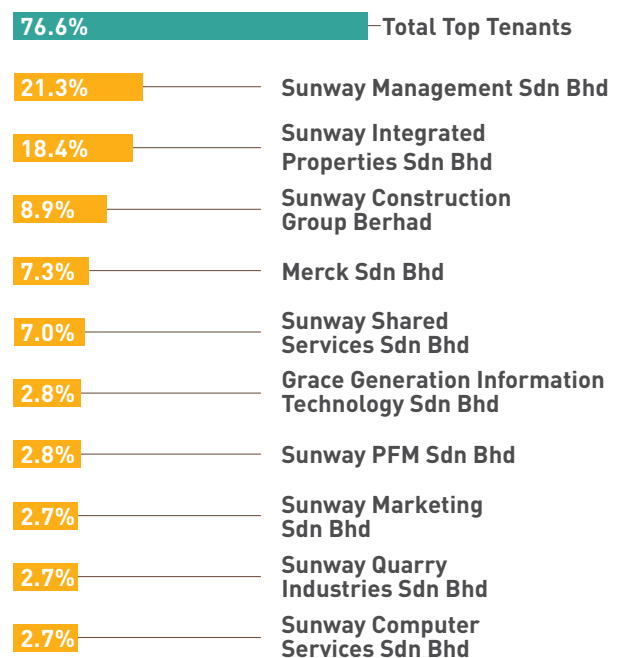


Weighted Average Lease Expiry

**2.38** years

### TOTAL TOP TENANTS

Based on June 2016 Gross Rental Income



## PROPERTY DETAILS (OFFICE)

### **SUNWAY TOWER**

Sunway Tower is a 33-storey prime office building that is a 5 minute drive away from the Petronas Twin Tower and Kuala Lumpur Convention Centre (KLCC). It is strategically located near the intersection of Jalan Sultan Ismail and Jalan Ampang in Kuala Lumpur. The property's location is in an area commonly referred to as the Golden Triangle and adjacent to the entry and exit points of the Ampang-Kuala Lumpur Elevated Highway which links to major highways within and around the Klang Valley as well as Dang Wangi LRT station and Bukit Nanas monorail station. Thus, making it convenient for office workers to gain access to the heart of Kuala Lumpur City Centre.

### CHANGING DYNAMICS



NO. 86 Jalan Ampang, 50450 Kuala Lumpur

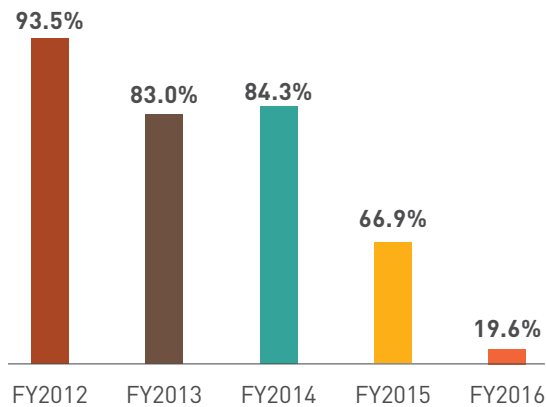
## PROPERTY DETAILS (OFFICE) (CONT'D)

### SUNWAY TOWER

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Revenue (RM million)	NPI (RM million)
25,898	348,998 (Office)  107,606 (Car Park)	268,306	> 290	11	21.2	3.7	(0.9)

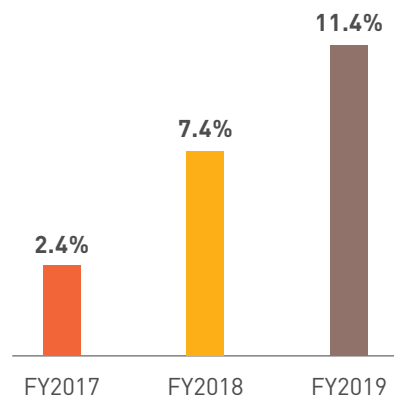
### HISTORICAL OCCUPANCY RATE

Average occupancy rate



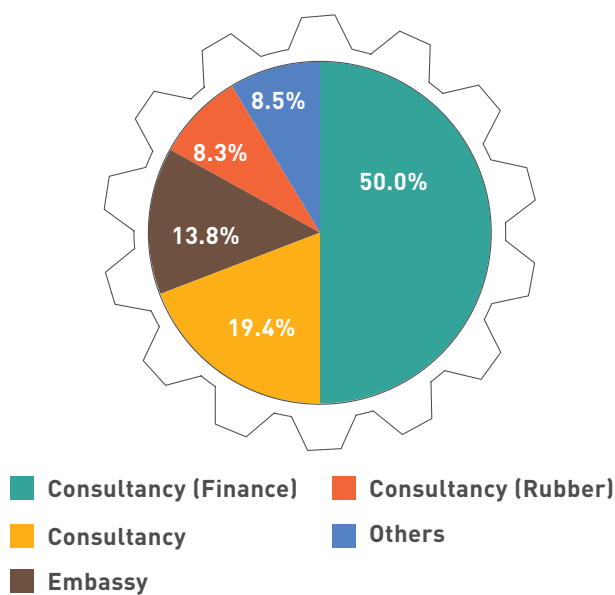
### LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



### TENANT MIX BY TRADE SECTOR

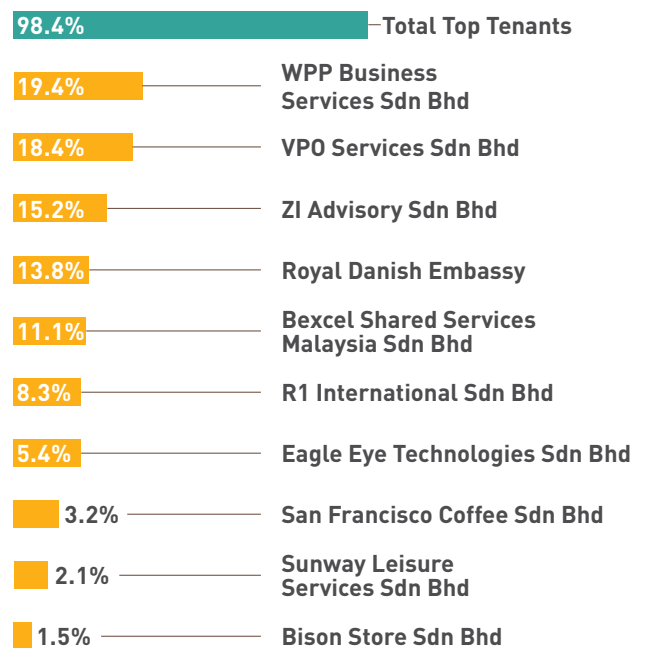
Based on June 2016 Gross Rental Income



Weighted Average Lease Expiry  
**2.10** years

### TOTAL TOP TENANTS

Based on June 2016 Gross Rental Income





## PROPERTY DETAILS (OFFICE)

### SUNWAY PUTRA TOWER

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

It is mainly occupied by government agencies and it is currently home to Malaysia's consumer tribunal for Kuala Lumpur which operates under the Ministry of Domestic, Trade, Co-operatives and Consumerism. Sunway Putra Tower is strategically located in Kuala Lumpur's commercial district right across the Putra World Trade Centre (PWTC). It is easily accessible via major highways and well served by public transportation such as the STAR Light Rail Transit (LRT), KTM Komuter Train and bus. The Hentian Putra Bus Station which caters to coaches plying the East Coast routes is within walking distance. All these infrastructures and facilities adds value to the well-established office asset.

### STRATEGICALLY LOCATED



## PROPERTY DETAILS (OFFICE) (CONT'D)

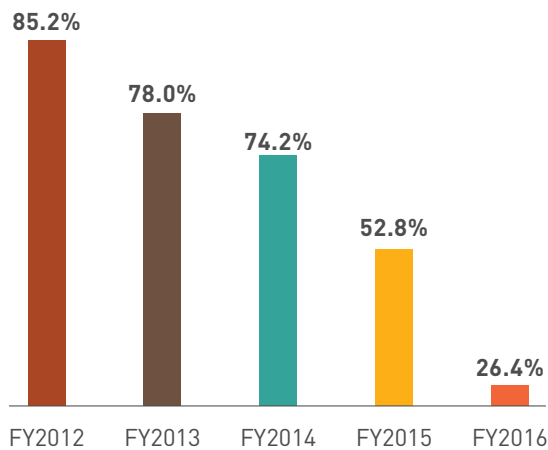
### SUNWAY PUTRA TOWER

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Revenue (RM million)	NPI (RM million)
193,621 <sup>1</sup>	453,842 (Office)	317,051	> 1,500 <sup>1</sup>	6	25.7	3.6	0.5
	575,258 <sup>1</sup> (Car Park)						

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

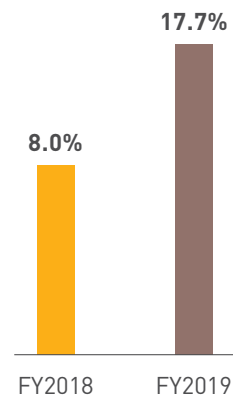
### HISTORICAL OCCUPANCY RATE

Average occupancy rate



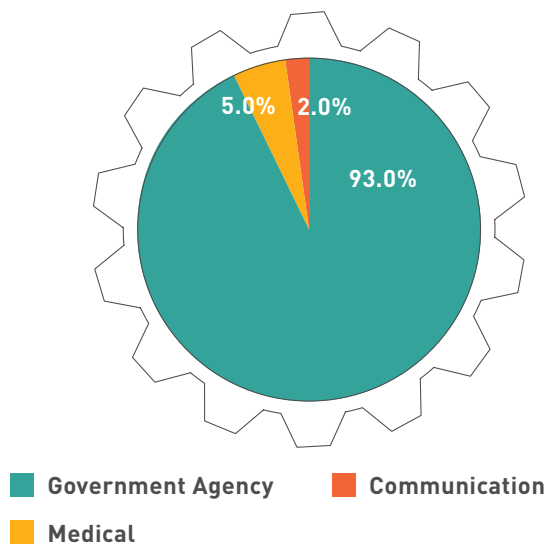
### LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



### TENANT MIX BY TRADE SECTOR

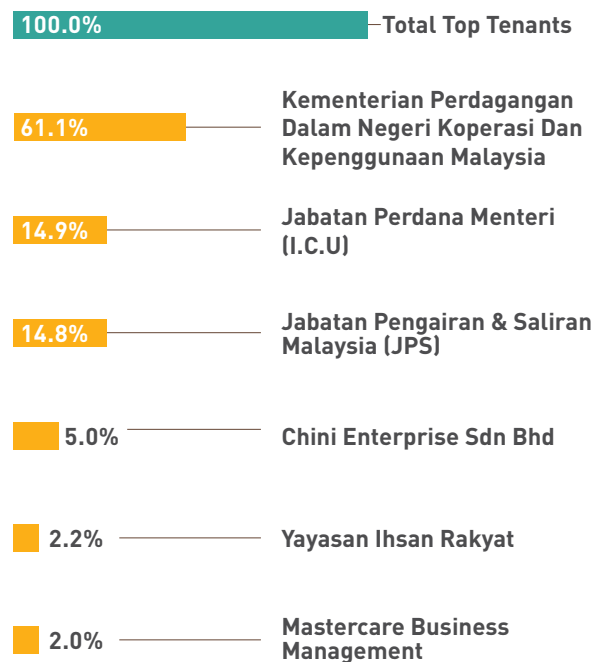
Based on June 2016 Gross Rental Income



Weighted Average Lease Expiry  
**2.53** years

### TOTAL TOP TENANTS

Based on June 2016 Gross Rental Income



## PROPERTY DETAILS (OFFICE)

### **WISMA SUNWAY**

Wisma Sunway is a stratified 19-storey office building<sup>1</sup> located in the vibrant Section 9, Shah Alam, the state government precinct of Selangor. Its location next to a hotel and a shopping complex offers convenience to its tenants. Wisma Sunway is easily accessible from the Federal Highway and the North Klang Valley Expressway.

Wisma Sunway was refurbished in 2013 and has a net lettable area of 171,544 sq. ft. It is substantially tenanted by government agencies.

<sup>1</sup> Excluding Unit No. L2A

### STRATEGIC LOCATION - GOVERNMENT PRECINCT OF SELANGOR



**Wisma Sunway Management Office**  
No 1, Jalan Tengku Ampuan Zabedah C 9/C,  
Seksyen 9, 40100 Shah Alam,  
Selangor Darul Ehsan,  
Malaysia.

Tel: (603) 5510 1629  
Fax: (603) 5510 1639

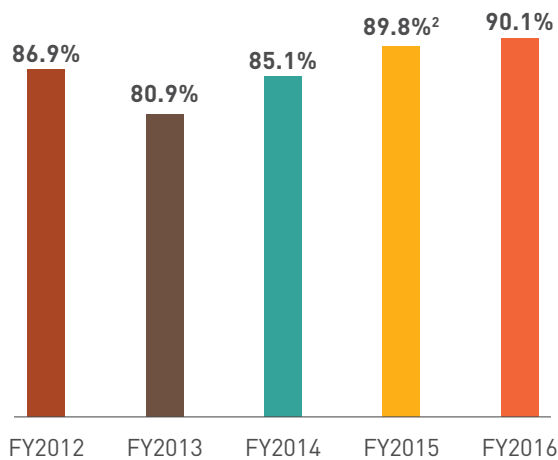
## PROPERTY DETAILS (OFFICE) (CONT'D)

### WISMA SUNWAY

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2016 (%)	Revenue (RM million)	NPI (RM million)
47,813	174,171 (Office) 127,552 (Car Park)	171,544	> 380	8	87.6	6.7	4.2

### HISTORICAL OCCUPANCY RATE

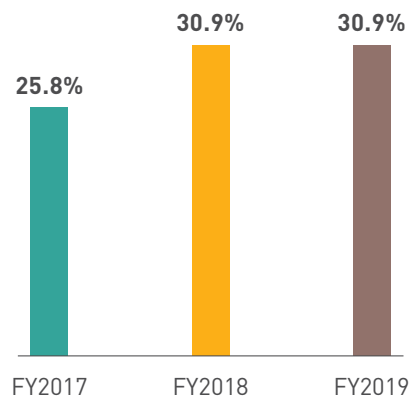
Average occupancy rate<sup>1</sup>



<sup>1</sup> Historical information (FY2012 to FY2014) are provided by the vendor  
<sup>2</sup> From completion of acquisition on 23 March 2015 to 30 June 2015

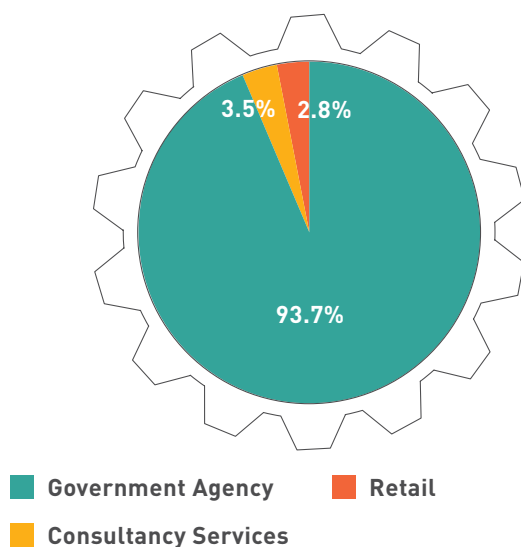
### LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



### TENANT MIX BY TRADE SECTOR

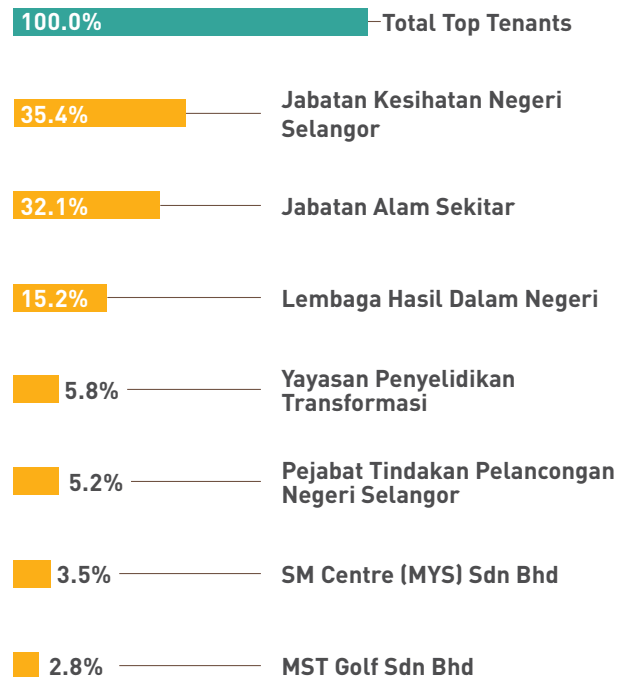
Based on June 2016 Gross Rental Income



Weighted Average Lease Expiry  
**1.56** years

### TOTAL TOP TENANTS

Based on June 2016 Gross Rental Income





# OTHERS





## PROPERTY SUMMARY (OTHERS)



### **LOCATION**

SELANGOR

### **DATE OF ACQUISITION**

31 DEC 2012

### **ACQUISITION PRICE (RM MILLION)**

310

### **TITLE, EXPIRY DATE & YEARS REMAINING**

- PN 12549 Lot No. 38160 - 1 April 2097  
(81 years remaining)
- PN 12550 Lot No. 45 - 1 April 2097  
(81 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

### **TENURE**

Leasehold - 99 years

### **ENCUMBRANCE**

10 years lease to Sunway Medical Centre Sdn. Bhd.  
Expiring 30 December 2022

### **YEAR OF COMPLETION**

Phase 1 - 2001, Phase 2 - 2009

### **APPRAISED VALUE (RM MILLION)**

326

### **DATE OF LATEST VALUATION\***

JUNE 2016

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

## PROPERTY DETAILS (OTHERS)

### SUNWAY MEDICAL CENTRE

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

SMC is a seven-storey purpose built hospital building that has a multi-storey car park block and a multi-purpose convention centre known as the 'Swan Convention Centre' which can accommodate up to 500 guests. Facilities at SMC include 365 beds, 12 operating theatres and 130 consultations suites. Sunway Medical Centre has become the first hospital in Southeast Asia to be awarded international accreditation by the Australia Council on Healthcare Standards (ACHS), in recognition of SMC's commitment to deliver world-class medical care based on international evidence based standards of healthcare assessment.

### MALAYSIA'S FIRST ACHS ACCREDITED MEDICAL CENTRE



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

Land area (sq. ft.)	GFA (sq. ft.)	No. of parking bays	Revenue (RM million) <sup>1</sup>	NPI (RM million)	Appraised Value as at 30 June 2016 (RM million) <sup>2</sup>	Value per bed (RM)	Capitalisation rate - Current / Reversionary (%)
195,839	563,437 (Medical Centre)	665	21.1	21.1	326.0	893,151	6.25 / 6.75
	217,162 (Car Park)						

<sup>1</sup> The revenue represents rent under a master lease agreement

<sup>2</sup> Valued by C H Williams Talhar & Wong Sdn Bhd

## PROPERTY DETAILS (OTHERS) (CONT'D)



### MASTER LEASE DETAILS

**MASTER LESSEE** Sunway Medical Centre Sdn Bhd

**DURATION** 10 years from 31 December 2012 with an option to renew for another 10 years

**RENTAL** RM19 million per annum for the 1<sup>st</sup> year

**RENTAL UPLIFT** 3.5% per annum for each subsequent year for initial 10-year term

**RENTAL BASIS** Triple net lease

# RESILIENCE

Firm yet flexible, modelling clay is made up of materials that enthal all. Every creation is a way of adapting to change.

## SUSTAINABILITY STATEMENT

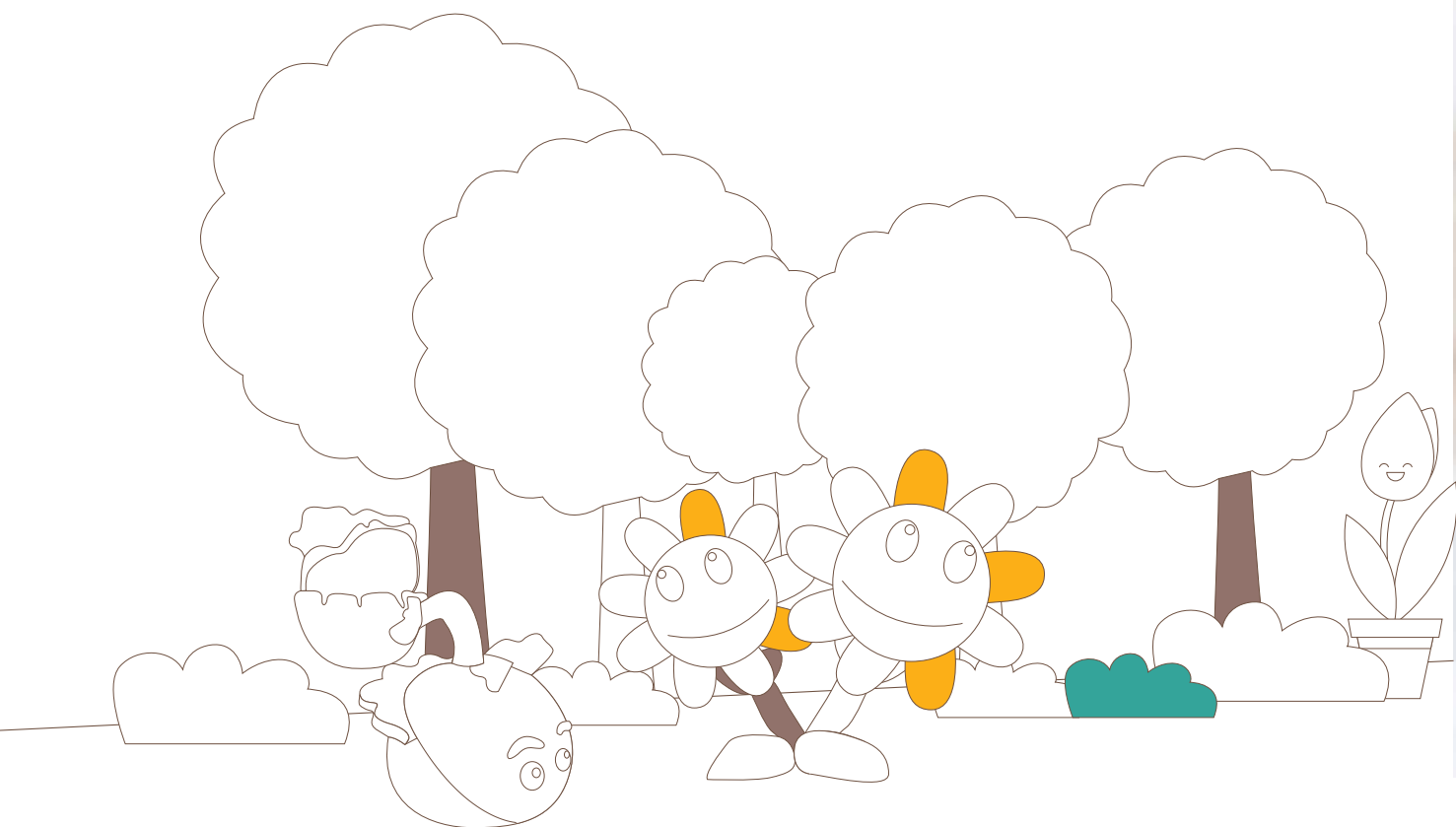
INTRODUCTION 150

MATERIALITY 152

ECONOMIC 155

ENVIRONMENTAL 157

SOCIAL 164





Sunway REIT believes that challenges help build strength to continue the journey to triumph.





# SUSTAINABILITY STATEMENT

## INTRODUCTION

Sunway REIT is committed to disclose its sustainability footprint annually, including both quantitative and qualitative information about its impacts and initiatives.

In defining the content of this statement, priorities have been established from the principles of sustainability context, stakeholder inclusiveness and materiality. Completeness of the Global Reporting Initiative (GRI) G4 reporting framework and the new Bursa Malaysia Sustainability Guidelines have also been considered. This statement is structured into four main topics: materiality, economic, environmental and social. Substantial additional Construction and Real Estate Sector Supplement (CRESS) information has also been included wherever possible.

Unless otherwise stated, the statement only covers properties over which the daily management of the assets are undertaken by an appointed property manager and hotel operator.

References to the 'Trust' and the 'Fund' refer to Sunway REIT. Consolidated data and information are presented, whenever possible. However, initiatives and/or data by a particular portfolio or asset have been highlighted as indicated in the text.

## Scope of this Statement

### Reporting Period

1 July 2015 to 30 June 2016

### Reporting Cycle

Annually

### References and Guidelines

- Principal Guideline
  - Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines
- Additional Guidelines
  - Bursa Malaysia Sustainability Reporting Guide
  - International Organization for Standardization (ISO) 26000:2010 Guidance on Social Responsibility

## Sunway REIT is a Constituent in the FTSE4Good Bursa Malaysia Index

We are delighted to meet the internationally recognised standards for the inclusion in the FTSE4Good Bursa Malaysia Index with effect from 20 June 2016. The Index is a testament to our outstanding performance in Environmental, Social and Governance (ESG) practices. This achievement reflects our commitment to being responsible in our business practices by demonstrating a leading approach within the Malaysian market to address relevant corporate responsibility risks.



## Commitment to Sustainability

Sustainability creates value for both our assets portfolio and stakeholders. We require a conscientious strategy and best-in-class execution. This is an ongoing endeavour and we truly hope that our collective efforts can make a positive difference in the world.

Sustainability leadership also requires a clear understanding of how environmental, social, and governance issues affect both our stakeholders and Sunway REIT's future growth prospects. We work closely with our stakeholders on these issues to maximise the growth of our properties by viewing them in this unique way.

## Sustainability Working Group

Following the adoption of the Sustainability Framework in April 2015, a Sustainability Working Group was established to oversee, monitor and report on all sustainability initiatives undertaken by the Manager. The committee reports to the Board of Directors on a quarterly basis. The formation of the working group enhances the governance structure of the sustainability programme.

## Members of the Sustainability Working Group



Dato' Jeffrey  
Ng Tiong Lip



Wai Sow Fun



Chan Hoi Choy



Crystal Teh  
Lay Ling



Sarena Cheah  
Yean Tih

## SUSTAINABILITY STATEMENT (CONT'D)

### Sustainability Framework

The Sustainability Framework formalises the approach for its strategic commitment to sustainable development practices and is an integral part of our approach to risk management.

The framework encourages our business units to conduct business in a sustainable way by promoting sound environmental and social practices. It encourages transparency and accountability while contributing to positive development. The framework aligns our strategy and initiatives in the execution of sustainability initiatives. Key measurables are incorporated to evaluate the effectiveness of these initiatives.

### Sustainability Framework

#### Vision

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

#### Sustainability Mission

To deliver sustainable value creation for our stakeholders and to the communities that we serve

#### Our Approach

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

### Sustainability Core Focus Areas

#### Responsible business practices

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

#### Continuous engagement with our key business stakeholders

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

#### Process and resource efficiency

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

#### Environmental protection through green initiatives

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

#### Giving back to communities socially and economically

- Community engagement
- Education relating to REIT and property investment to targeted community groups

## SUSTAINABILITY STATEMENT (CONT'D)

### MATERIALITY

Sustainable organisations are responsible for more than a healthy financial bottom line; they are expected to make economic, environmental and societal contributions too. Sunway REIT determines the most material aspects of sustainability by analysing factors that are critical for stakeholders, assets and the real estate industry as a whole. This strategic approach to sustainability ensures that the most material issues are addressed. Aligned with the overall business strategy, Sunway REIT is able to meet stakeholders' expectations while supporting its long-term health and vitality. Sunway REIT's focus on owning and managing high-quality properties in Malaysia is enhanced by its efforts to address its environmental, social and governance impacts.

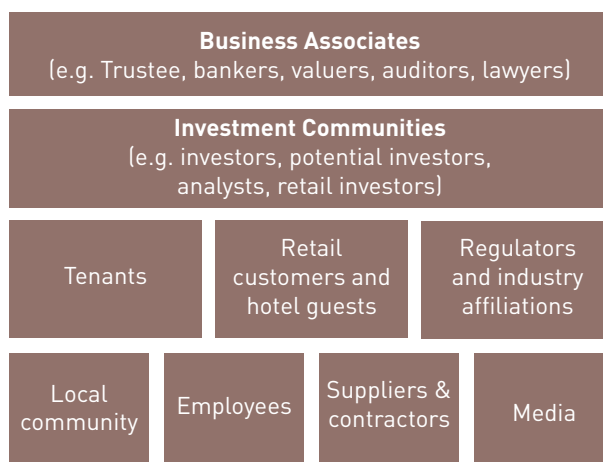
#### OUR DEFINITION OF A MATERIAL ISSUE

Any information that is reasonably capable of making a difference to the conclusions stakeholders may draw when reviewing related information

#### The Methodology

In FY2016, Sunway REIT performed its maiden materiality assessment to gather the views of stakeholders and decision makers within Sunway REIT. An online survey was performed by an external consultant to guarantee objectivity and anonymity.

#### Identified Stakeholders for Participation in the Materiality Study



Respondents from nine stakeholder groups were requested to rate the importance they placed on 33 issues. Respondents indicated how important each criterion was from 'very unimportant' (1) to 'very important' (5).

The same survey was completed by Sunway REIT's Board members whose responses were used to represent the views of Sunway REIT.

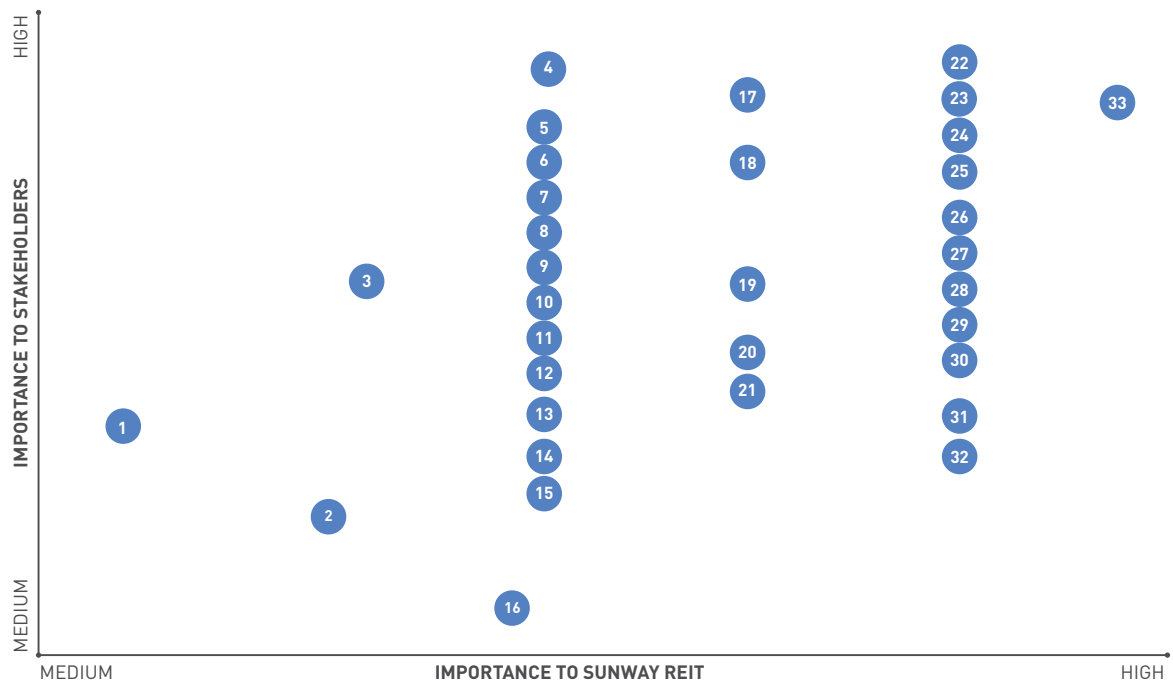
#### Sustainability Areas Assessed in the Materiality Study

Economic	Environmental	Social: Labour Practices and Decent Workplace
<ul style="list-style-type: none"> <li>• Market Presence</li> <li>• Nation Building</li> <li>• Community Investment</li> <li>• Corporate Governance</li> <li>• Business Ethics</li> <li>• Board Management and Oversight</li> <li>• Fair Competition</li> <li>• Ethics and Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Water</li> <li>• Emissions</li> <li>• Environmental Impact from Transportation</li> <li>• Environmental Cost</li> <li>• Ozone-depleting Substances</li> <li>• Green Buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Employment and Benefits</li> <li>• Workplace Health and Safety</li> <li>• Training, Education and Career Development</li> <li>• Diversity &amp; Fair and Equal Career Opportunities</li> <li>• Internal Engagement and Communication</li> </ul>
Social: Human Rights	Social: Society	Social: Product Information
<ul style="list-style-type: none"> <li>• Human Rights</li> <li>• Non-discrimination</li> <li>• Diversity</li> <li>• Employees' Rights</li> </ul>	<ul style="list-style-type: none"> <li>• Corruption and Bribery</li> <li>• Health of Public and Communities</li> <li>• Community Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing and Communications</li> <li>• Procurement Sustainability</li> <li>• Supplier Training</li> <li>• Quality Management System</li> <li>• Customer Satisfaction</li> <li>• Privacy of Tenants, Retail Customers and Hotel Guests</li> </ul>

## SUSTAINABILITY STATEMENT (CONT'D)

### MATERIALITY

#### Materiality Matrix



- |  |   |  |
|--|---|--|
| 1. Supplier Training                                     | 12. Community Investment                            | 23. Corruption and Bribery                     |
| 2. Environmental Impact from Transportation              | 13. Diversity & Fair and Equal Career Opportunities | 24. Business Ethics                            |
| 3. Community Engagement                                  | 14. Procurement Sustainability                      | 25. Corporate Governance                       |
| 4. Privacy of Tenants, Retail Customers and Hotel Guests | 15. Diversity                                       | 26. Board Management and Oversight             |
| 5. Non-discrimination                                    | 16. Emissions                                       | 27. Market Presence                            |
| 6. Human Rights  | 17. Health of Public and Communities                | 28. Employment and Benefits                    |
| 7. Green Buildings                                       | 18. Workplace Health and Safety                     | 29. Energy                                     |
| 8. Fair Competition                                      | 19. Ozone-depleting Substances                      | 30. Water                                      |
| 9. Employees' Rights                                     | 20. Environmental Cost                              | 31. Training, Education and Career Development |
| 10. Quality Management System                            | 21. Internal Engagement and Communication           | 32. Marketing and Communications               |
| 11. Nation Building                                      | 22. Ethics and Transparency                         | 33. Customer Satisfaction                      |

The results of the study were then used to produce a materiality matrix. Each point on this matrix represents a material aspect for Sunway REIT. The importance stakeholders place on various topics is displayed on the vertical axis; the significance to Sunway REIT on the horizontal axis. The matrix is presented in the following diagram.

This matrix depicts the relevant reporting importance of all identified sustainability issues. The most important issues are located towards the upper right-hand corner and discussed in greater depth. This analysis may be revised in the future and we welcome feedback from stakeholders.

Generally, the location of each topic dictates the Trust's approach. All topics are assessed and reported at least once a year. We will place higher emphasis on topics with higher ranking by ensuring frequent engagement and communication with stakeholders.

#### Stakeholder Engagement

A multitude and diversity of voices can lead to sustainable growth and we consider stakeholder engagement an essential element of our business. Stakeholder views and expectations help us to prioritise the actions and resources we invest in our business.

Throughout the year, we held regular meetings on key economic, environmental, social and governance topics with various stakeholders. We collaborated with internal and external stakeholders to tackle major industry challenges.

The list of our stakeholders with whom we regularly engage, and how we address their expectations, is presented in the following page.

## SUSTAINABILITY STATEMENT (CONT'D)

### MATERIALITY

#### Stakeholder Engagement Methods

STAKEHOLDERS	THEIR EXPECTATIONS	LEVEL OF ENGAGEMENT	HOW WE ADDRESS THEIR EXPECTATIONS
Investment community (investors, analysts) and media	<ul style="list-style-type: none"> <li>• Stable and sustainable distributions</li> <li>• Solid operational and financial performance</li> <li>• Effective business strategy and outlook</li> <li>• Timely and transparent reporting</li> <li>• Strong corporate governance</li> </ul>	Fund and REIT Manager level	<ul style="list-style-type: none"> <li>• Direct contact with all unitholders during the Annual General Meeting at which all unitholders are entitled to one vote per unit</li> <li>• Regular financial earnings reporting, investors and analysts briefings and media conferences</li> <li>• Participation in industry discussions on Sunway REIT's financial performance, strategic direction and outlook</li> <li>• Discussions at roadshows and property tours</li> <li>• Statutory announcements</li> <li>• Sunway REIT website</li> </ul>
Tenants	<ul style="list-style-type: none"> <li>• A clean, safe and pleasant environment</li> <li>• Reliable and efficient buildings</li> <li>• Tenant engagement activities</li> <li>• Business ethics</li> </ul>	Asset level	<ul style="list-style-type: none"> <li>• Direct feedback from tenants at all stages of a building's life</li> <li>• Regular meetings and constructive discussions</li> <li>• Tenant surveys</li> <li>• Joint community programmes with tenants</li> </ul>
Regulators and industry associations	<ul style="list-style-type: none"> <li>• Compliance with rules and regulations, keeping abreast with regulatory and industry trends</li> <li>• Government policies on real estate sector</li> </ul>	Fund, REIT Manager and asset level	<ul style="list-style-type: none"> <li>• Meetings, consultation, dialogue session, seminar and workshop</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• A friendly and safe working environment</li> <li>• Fair and competitive employment policies</li> <li>• Opportunity for employees development and career progression</li> </ul>	Individual level	<ul style="list-style-type: none"> <li>• Open-door approach</li> <li>• Biannual appraisal meetings</li> <li>• Regular team meeting</li> <li>• Employee engagement activities</li> <li>• Career development programmes</li> <li>• Team building</li> </ul>
Community Members	<ul style="list-style-type: none"> <li>• Being responsible citizens</li> <li>• Respecting the interests and quality of life of local communities</li> <li>• Supporting the local economy, entrepreneurs and initiatives</li> <li>• Creating mutually beneficial agreements that contain social and cultural elements</li> <li>• Continuing to forge open partnerships when undertaking community activities</li> </ul>	Fund, REIT Manager and asset level	<ul style="list-style-type: none"> <li>• Community engagement activities</li> <li>• Open dialogue and face-to-face meetings</li> <li>• Engagement with Residents Association</li> <li>• Communication with local authorities</li> </ul>
Vendors	<ul style="list-style-type: none"> <li>• Procurement practices, compliance, anti-corruption, occupational health and safety, materials</li> <li>• Energy emissions</li> <li>• Water and waste management</li> <li>• Building efficiency</li> </ul>	Fund, REIT Manager and Asset level	<ul style="list-style-type: none"> <li>• One-on-one dialogue with individual vendors</li> <li>• Policy setting and information sharing requests made through contracts and other mechanisms</li> </ul>



## SUSTAINABILITY STATEMENT (CONT'D)

### ECONOMIC

As most of our sustainability strategies and initiatives are driven by economic success, the Trust's financial performance is our main priority. We generate responsible and sustainable profit to ensure sustainable income distribution to unitholders. Any consequences of our actions that may help or prevent us from meeting our stakeholders' expectation are considered. This is instrumental in creating long-term confidence and success.

We own an assets portfolio of quality commercial properties where the management and operation of these assets consider environmental, governance and social aspects. Directly and indirectly, we contribute to the local economies where our assets are located and create a workplace in which employees can thrive.

In financial year, ended 30 June 2016, Sunway REIT delivered an increase in DPU of 5.2% to 9.18 sen on the back of revenue and NPI growth of 11.8% and 9.7% year-on-year respectively. Please refer to the diagram below for the financial snapshots.

FY JUNE 2016	FINANCIAL YEAR		
	2016 [Audited]	2015 [Audited]	Change
	RM'000	RM'000	%
Gross Revenue	507,013	453,454	11.8
Net Property Income (NPI)	373,851	340,826	9.7
Distribution Per Unit (DPU) (sen)	9.18	8.73	5.2

#### Elements of Our Suppliers' Code of Conduct



##### FAIR TRADE PRACTICES

- Suppliers must not engage in collusive bidding, price fixing, price discrimination or other unfair trade practices in violation of antitrust laws.



##### BRIBERY, KICKBACKS AND FRAUD

- Suppliers' funds or assets must not be paid, loaned or otherwise disbursed as bribes, kickbacks or other payments that compromise the conduct of Sunway REIT.



##### INTELLECTUAL PROPERTY RIGHTS

- Suppliers must respect Sunway's intellectual property rights as well as safeguarding its confidential and proprietary information. Suppliers must respect all Sunway patents, trademarks and copyrights, and comply with all of Sunway's requirements.

Full disclosure of our financial performance can be found in the financial statements of this report. In this section, we provide financial information that we consider especially important for developing our growth strategy in terms of sustainability.

#### Procurement

Collaboration, vision and accountability help create a sustainable supply chain that meets today's needs and ensures a sustainable future. Sunway REIT is committed to a sustainable supply chain and recognises the importance of ethical behaviour in workplace business relationships.

Expectations from suppliers are clearly listed in the Supplier Code of Conduct. All vendors are required to adhere to this code, which guides suppliers in delivering products and services of the highest quality. Suppliers must also comply with the published policies and procedures including the Conflict of Interest and Procurement Relationships and Code of Ethics policies.

Currently, Sunway REIT does not have a green procurement policy. However, its standard practice is to procure products or services with a reduced impact on human health and the environment.

Sunway REIT's investment recovery practice disposes of unused assets economically and efficiently while adhering to legal and environmental requirements. All surplus assets are reused, returned, reconditioned, resold, reclaimed or recycled to minimise the volume of waste sent to landfill or similarly wasteful disposal options. Unneeded assets are recycled to extend their useful lives and provide responsible buyers with tangible savings. Hazardous components are reclaimed or remediated from assets that have reached the end of their lives. This approach reduces costs while allowing other non-hazardous materials to be recycled which might otherwise be destined for landfill.

#### Commitment to Supplier Diversity

Supplier diversity is a proactive business process and Sunway REIT provides all suppliers with equal access to purchasing opportunities. This approach reflects the diverse business community and encourages economic development. Sunway REIT engages with suppliers who consistently provide exceptional products and services at competitive prices. Together with our diverse suppliers, we are expanding business opportunities, advancing suppliers' visibility and growth goals, and creating valued business relationships. We are proud to engage with the diverse firms and their talented teams.

Currently, we do not have a policy that requires us to source from locally based suppliers. All purchases are made through a tendering and bidding process that screens the supplier's credibility and ethical background. This screening process is performed both online and offline through clear and transparent procurement policies and practices. Nonetheless, more than 95% of our suppliers are either locally based or have local regional offices.

## SUSTAINABILITY STATEMENT (CONT'D)

### ECONOMIC

#### E-Procurement at Sunway

Sunway REIT has adopted the Group's E-Procurement process since its listing in 2010. This initiative is in line with the Malaysian government's aim for effective corporate governance. E-Procurement improves transparency, accountability and efficiency while providing consolidated reports, analysis and streamlining of its supplier base. Sunway REIT hopes to establish long-term relationships with suppliers to achieve Total Value Management (TVM) for all purchased goods.

### OUR CONTRIBUTION TO THE INDUSTRY AND NATION

#### Sunway REIT Invests in Asset Enhancement Initiatives

Sunway REIT invests in its assets and surrounding infrastructure to ensure their sustainable performance. Being the most active M-REIT to undertake asset enhancement initiatives (AEIs), Sunway REIT has completed a total of RM656 million AEIs since its listing in July 2010 to FY2016.

For example, Sunway Putra's refurbishment costing approximately RM460 million has contributed to construction activities, employment opportunities and infrastructure improvement. It rejuvenated the surroundings and added vibrancy to the retail landscape in the Klang Valley.

In FY2016, Sunway REIT embarked on the refurbishment of Sunway Pyramid Hotel East at an estimated cost of RM123.6 million. The hotel is scheduled to reopen in the first quarter of CY2017. The refurbishment will elevate the hotel from a superior to a deluxe category 4-star international class hotel. The hotel's room inventory will also increase from 549 to 564 rooms. Being the owner of two hotels in Sunway Resort City, a township which welcomes 42 million visitors a year, Sunway REIT's hotel assets contribute positively to the tourism industry in Selangor.

Sunway REIT is committed to continue to develop engaging products and services. These holistic offerings unlock greater value for its unitholders and stakeholders, especially discerning tourists, travellers and shoppers.

#### Our Investments Enhance Real Estate Value

The principal activities of Sunway REIT in investing into real estates, managing and enhancing the performance of these assets and contributing to the economic activities of Malaysia. In addition to creating jobs, these activities generate income for the nation and improve the overall social-economy. It has a huge multiplier effect on the economic growth of the nation.

The value of our properties appreciated over the years, as shown in the Fair Value of Investment Properties section on page 69. Directly or indirectly, our hotels and retail malls have helped the real estate value of surrounding properties appreciate. Surrounding our assets and properties, the occupancy rate and market value of the residential properties have appreciated over time.

#### Employment Opportunities

Sunway REIT is the owner of 14 commercial properties comprising four retail properties, five hotels, four offices and one medical centre in Selangor, Kuala Lumpur, Penang and Ipoh. The economic and commercial activities of these assets, which are operated by property and hotel managers, have created significant employment opportunities for the nation. Collectively, through the property manager, hotel operators and medical centre operator, these properties house more than 3,300 employees.

#### Influencing Public Policy

The Malaysia Shopping Malls Association (PPKM) was formed in 1984. It plays a significant role in contributing to the nation's growth in the shopping mall industry and in numerous international award-winning malls. Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Sunway Putra Mall are corporate members of PPKM.

#### The Malaysian REIT Managers Association

The Malaysian REIT Managers Association (MRMA) was established on 21 May 2010 with members comprising listed and non-listed real estate funds or players. It represents the M-REITs and aims to create an environment that promotes real estate investments of superior quality in Malaysia. Sunway REIT has been a member since FP2011.

Since its establishment, MRMA has played a pivotal role in spearheading the growth of the M-REITs. It serves as a common platform and encourages proactive engagement with various government ministries, Bursa Malaysia and the Securities Commission Malaysia to enhance the competitiveness of the M-REITs internationally.

MRMA develops common practicable standards benchmarks against international best practices especially in the areas of financial reporting, disclosure and corporate governance. MRMA also represents its members' interests through engagement with the Malaysian Government and regulators for functional regulations, viable structures and tax harmonisation. This ensures Malaysian REITs remain competitive within the region and internationally.

In January 2016, Dato' Jeffrey Ng Tiong Lip was elected as the Chairman of MRMA. He brings his valuable experience as the Chief Executive Officer of Sunway REIT and the Chairman of Real Estate and Housing Developer's Association Malaysia (REHDA) Institute.

In 2016, MRMA collaborated with Bursa Malaysia to deliver the Product@Bursa workshop. Members provided educational talks to capital market participants across Malaysia. Sunway REIT participated in one of the workshop sessions. Held on 2 February 2016, the session was attended by 280 licensed dealers' representatives.

#### REHDA Malaysia

Dato' Jeffrey has been a Patron of REHDA since 2009. REHDA has been operating since 1970 and has branches in every Peninsular Malaysia state. Currently, REHDA has over 1,400 members comprising active property developers across Peninsular Malaysia.

Dato' Jeffrey has been a member of the association for more than 15 years. He also served as a National Council member from 2000 to 2014. Sunway REIT, through Dato' Jeffrey's participation in REHDA, demonstrated quality leadership in addressing critical issues that affect the country's economy, particularly developing the policies of housing and real estate industry efficiently and effectively.

#### The Malaysian Investor Relations Association

Sunway REIT has been a member of The Malaysian Investor Relations Association (MIRA) since 2012. The manager believes that strong investor relations practices, good corporate governance and a high level of transparency enhance stakeholder value and has been recognised by numerous awarding bodies in these areas.

Sunway REIT has also been nominated for various MIRA Investor Relations Awards since 2012. The largest annual event by MIRA advances and promotes good investor relations practices by listed entities in Malaysia. Sunway REIT shares common goals with MIRA in promoting good corporate governance, advocating greater transparency, fair disclosure and recognising diversity in investor relations activities.

## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

The real estate sector is a major consumer of energy and producer of greenhouse gas (GHG) emissions. Sunway REIT is aware of its obligation and the role its assets play in creating and maintaining a sustainable environment. Managing sustainable assets and portfolios as well as being mindful during refurbishments, helps Sunway REIT meet its environmental responsibility.

Managing our assets portfolio sustainably involves measuring the environmental impact of our operations accordingly and acting responsibly to limit our ecological footprint. All assets record and monitor their environmental footprint systematically. Increased reporting transparency and knowledge of the buildings helps Sunway REIT understand the impact on the environment more precisely.

Sunway REIT seeks to improve the sustainable performance of its properties. This commitment is ongoing as the Manager believes that environmental sustainability is an integral part of a sustainable business.

#### Energy Management

Sunway REIT recognises the importance of examining energy consumption of its assets portfolio. An accurate reporting base and performing detailed evaluations regularly is vital for deriving appropriate measures and for setting targets. We are in the process of improving the energy monitoring systems of our buildings.

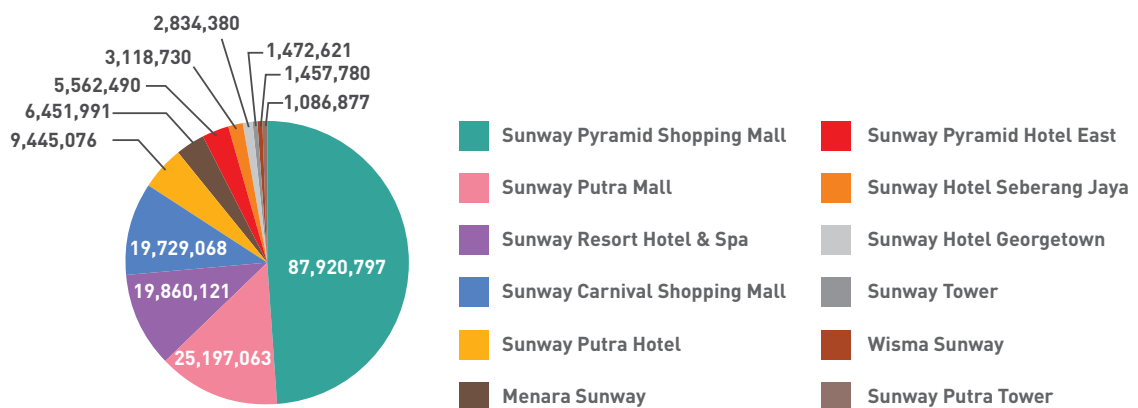
Changes in consumption might result from:

- A change in the tenants' use of the buildings;
- An increased amount of available data;
- Fluctuating vacancy rates; or
- External weather factors and humidity levels.

One of our main objectives is to create energy efficient space that reduces energy consumption and occupancy costs for our tenants. While refurbishing and performing regular building maintenance, Sunway REIT considers the total cost of running the assets in the design stage rather than merely the initial cost. Life-cycle costing is an integral part of our refurbishment policy.

In FY2016, Sunway REIT and its assets consumed 184,136,994 kWh of electricity.

#### Breakdown of Electricity Consumption in FY2016 (kWh)



#### Energy Efficiency

Sunway REIT improves the energy efficiency of its properties by installing cutting-edge technology throughout its premises, plant and equipment whenever it is cost effective. The assets comply fully with the Electricity Supply Act 1990 and Efficient Management of Electrical Energy Regulation 2008 (EMEER). Periodically, energy efficiency goals are set to improve energy performance.

The Building Automation System (BAS) is an intelligent, world-class technology system that connects our commercial utilities to a single platform. The BAS allows better decisions to be made while enhancing the occupants' comfort, safety and productivity.

#### Chiller Efficiency

In FY2012, Sunway REIT assessed the chiller in Sunway Pyramid Shopping Mall and found that plant efficiency needed to be improved. The Trust retrofitted its old chillers with energy efficient chillers which resulted in an increased efficiency from above 1 to 0.7. Since then, the chiller plant efficiency at all assets has started to be monitored and found to be operating efficiently. Chiller efficiency is calculated on the design capacity of the proposed design from ASHRAE 90.1.

Building Peak / Cooling Load	Number & Type of Chillers
≤300 tonnes	1 water-cooled screw chiller
>300 tonnes, <600 tonnes	2 equally-sized water-cooled screw chillers
≤600 tonnes	2 water-cooled equally-sized centrifugal chillers that are not larger than 800 tonnes

## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

#### Sunway REIT Chiller Efficiency Initiatives and Benefits

PROPERTY	INITIATIVES	BENEFITS
Sunway Pyramid Shopping Mall	Rescheduling daily chiller operations	<ul style="list-style-type: none"> <li>Reduces energy bills by an estimated RM380 per month</li> </ul>
	Chiller retrofitting project	<ul style="list-style-type: none"> <li>Saved more than RM9 million in energy costs since 2013</li> <li>Transformed the CFC phaseout into an opportunity through building load reductions and system improvements</li> <li>Improved overall operations which increase comfort levels and the building's asset value</li> </ul>
Sunway Resort Hotel & Spa	Relocating and upgrading of cooling towers	<ul style="list-style-type: none"> <li>Invested RM3.5 million in FY2014</li> <li>Chillers were relocated to an area with improved air circulation and heat dissipation</li> <li>Installed variable frequency drives on all pump motors to optimise energy usage and reduce costs</li> <li>Further savings are anticipated from this project in the future.</li> </ul>
All Properties	Other building improvements	<ul style="list-style-type: none"> <li>Raised the chilled water supply of all of its property assets by 4°F</li> <li>Reduced chiller energy requirements by increasing the air-conditioning temperature to between 23°C and 25°C in office buildings and retail malls</li> <li>Menara Sunway reduced its annual energy consumption by approximately 24,700 kWh, which resulted in a 15-tonne reduction in CO<sub>2</sub> emissions</li> <li>Estimated energy savings of between 3.3% and 5.0% are expected with every °C increase in space temperature</li> </ul>
All Properties	Reducing air conditioning load	<ul style="list-style-type: none"> <li>Reduced cooling loads so less powerful and expensive chillers can be used</li> <li>Integrated retrofits employ proven advanced technologies in cooling and air distribution equipment such as 'free' cooling and thermal storage, control systems, energy efficient lighting and improved appliance efficiency</li> </ul>

#### Air-Conditioning

All air-conditioning and lighting use at our office properties was rescheduled in FY2012. At 6 pm, half the air-conditioning is switched off and the lights used in office common areas such as corridors are reduced to 30%.

The air-conditioning temperature at all of our properties was raised from 23 °C to 24 °C. Lowering the set point by just 1 °C is estimated to reduce energy consumption by up to 8%. In view that the new temperature did not affect employees' perceived comfort levels, this temperature was maintained.

Most properties use centralised air-conditioning. Sunway REIT has installed Variable Speed Drive (VSD) air-conditioning systems in its properties including Sunway Putra Mall, Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Sunway Resort Hotel & Spa. This solid-state device saves energy when the electric motors are not required to run at full power. A 20% reduction in speed will save nearly 50% of power. Since most Heating, Ventilating and Air Conditioning (HVAC) equipment seldom runs at full power, significant energy savings can be made with these variable speed drives.

Sunway REIT's HVAC systems provide comfort to tenants and occupants while maximising energy efficiency.

When indoor air temperature fluctuates, so does the relative humidity. The indoor humidity generally remains within the comfort zone. In Malaysia's humid climate, HVAC systems typically remove moisture from the supply air.

#### Lighting Efficiency

Sunway REIT is embarking on an energy efficient lighting replacement project where all T5 fluorescent bulbs are to be replaced with energy efficient LED bulbs. This ongoing project is scheduled for completion towards the end of CY2016. The lighting replacement project has been completed at Sunway Putra Mall, Sunway Tower, Sunway Resort Hotel & Spa, Sunway Hotel Seberang Jaya, and Sunway Hotel Georgetown. Meanwhile, Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Menara Sunway are currently implementing the project on a progressive basis. Sunway Pyramid Hotel East is currently being refurbished and will also be replacing its lighting.

The lighting in our retail and office properties' car parks is dimmed during non-business hours. Motion sensors have also been installed at the escalators in the retail malls and restrooms in the office buildings to save energy.

#### DID YOU KNOW?

LEDs use approximately 1/8<sup>th</sup> of the power of halogen lamps and have an average useful life of 50,000 hours. A lamp that is never switched off, need not be replaced for more than six years. A halogen lamp must be replaced each year which increases maintenance costs.

## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

#### Benefits of LED Lighting

Less energy	Reduced maintenance	Less heat produced resulting in lower indoor temperature	Long life
Zero UV emissions	Ecologically friendly	Durable	Instant lighting & frequent switching

#### Moving Forward

As an expanding asset owner of 14 properties, Sunway REIT consumes a large amount of energy in its daily operations. The management introduced a proactive three-year energy management programme as part of a cost containment and optimisation initiative. Asset Managers have collaborated with a renowned Japanese multinational corporation with expertise in energy efficiency and system optimisation.

The programme aims to reduce the energy required for lighting, heating and air conditioning. This three-phase initiative consists of optimisation, synchronisation and consolidation.

The programme will be piloted at Menara Sunway, Sunway Medical Centre, Sunway Resort Hotel & Spa, Sunway Pyramid Hotel East and Sunway Pyramid Shopping Mall. Upon completion, the synchronised operating systems in Sunway REIT's assets will reduce the total energy consumption in all assets. Economies of scale of energy consumption are expected to translate into long-term sustainable efficient energy management.

#### Sunway REIT's Energy Efficiency Targets



Decrease own demand for electricity through efficiency measures.



Motivate tenants and suppliers to become more energy efficient.



Simplify data collection and increase the density of information by using smarter meters.



Begin offering tenants the same favourable conditions for green energy procurement.



Centralise the procurement of green energy for the whole assets portfolio.



Increase employees' motivation to devise innovative and efficient solutions for Sunway REIT and its tenants.



Increase transparency by visualising energy intensity data of properties in its own data bank.



## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

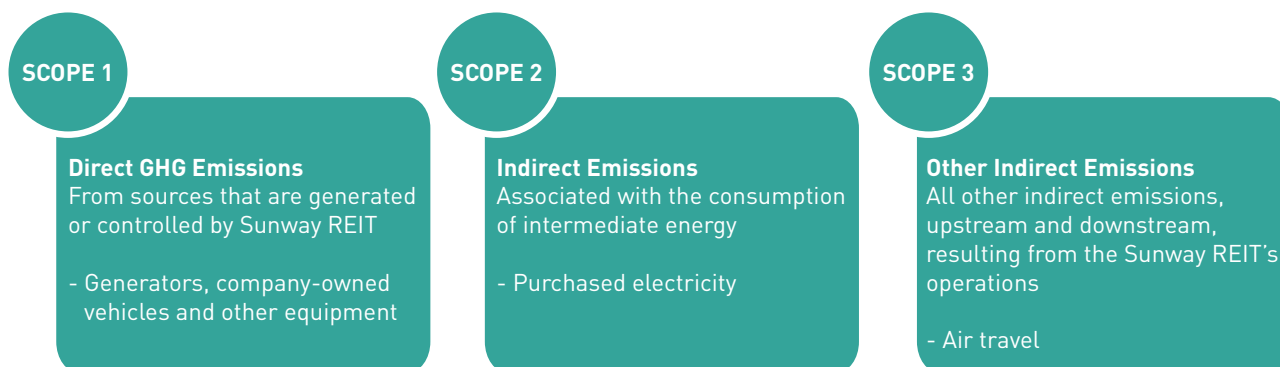
#### Climate Change

Recent extreme weather has reinforced climate change risks to many companies around the world. Climate change brings heavier rainfall to Malaysia accompanied by more hot days.

As one of the largest property owners and managers in Malaysia, Sunway REIT tackles global climate change by reducing its electricity, water and waste. Climate change is

important and we have developed strategic programmes to reduce our carbon footprint, change our behaviour and raise awareness in the community.

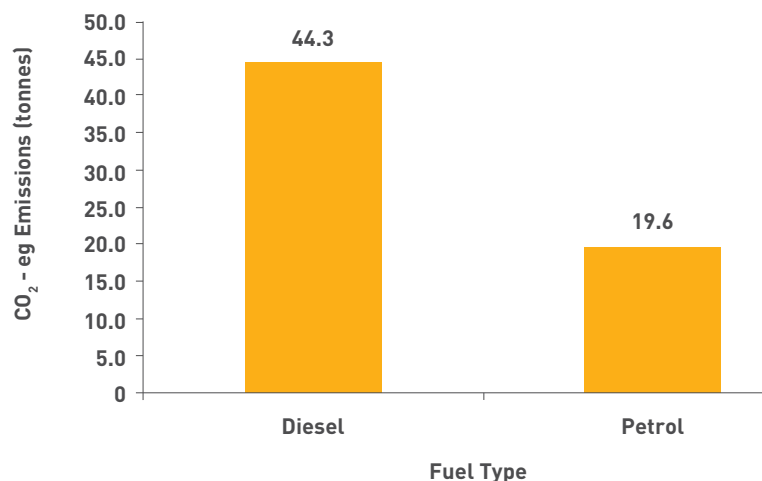
Monitoring and reporting GHG emissions are particularly important given the landlord and tenant arrangement of a property. The reporting follows the GHG Protocol, the most widely-used GHG emissions disclosure standard, which subcategorises emissions into three scopes.



#### Scope 1

Scope 1 GHG emissions are monitored by recording all fuel purchases used to power generators, company-owned vehicles and other equipment. Separate calculations have been performed for petrol and diesel from Sunway REIT data. Carbon dioxide (CO<sub>2</sub>) emissions from the consumption of fuel were derived from the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.

#### CO<sub>2</sub> Emissions (tonnes) From Gensets Vehicles and Other Equipment



Our generators, vehicles and other equipment produced 63.9 tonnes of CO<sub>2</sub> emissions in FY2016.

#### Scope 2

Energy has been calculated from the electricity bills of Sunway REIT and its assets. Energy is used by our office buildings, hotels and shopping malls.

CO<sub>2</sub> emissions from the use of electricity were derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid. In FY2016, our purchased electricity usage produced 136,446 tonnes of CO<sub>2</sub> emissions.

#### Scope 3

Air travel GHG emissions were calculated point to point including the number of employees on board, distance and flight class. Online tools derived from the World Resource Institute (WRI) Greenhouse Gas Protocol have been used to calculate the CO<sub>2</sub> emissions from air travel. In FY2016, 1.50 tonnes of CO<sub>2</sub> emissions were produced.

## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

#### Emissions Management

Electricity and cooling are not the only sources of emissions from our operations; business travel and employee commuting are also the contributors. Sunway REIT has invested in various projects aimed at making commuting more efficient.

#### Improving Infrastructure for the Community

Sunway REIT has contributed a total of RM18 million as part of the Group's infrastructure enhancement exercise in the construction of Sunway Pyramid's Canopy Walk and the Bus Rapid Transit (BRT) walkway. The Canopy Walk is a fully covered 2.3 km pedestrian walkway connecting Sunway Pyramid Shopping Mall with Sunway University and Monash University Malaysia. The walkway is equipped with 3,000 closed circuit TV cameras and is shaded by trees. Pedestrians enjoy the greenery and scenic views of the Wildlife Park, the Surf Beach and the Wagon Wheel of the neighbouring Sunway Lagoon.

The BRT-Sunway Line is Malaysia's first dedicated and elevated electric Bus Rapid Transit system. It is also the first public-private partnership (PPP) between Prasarana Malaysia Berhad (Prasarana) and Sunway Berhad. This eco friendly public transport project improves connectivity, accessibility and mobility for the communities in Bandar Sunway, Subang Jaya and USJ. We invested RM13 million in constructing the BRT elevated walkway which connects Sunway Pyramid Shopping Mall, Sunway Resort Hotel & Spa and Sunway Pyramid Hotel East to the BRT Station.

#### Connectivity Integration Initiative

Sunway REIT invested RM16.5 million over a period of three years since FY2013 to integrate the underground car parks connectivity linking Sunway Pyramid Shopping Mall, Sunway Resort Hotel & Spa, Sunway Pinnacle and Menara Sunway. This has led to seamless connectivity amongst these properties and resulted in higher combined parking capacity.

As part of the initiative, a covered pedestrian walkway was constructed to connect Manara Sunway and Sunway Pinnacle which links to the BRT Pedestrian walkway mentioned above. We hope that this initiative instil a habit of "Drive Less, Walk More" in SRC, thus reducing its carbon footprint.

#### Reducing Car Emissions

Malaysia's first car park guiding system was introduced at Sunway Pyramid Shopping Mall. This initiative reduces the time drivers spend finding a parking space, which reduces traffic congestion and carbon monoxide emissions.

Closed-circuit television monitors the car park and presents shoppers with a real-time overview of traffic conditions. Shoppers may use this information to leave the shopping mall when traffic conditions are favourable. This flexibility leads to reduced traffic congestion, fuel consumption and carbon monoxide emissions.

#### Ozone Depleting Substances

Ozone depleting substances are widely used in refrigerators, air conditioners and fire extinguishers. They can also be used in dry cleaning, as solvents for cleaning, electronic equipment and as agricultural fumigants. Sunway REIT supports the Montreal Protocol on Substances that Deplete the Ozone Layer. This international treaty is designed to protect the ozone layer by phasing out the production of numerous substances that are responsible for its depletion.

In all its assets, Sunway REIT uses the R134A refrigerant in its chillers, which has an insignificant Ozone Depleting Potential of 0.055.

#### Waste Management

Leading landlords are expected to manage waste efficiently by increasing recycling and reducing the amount of waste going to landfill. Tenants require reliable and cost-effective waste services. Increasingly, they have their own waste and recycling objectives. Sunway REIT's Integrated Waste Recycling initiative addresses the tenants' needs while delivering additional benefits to its properties and the environment.

All our assets practice strict housekeeping schedules and a garbage collection schedule has been fixed across all assets. For the retail assets, tenants may also pass their non-F&B trade, non-bulky items and domestic waste to the collector for disposal for the convenience of tenants. This prevents unpleasant odours arising from tenants discarding their packed food in the common area bin.

Refuse chambers are maintained by dedicated contractors, that transport the waste offsite up to twice daily. Open top bins are serviced by dedicated personnel to prevent waste from accumulating, which poses an environmental risk to occupants. It also help prevent pest problems from occurring.

Construction waste is transported by servicing contractors as and when required. The contractors are responsible for transferring the waste to a government-operated tip for construction materials. General wet waste is disposed of by servicing contractors who make an average of 35 trips per month to licensed solid waste disposal sites.

Sunway REIT's solid waste disposal for FY2016 is presented below.

#### Solid Waste Disposal in FY2016 (tonnes)

Sunway Pyramid Shopping Mall	5,046.22
Sunway Carnival Shopping Mall	1,062.00
Sunway Putra Mall and Sunway Putra Tower	1,392.50

## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

#### Recycling

Recycling is an ongoing initiative in many of Sunway REIT's assets. Practiced across a spectrum of activities, the ownership of the campaign is at individual asset level. Menara Sunway practises a recycling programme that encourages employees to bring their own containers following the cessation of styrofoam usage in the cafeteria. Menara Sunway recycles approximately 300,000 kg of waste each year. Sunway Pyramid Shopping Mall recycled more than 700,000 kg of recyclable materials in FY2016.

Recycling bins can be found throughout our retail properties. The recycling bins come in sets of three for paper, plastic and aluminium. Sunway Pyramid Shopping Mall's tenants produce between 800 and 1,000 kg each day. All collected waste materials are sent to recycling centres.

Our retail assets practise Bring Your Own Bag (BYOB) on every Tuesday of the year. This initiative encourages shoppers to reuse their bags and reduces the usage of plastics and paper bags.

Sunway Pyramid, Sunway Carnival and Menara Sunway have established ongoing 3R campaigns through recycling materials at buyback centres.

#### Recycling of furniture and electrical items

During the refurbishment of Sunway Resort Hotel East, the Manager of Sunway REIT has donated some old electrical items and furniture to the Sunway Education Group through the Jeffrey Cheah Foundation. This initiative formed part of Sunway REIT serving the community of SRC.

#### Water Management

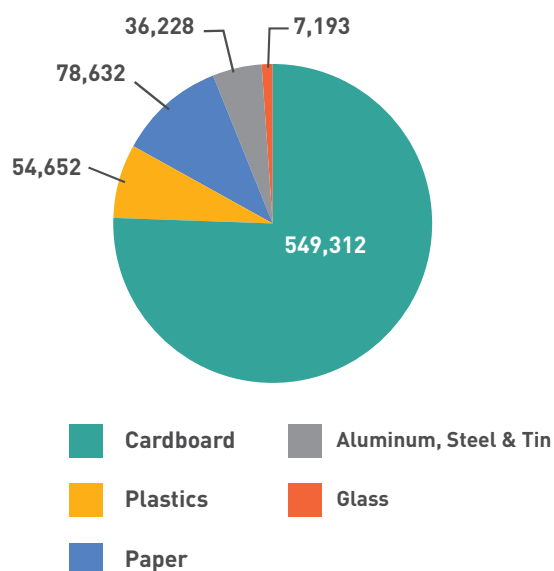
Water scarcity and the degradation of water quality are among our planet's biggest threats. Managing water consumption is essential for managing its use effectively. Sunway REIT aims to publish its water usage data each year. We aim to use recycled water for toilets or sprinklers whenever we refurbish our buildings.

Sunway Putra Mall and Sunway Pyramid Shopping Mall use waterless urinals system where urinals are treated with BioCare liquid, a special chemical that breaks down urine into environmentally-friendly components without needing water.

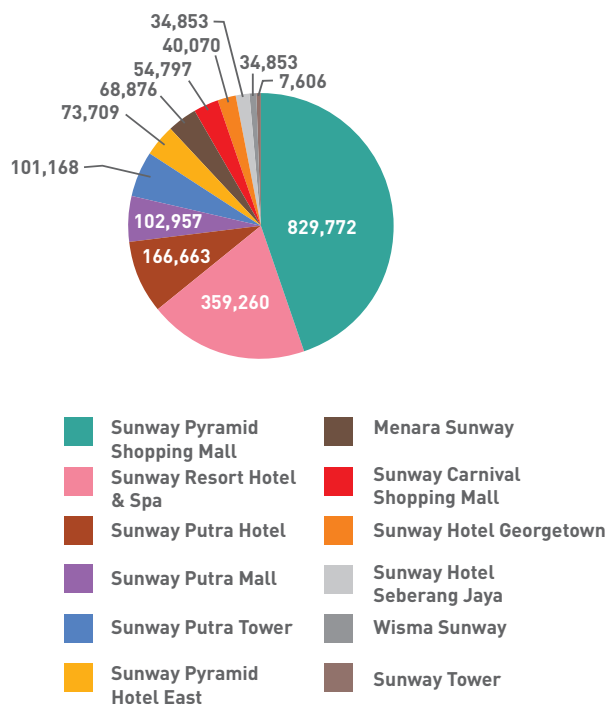
In collaboration with Sunway Group, we plan to recycle lake water for toilets and general use for our assets in SRC in the future. This will help reduce water consumption by approximately 30%.

In FY2016, Sunway REIT and its assets consumed 1,797,841m<sup>3</sup> of water.

**Sunway Pyramid Recycling (kg) in FY2016**



**Breakdown of Water Consumption in FY2016 (m<sup>3</sup>)**



## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

#### Environmental

Sunway REIT incorporates environmental consideration when embarking on AELs in order to ensure sustainability aspects of the asset. For instance, Sunway REIT has carefully considered the following potential environmental impact and devised measures to minimise them during the recently completed refurbishment of Sunway Putra Mall.

#### Environmental Consideration for Sunway Putra Mall

<b>Project Concept</b>	The project's revitalising concept gives the building a fresh look while incorporating a sustainable, green and energy efficient design.
<b>Planning</b>	Careful planning from the design to construction stages minimises disturbance to neighbours and the environment.
<b>Designing</b>	The selection of building materials, construction methods and preventive measures were considered.
<b>Land Clearing</b>	No earthwork and land clearing were carried out during this refurbishment project. The affected established trees were transplanted to other suitable locations in Bandar Sunway and Sunway South Quay.
<b>Construction &amp; Operation</b>	Prior to construction, the project team and site staff conducted an environmental induction programme to emphasize the importance of environmental preservation and its impact. The site also adopted the ISO 14001 Environmental Management standard.
<b>Development (Control of Earthworks/ Control of Erosion/ Control of Water Quality/ Disposal of Solid Waste/ Control of Air Pollution/ Control of Noise/ Installation of Solar Panel)</b>	Site management minimised local pollution significantly. Demolition debris and the roads were sprayed with water and cleaned regularly to avoid dust from becoming airborne. Noise and vibrations were controlled by limiting the operation of machinery and plants to permissible working hours. A robotic demolition machine and a diamond cutter were used during demolition.
<b>Energy saving</b>	<ul style="list-style-type: none"> <li>• Use of glass façade for 'Sun Diamond' is limited and faces North East</li> <li>• Maximised natural lighting while minimising heat gain, which reduced the energy required to cool the building</li> <li>• Changed to new and highly-efficient air conditioning chillers and cooling towers</li> <li>• Combined chillers and cooling towers for the mall, hotel and office to optimise the air conditioning loading of different peak hours</li> <li>• Use of LED and T5 light fittings</li> </ul>

#### Earth Hour 2016

On 19 March 2016, Sunway REIT once again celebrated Earth Hour. The retail and hotel assets turn off all non-essential lights.

In addition, the lights at the Grand Arch of Sunway Resort Hotel & Spa and façade lights stretching to Sunway Pyramid Hotel East were switched off. Hotel guests were encouraged to turn off their lights too.



Earth Hour 2016

## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL: EMPLOYEES

#### Social: Labour Practices and Conducive Workplace

Employees are a key component of Sunway REIT's success; their expertise, engagement and motivation level play a crucial role to the success of Sunway REIT. It is Sunway REIT's continuous endeavour to create an attractive and professional working environment for all employees.

The manager and its employees adhere to a Code of Conduct, which outlines the appropriate conduct and behaviour in performing their fiduciary responsibilities. All employees are presented with the employee handbook and must confirm their acceptance of its terms in writing.

Our strength comes from our people and we recruit and retain a talented and engaged workforce. Through strong governance practices, we aim to operate as an ethical and well-functioning organisation.

#### Our Employees, Our Asset

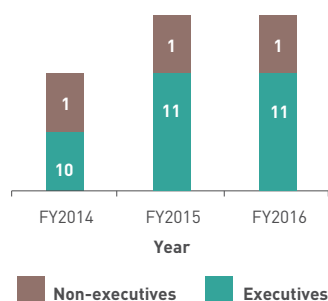
Our employees are our most valuable asset. Attracting and retaining talents, nurturing future leaders and ensuring their well-being are fundamental to business sustainability. Good labour/management relations and employee engagement are important to us. Throughout the year, the management engage with employees by:

- Conducting orientation programmes for new employees to familiarise them with Sunway REIT's business and culture.
- Running various activities such as social and sports events that encourage team building and cohesiveness.
- Keeping them informed of Sunway REIT's news and developments via the intranet.
- Introducing an open door policy that promotes open communication and encourages employees to provide suggestions, feedback or address concerns with the management.

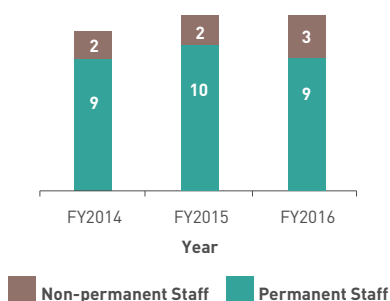
Humility is an important trait for leaders. It allows leaders and employees to work effectively individually and as a team. Sunway REIT practises a culture of humility across its assets.

#### Employees Statistics For The Manager

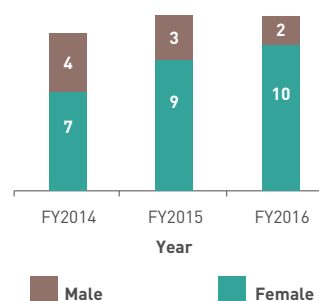
Workforce by Employment Type



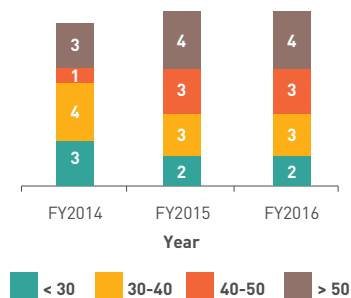
Workforce by Employment Contract



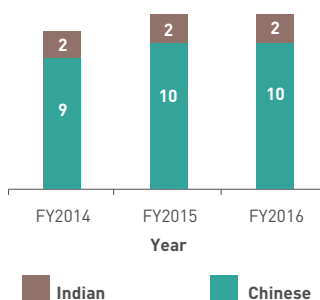
Workforce by Gender



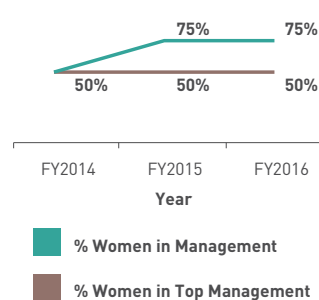
Workforce by Age Group



Workforce by Ethnicity



Workforce in Management





## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL: EMPLOYEES

#### Employee Turnover Rates

	FY2014	FY2015	FY2016
<b>Overall Sunway REIT</b>	<b>36%</b>	<b>17%</b>	<b>17%</b>
<b>Female</b>	4	1	1
<b>Male</b>	0	1	1
<b>Age Group</b>			
<30	2	0	1
30-40	2	2	1
40-50	0	0	0
>50	0	0	0

#### Attracting Women Talent

Since 2013, the Group Human Resources has introduced several initiatives to attract, retain and develop women in the workplace.

The key initiatives include:

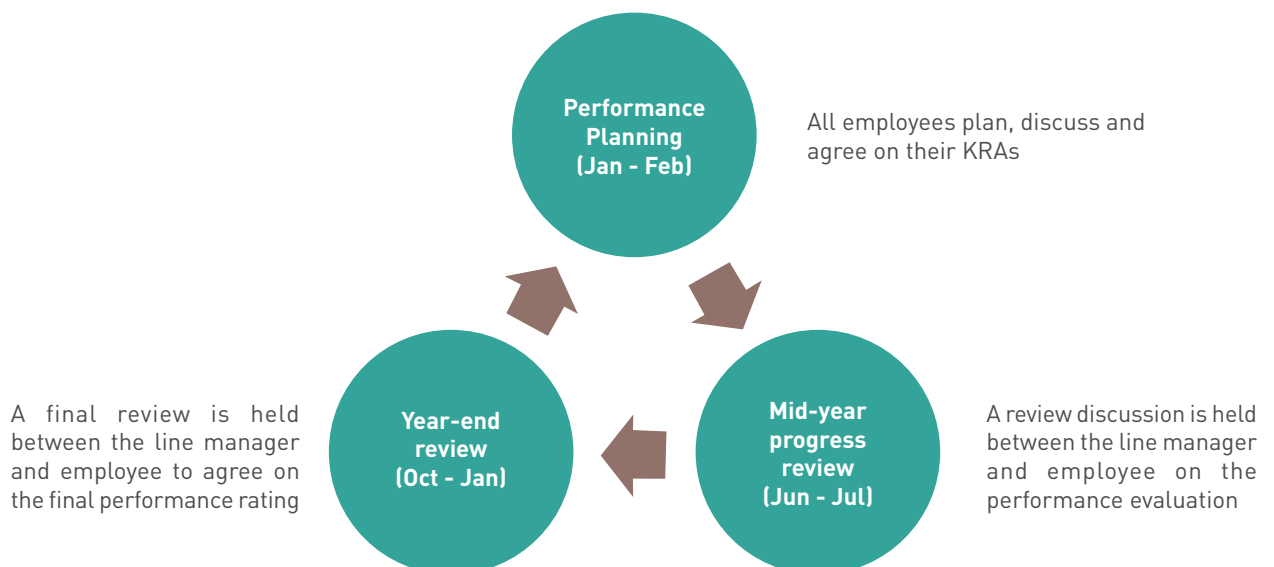
- Extended maternity leave
- Flexible working hours
- Designated parking bay for expectant mother at Menara Sunway
- Child care and pre-school facility
- Child care subsidy
- Women Leadership Workshop

A dedicated mother's room was allocated in Sunway's headquarters in 2013. In 2014, this was replicated in Sunway Pyramid Shopping Mall, Sunway Resort Hotel & Spa and Sunway Medical Centre.

#### Performance Appraisal

Performance management is known as Managing for Excellence (MFE) at Sunway REIT. MFE covers all executive and non-executive permanent employees within the organisation. Most employees now use our electronic system, eMFE.

#### Three Key Cycles of Performance Appraisal



#### Non-discrimination Policy

All employees of the Manager have the right to be treated fairly and respectfully by supervisors and other employees. All employees are expected to address colleagues and peers politely. The prohibition of discrimination and harassment is clearly outlined in the employee handbook, which is furnished to all employees.

Nobody should be harassed, discriminated against, disadvantaged, favoured or preferred because of their race, skin colour, nationality, ancestry, sex, sexual orientation, religion or ideology, political attitude, age, physical condition, appearance or other personal characteristics. Each employee has an obligation to respect the privacy of all other employees. Sexual or any other harassment is forbidden.

Sunway REIT delivers mandatory training on sexual harassment, discrimination and ethics. In FY2016, no concerns due to possible actions of discrimination were addressed within Sunway REIT.

#### A Focus on Fairness

The HR policies are designed to promote fairness, equal opportunities and diversity. As an equal opportunity employer practising affirmative action, Sunway REIT faithfully seeks a diverse candidate pool which includes women, minorities and veterans. A diverse workforce possesses a broader array of perspectives that provide a competitive edge in today's economy.

## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL: EMPLOYEES

Sunway REIT takes all measures to ensure its performance ratings are consistent and fair. These ratings are important as they:

- Are used to calculate performance-based rewards such as salary increments, bonuses, long-term incentives, talent management and succession planning.
- Help us identify, develop and retain talents. They also help in our Performance Improvement Plan to manage employees in the 'Unacceptable' rating category. Coaching and feedback from line managers and employees are ongoing between the performance planning, mid-year reviews and year-end reviews.

#### Ratings Scale for Employees' Individual KRAs, Competencies and Overall Performance



Starting from the Fund's Business Plan, objectives are cascaded down to each level of employee of The Manager within the organisation. Key components and weights are

- 1) Key Results Areas / KRAs (70%)
- 2) Competencies (30%)
- 3) Development

We apply the balanced scorecard approach in planning the KRAs into four perspectives: Financial, Customer, Internal Processes and Learning & Growth.

#### An Engaged and United Workforce

We define employee engagement as a heightened emotional connection with Sunway REIT that results in employees' willingness to extend 'discretionary effort' in their work. This is an extremely important measure that drives positive organisational outcomes such as higher productivity, improved attrition and lower absenteeism.

#### Employee Engagement are Measured on 3 Fundamental Pillars of Individual Behaviour



In 2015, we conducted a dipstick survey to measure the current level of employee engagement and satisfaction levels of various engagement drivers. The results help leaders and managers to improve employees' experience, gauge the effectiveness of action plans and generally improve employee engagement. Our goals include:

- Measuring the current employee engagement and satisfaction levels of various engagement drivers.
- Providing leaders and managers with sufficient information and insight to help them improve the employee experience.

#### Cultivating a Harmonious Workforce

An inclusive and harmonious workplace appreciates employees' differences and works to maximise the potential of each employee. The team celebrates festivities and birthdays together. In FY2016, Sunway REIT joined the Group Annual Dinner hosted at Sunway Resort Hotel & Spa and Family Day held in Sunway Lagoon. The events were filled with exciting entertainment and family members enjoyed precious bonding moments with one another.

#### Developing Our Talents

The Manager promotes talent development, career building and skills training. It has established a talent management programme to identify and groom future leaders for critical positions across the nation. Employees are promoted from within The Manager whenever possible to recognise their contributions and provide career progression opportunities.

Employees are encouraged to continually upgrade themselves through seminars, workshops and training. The training programmes cover both soft skills and hard skills. Key training course topics in FY2016 included:

- Risk and Vulnerability of Global Markets;
- Behavioural Finance – Impact Analysis on Investors' Decision;
- Tax, GST and Customs Law;
- Sunway Management Conference; and
- 7 Habits of Highly Effective People and Effective Communication.

The Manager also provides opportunities for lateral movement and job rotation where appropriate. This approach provides staff with a broader exposure that is vital for their career advancement.

## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL: COMMUNITY

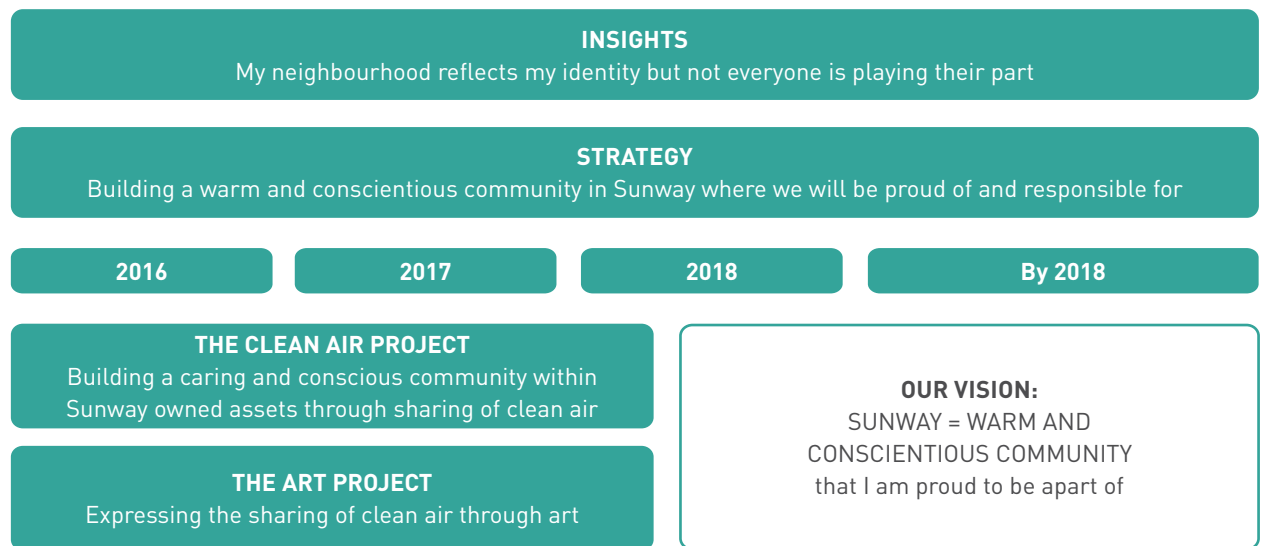
We aim to enrich all communities in which our assets are located. Community programmes are specifically designed to protect the health, welfare and safety of our stakeholders. Our assets also celebrate diversity through various festivities throughout the year and decorate their public spaces to reflect Malaysia's colourful cultures and races.

#### Sunway Smoke-Free Initiative

In FY2015, Sunway REIT has earmarked Sunway Pyramid Shopping Mall to embark on a three-year journey towards becoming smoke-free by 2018. This is in-line with Sunway Group's vision of making all Sunway-owned assets in Bandar Sunway smoke-free by 2018.

Our research findings concurred that a suppression approach has proven to be counter-productive. Instead, our more positive approach creates an atmosphere the community is proud of while respecting smokers' rights. Known as the **"CLEAN AIR PROJECT by SUNWAY REIT"**, we are using **"ART"** as an instigator of **"CHANGE"**.

#### The Strategy Roadmap of "The Clean Air Project by Sunway REIT"



The project engages with stakeholders and community members through on-ground and digital platforms. A series of engagement activities are scheduled to be unveiled in stages as part of Sunway REIT's smoke-free journey.



#### SMOKERS

- Inspire them to be clean air advocates and confine the smokers to some designated areas



#### SHOPPERS

- Communicate on Sunway's initiative to champion the clean air project



#### TENANTS AND EMPLOYEES

- Increase pride and ownership to be part of Sunway's 2018 aspiration



#### External Community

- Generate interest and positive impression on the brand

## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL: COMMUNITY

In FY2016, the Group launched its non-smoking policy statement at all Sunway-owned buildings in Bandar Sunway. The Group also formalised the employee smoking cessation programme and launched it at Sunway Medical Centre.

#### Communications Panel at All Sunway-Owned Buildings



#### Sunway REIT's Assets Celebrate Cultural Diversity

Sunway REIT promotes harmony by showcasing the unique characteristics of Malaysia's different cultures and races in its features and designs.

Being a true Malaysian assets owner, our malls and hotels celebrate festivities throughout the year such as Chinese New Year, Hari Raya, Deepavali and Christmas. These assets are great places to celebrate with the community while promoting local cultures and arts.

The festive seasons in Malaysia are the most awaited events by locals and tourists. Visitors look forward to visiting retail malls and hotels that are tastefully decorated to reflect Malaysia's colourful cultures and races. This allows the management to showcase the beauty of Malaysian culture especially to foreign tourists and expatriates who reside near the retail malls and hotels.

We take this opportunity to engage our shoppers and hotel guests with a slew of activities to celebrate these joyous moments with them.



Sunway REIT's Assets Celebrate Cultural Diversity



## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL: COMMUNITY

#### Children Friendly Malls

In line with Sunway REIT's retail malls' positioning as family oriented lifestyle malls, we place high importance on providing a child-friendly ambience at our malls with special attention to safety facilities. Some of our facilities are highlighted below:

Baby Rooms	Baby Strollers	Child Distance Monitors	Child Monitoring Wristbands
<ul style="list-style-type: none"> <li>All malls have built-in nursing rooms, baby wash, hand soap and diaper changing stations.</li> </ul>	<ul style="list-style-type: none"> <li>Baby strollers are available at all our shopping malls. These are available free of charge although a small refundable deposit is required.</li> </ul>	<ul style="list-style-type: none"> <li>These monitors keep track of shoppers' children to make sure they are always in sight of their parents.</li> </ul>	<ul style="list-style-type: none"> <li>Children are encouraged to carry the contact details of their family members. Child monitoring wristbands are available to all shoppers at the concierge.</li> </ul>

Safety-related workshops such as escalator safety were delivered to school children. Escalator safety signs are displayed at major escalators to remind shoppers of escalator hazards.

#### Sunway REIT Assets Encourage a Healthy Community

Our assets including Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya gave away vouchers for hotel retreats to 33 lucky Penang Starwalk 2015 participants. The hotels offered lucky draw prizes worth RM10,200 that covered accommodation and meal vouchers. The 7-km Starwalk was a good platform to support a healthy lifestyle. The walk started from Penang Times Square at 7am on 13 September 2015 attracting more than 20,000 participants.

#### One Man's Wish

Amongst the CSR initiatives, one of the life touching CSR initiative undertaken by Sunway Pyramid Shopping Mall was "One Man's Wish". On 25 December 2014, a remote village in Pahang known as Kerdau has suffered from the worst flood in history where water level rose to as high as 13ft and destroyed many parts of the village.

Mr Ng Tze Kiong, the president of the Parents Teachers Association of Sekolah Rendah Kebangsaan (C) Kerdau, had wished for a large reunion dinners for his fellow neighbours as it symbolises family unity in Chinese tradition.

The team from Sunway Pyramid Shopping Mall united to repair the village decimated by a massive flooding. The team



One Man's Wish

undertook multiple tasks including cleaning and repairing homes and community facilities in advance for the Lunar New Year. The pinnacle of the program was the staging of a massive feast and fireworks celebration allowing thousands of local families whose lives had been decimated by the natural disaster to celebrate the New Year.

Sunway Pyramid Shopping Mall has earned an international recognition for this humble initiative as the Silver winner in the cause related marketing category for the Asia Pacific Shopping Center Awards 2015 by The International Council of Shopping Centers (ICSC).

The video is available at <https://www.youtube.com/watch?v=b214rY7Xr14>



Silver in the ICSC 2015 Asia Pacific Shopping Center Awards

#### Dengue Awareness Campaign

With the alarming rise in the number of reported dengue cases, Sunway Carnival Shopping Mall collaborated with the Penang State Health Department in raising public awareness of dengue prevention. An information corner was set up to educate the public on preventive measures against dengue fever.



## SUSTAINABILITY STATEMENT (CONT'D)

### COMMUNITY: SOCIETY



#### Sunway Resort Hotel & Spa Feeds the Hungry

Sunway Resort Hotel & Spa supports the Roti 1Malaysia programme. This programme is a joint effort between the Ministry of Women, Family and Community Development, Eu Yan Sang and hotels in the Klang Valley. The Roti 1Malaysia Charity Programme distributes surplus bread and pastries from five-star hotels to welfare homes, orphanages and other needy communities.

Sunway Resort Hotel & Spa also participated in a charity project run by Sunway Student Volunteers (SSV) in collaboration with the Kelab Sukan Sunway (KSS). Hotel employees donated basic food and daily necessities to the underprivileged children, old people, needy families and the orang asli community.

#### Stop Hunger Now

Sunway REIT's assets including Sunway Hotel Georgetown, Sunway Hotel Seberang Jaya, Sunway Carnival Shopping Mall, Sunway Putra Mall and Sunway Putra Hotel participated in Sunway Group's Stop Hunger Now programme. Employees of these assets packed meals comprising rice lentils, dried vegetables and vitamin supplements at Sunway Hotel Georgetown. Meals were sent to victims of the earthquake at Ranau in Sabah, the strongest to affect Malaysia since 1976.



#### Adoption of Yayasan Chow Kit

Sunway Putra Mall is a firm believer of benefiting and giving back to the community. Many charitable events were held in the mall. One of its core Corporate Social Responsibility (CSR) programmes is the adoption of a non-profit organisation centre, Yayasan Chow Kit (YCK). The children, aged between eight and 14 years old, are constantly involved in the mall's activities. Special outings to the mall are organised for underprivileged children and those with special needs, especially during festive periods to allow them to share the festive joy.

On 25 March 2016, YCK Children were treated with a fun filled day with Po the Panda at the Sunway Putra Mall.

Following the adoption of YCK, the property manager is committed in contributing to the welfare of the children at YCK.

## SUSTAINABILITY STATEMENT (CONT'D)

### COMMUNITY: SOCIETY

#### Social: Product Responsibility

Our products and services are enjoyed by millions of people each year and their safety and security could not be more important. We aim to provide superior products and customer service to our tenants, shoppers and hotel guests.

#### Safety and Security is Sunway REIT's Priority

Vigilant security system at our assets are extremely important to us. Tenants and their employees, shoppers, hotel guests and patrons must feel safe and welcome while patronizing our assets.

The management has been working closely with the Royal Malaysian Police to ensure the safety of our assets and reduce crime in the surrounding vicinity.

Our auxiliary police are highly trained to keep tenants, shoppers, hotel guests, car park and the surrounding vicinity safe. Armed auxiliary police regularly patrol the assets' perimeter and the pedestrian bridges that connects to our assets. All auxiliary police are required to attend:

- Monthly training organised by our Group Security.
- At least two shooting courses organised by PDRM.
- At least 48 hours of foot drill training and BOMBA training a year.
- At least 16 hours of classroom training each year.
- Two months training at our Police Training Centre.

The Auxiliary Police is a unique feature to Sunway REIT's assets.

#### Auxiliary Police Are Trained to Respond Appropriately in These Situations



Finding lost children



Deterring theft



Patrolling parking areas



Assisting medical emergencies



Responding to active criminal incidents



Controlling crowds

#### Roles and Responsibilities of the Auxiliary Police

Ensuring the security and safety of all patrons on the premises

Being part of the enforcement team to act in the case of violations

Conducting inspections with the Operations Team and taking corrective and preventive measures when necessary

Introducing an Emergency Procedure Awareness Programme that helps educate tenants on basic security measures

In our malls, security officers patrol all sections of the mall on a personal transporter, with special attention to crime-prone areas such as jewellery shops. Panic buttons are situated in the mall and car parks for quick emergency response. This initiative is particularly useful for the elderly, those with medical conditions and others in need of emergency assistance. When pressed, the Fire Control Room and a list of security and car park attendants are alerted. The nearest attendant will arrive within five minutes and help those in need of assistance.

# SUSTAINABILITY STATEMENT (CONT'D)

## COMMUNITY: SOCIETY

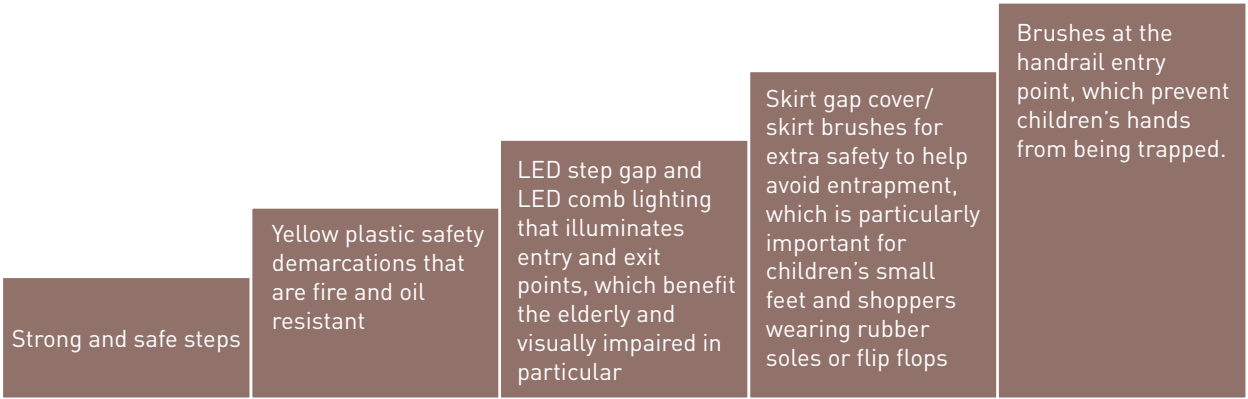
### State of the Art Escalator Safety

Safety is the most important part of escalator safety. Several risks associated with escalator hazards were identified in our malls. Our escalators are designed to prevents these incidents from occurring.

### Mitigating System-relevant Failures on Escalators

System-relevant failures, such as inadvertent changes of direction and overspeed, may cause shoppers to lose their balance or become trapped	The operations team prevents these risks through the intelligent design of its safety solutions
	Escalators are equipped with anti-unintentional reversal control in which the speed and direction are monitored on the motor shaft, stepband and handrail
	The anti-reversing device and phase monitoring prevents inadvertent changes in direction
	The intelligent brake system minimises the risk of falling in emergency stop situations
Customer behaviour contributes significantly to escalator incidents	The needs of children, senior citizens and the disabled are particularly important
	Passengers are educated on the safe use of escalators and moving walks
	Passengers are provided with clear and concise pictographs required to enjoy a safe and pleasant ride.
	Mascots are placed near the escalators to remind shoppers that the escalator is not a play area.

### Sunway REIT’s Escalator Safety Features



The escalators are inspected every day by our Mechanical and Engineering Teams, with external contractors reviewing them on a monthly basis or when required. We work closely with the Department of Occupational Safety and Health (DOSH) to ensure that all our escalators (JKJ 167) and lifts (JKJ166) are in good condition and functioning well. We adhere to the DOSH’s criteria of initial and annual inspection, which are important when renewing licenses for all escalators and lifts.

## SUSTAINABILITY STATEMENT (CONT'D)

### COMMUNITY: SOCIETY

#### Privacy Statement

Sunway REIT Management has created a privacy statement to demonstrate its commitment to privacy. This statement covers gathering and dissemination practices for our corporate website, sunwayreit.com and investors database.

Sunway REIT does not collect any personal identifying information other than what is knowingly provided. All information collected is in accordance to the Personal Data Protection Act (PDPA) and is strictly used for communication of Sunway REIT information and latest updates to the protected database.

#### Sunway REIT Promises Comfort to its Shoppers

Our malls continue to work to ensure that shoppers' time with us is as enjoyable, relaxing and hassle free as possible. We perform daily upkeep, scheduled maintenance and other measures to provide the public with a pleasant and conducive environment.

Sunway REIT conducts regular upgrading and refurbishment work at its assets. Typically, work comprises maintaining the basic wear and tear of the buildings' structures, improving lighting and installing the latest security surveillance equipment amongst others. The recent refurbishment work at Sunway Putra Mall has significantly improved shoppers' convenience and comfort levels. The mall constructed an elevated walkway, staircase and escalator links to enhance connectivity of the assets with surrounding building and public transportation stations.

#### Sunway Pyramid Mobile App

Sunway Pyramid developed an interactive pocket guide for Sunway Pyramid Shopping Centre visitors. Using the enhanced navigation trail, users can find their favourite store, save the location of their car park space and browse the latest promotional highlights. We hope to replicate the applications in the other malls within our asset portfolio.



#### HOUSEKEEPING

- Daily cleaning and sanitising of public facilities such as restrooms, baby rooms and lifts as well as pest control procedures and waste removal



#### SECURITY

- Personnel patrol, CCTV surveillance, first-aid and emergency response procedure



#### MECHANICAL, ELECTRICAL AND BUILDING MAINTENANCE

- Ensure all mechanical and electrical machinery is well maintained to ensure good operations, Architectural and structure integrity monitoring is performed and any defective piping systems and carpentry work are repaired



#### CUSTOMER CARE

- Provide face masks to shoppers during haze, drinking water in hot weather as well as a resting area and patient holding area

#### Tenant Centric Approach

The Property Manager aims to provide a clean, safe and pleasant environment for its tenants and be a reliable and engaging landlord, which in turn contribute to tenant satisfaction and retention. Sunway REIT conducts annual tenant surveys to gauge their satisfaction levels in various aspects. These surveys cover leasing management as well as operational or maintenance response to the building

environment such as amenities, car parks, security and safety, and public transportation. This invaluable feedback helps us understand their needs and expectations while identifying areas for improvement.

We undertake asset enhancements initiatives to refresh our properties and seek improvements to serve the needs of our tenants more effectively.

# TRUST

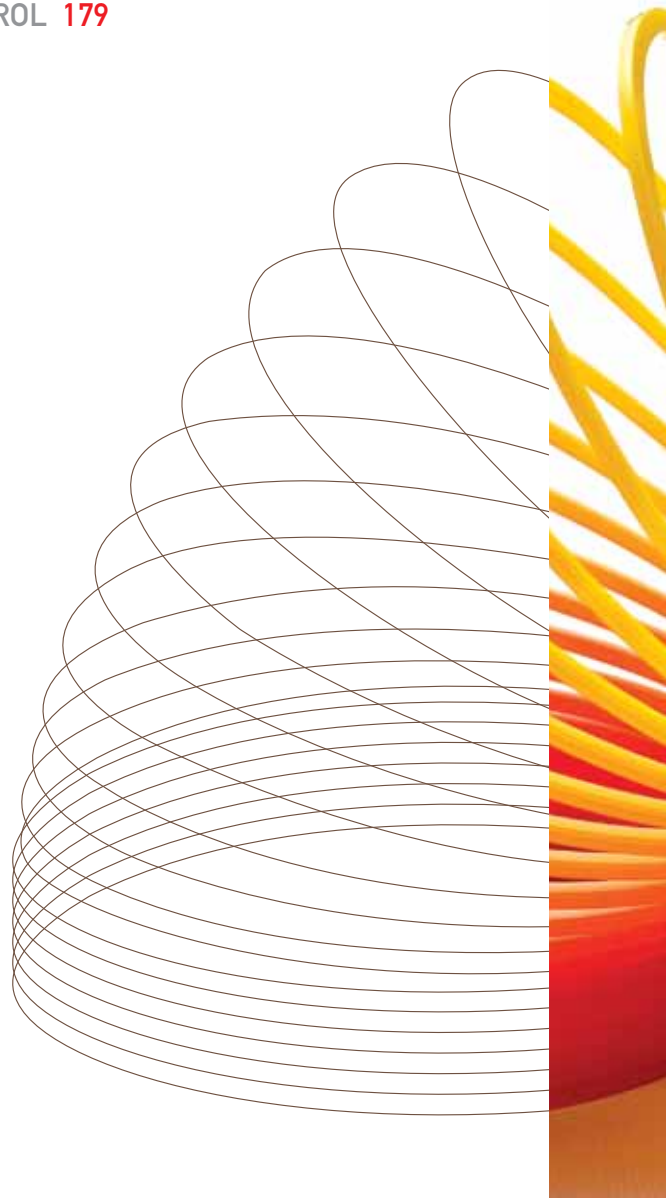
The helical spring is able to stretch far and wide without losing its shape. When released, it recoils and returns to its initial position of standing upright.

## EFFECTIVE TRANSPARENCY

AUDIT COMMITTEE REPORT **176**

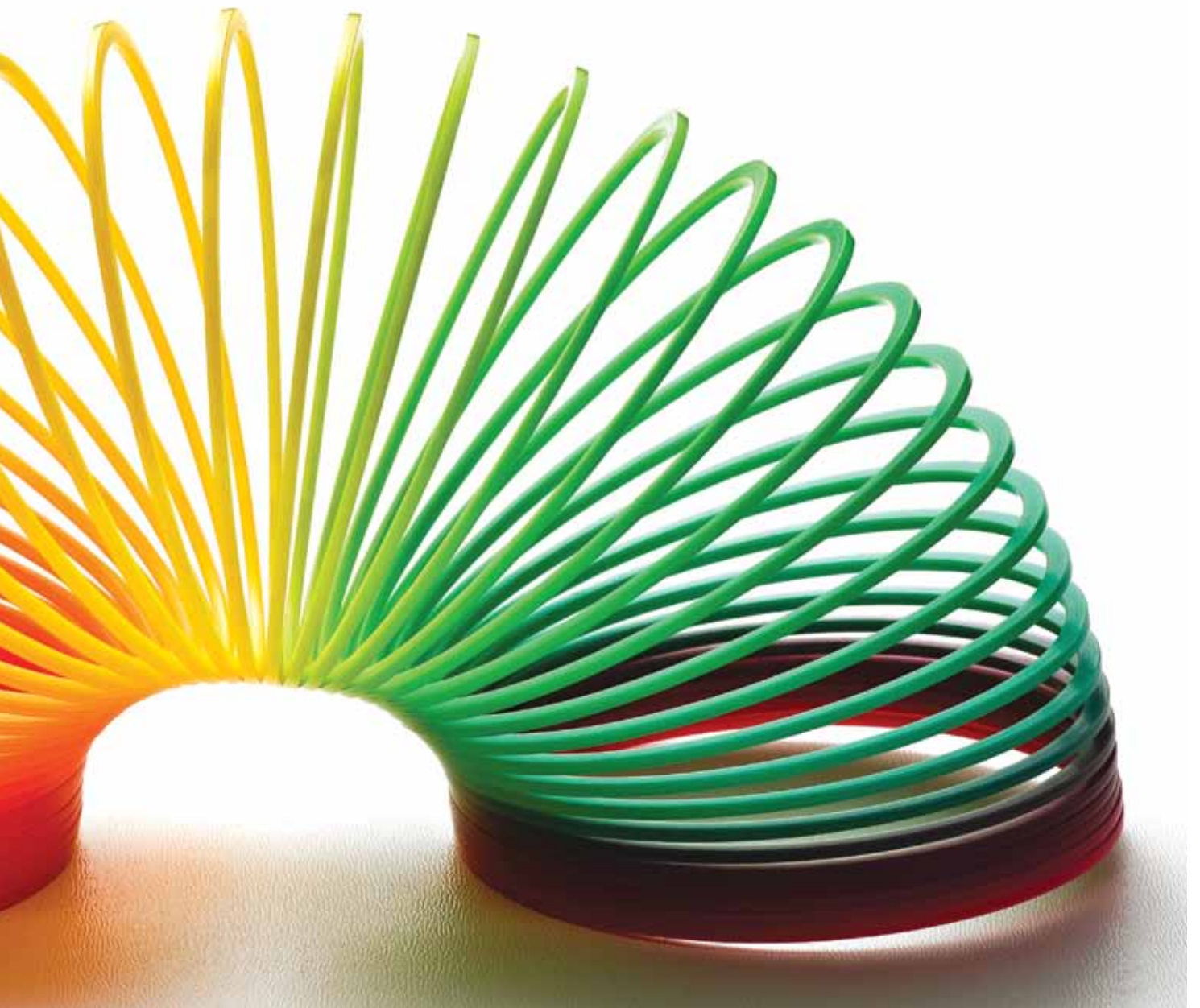
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL **179**

ADDITIONAL INFORMATION **181**





Sunway REIT is committed in being  
ethical in achieving all goals.



# AUDIT COMMITTEE REPORT

## FORMATION

Recognizing that an audit committee plays an important role in corporate governance, the Board of the Manager had on 22 September 2010, established an Audit Committee on a voluntary basis to ensure that the interests of the unitholders of Sunway Real Estate Investment Trust ("Sunway REIT") are protected and prioritised.

The Audit Committee holds an important function, which is to assist the Board of the Manager to review, assess and to recommend proposals relating to internal controls, financial and accounting records and policies as well as financial reporting practices of Sunway REIT.

During the financial year, Tengku Nurul Azian Binti Tengku Shahriman, who is legally trained and specialized in corporate finance, was appointed to the Committee on 11 March 2016 to further strengthen the composition of the Committee.

## COMPOSITION

The members of the Audit Committee during the financial year ended 30 June 2016 were as follows:-

1. Tan Sri Ahmad Bin Mohd Don – Chairman  
(Senior Independent Non-Executive Director)
2. Elvin A/L Berty Luke Fernandez  
(Independent Non-Executive Director)
3. Ng Sing Hwa  
(Non-Independent Non-Executive Director)
4. Tengku Nurul Azian Binti Tengku Shahriman  
(Independent Non-Executive Director)  
(Appointed on 11 March 2016)
5. Willy Shee Ping Yah @ Shee Ping Yan  
(Independent Non-Executive Director)  
(Resigned on 11 March 2016)

The terms of reference of the Audit Committee are set out on the Sunway REIT website at [www.sunwayreit.com](http://www.sunwayreit.com).

## MEETINGS AND ATTENDANCE

All or any members of the Committee may participate in a meeting of the Audit Committee by means of teleconference or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote as well as be taken into account in ascertaining the presence of a quorum at the meeting.

The Audit Committee held 5 meetings during the financial year and the details of attendance of the Committee Members are as follows:-

Name of Committee Member	Number of Meetings Attended
Tan Sri Ahmad Bin Mohd Don	5/5
Ng Sing Hwa	5/5
Elvin A/L Berty Luke Fernandez	5/5
Tengku Nurul Azian Binti Tengku Shahriman*	2/2

\* Tengku Azian Shahriman attended 2 out of 2 Audit Committee Meetings during the financial year since her appointment on 11 March 2016.

The Chief Executive Officer, Chief Financial Officer, Internal Auditors, External Auditors and Compliance Officer were invited to the meetings held. The External Auditors were present at 2 of the total meetings held.

## DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 30 June 2016, the Audit Committee has met its responsibilities in discharging its functions and duties in accordance with its terms of reference as follows :-

### 1. Overseeing Financial Reporting

- (a) Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls (for example, approval flows and checklists) are in place in the preparation of the financial reports. At the aforesaid meetings, the Audit Committee focused its attention on the reported financial figures and explanations to material variances or movements during the period.
- (b) On 26 July 2016, the Independent Directors from the Audit Committee have met with C H Williams Talhar & Wong Sdn Bhd, an independent qualified valuer, to evaluate the valuation techniques used i.e. investment method and profit method in arriving at the fair value changes of RM63,482,000 for the investment properties in relation to the financial year 2016.
- (c) Reviewed and discussed the quarterly results with Management. The Committee also reviewed and discussed the annual financial statements and the External Auditors' audit report with the External Auditors, Internal Auditors as well as Management. Having satisfied itself that the financial results and reports complied with relevant accounting standards & legal requirement, the Audit Committee duly recommended the same for the Board's approval.
- (d) Minutes of previous Committee meetings were tabled at the subsequent Board meetings by the Audit Committee Chairman. Significant issues were highlighted together with followed up actions to rectify them were reported to the Board.
- (e) The Committee took note of significant changes and amendments to the regulations, accounting standards and other regulatory requirements that could affect the financial reporting of Sunway REIT.

### 2. Assessing Risks and Control Environment

- (a) The Committee reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- (b) The Management reported to the Committee on a quarterly basis, all identified risks that were recorded in a risk management scorecard which had facilitated systematic review and monitoring of the risk areas.
- (c) The Committee also reviewed and deliberated on matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

### 3. Evaluate the Audit Process

- (i) Internal Audit
  - (a) Reviewed the annual internal audit plan with the Manager's Internal Audit Department (Sunway GIAD) to ensure adequate audit coverage of the key risk areas and processes of the business operations activities of Sunway REIT.

## AUDIT COMMITTEE REPORT (CONT'D)

- (b) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes with the Internal Auditors.
- (c) Reviewed the audit activities carried out by the Sunway GIAD and discussed the audit reports, their major findings and recommendations to ensure corrective actions were taken in addressing the risk issues reported.
- (d) Monitored and reviewed the progress of follow-ups on audit findings to ensure remedial / corrective actions have been taken by Management on a timely basis.
- (e) Evaluated the adequacy and effectiveness of Internal Audit Function as well as the performance of the Internal Auditors against the audit plan.
- (f) Reviewed Sunway GIAD's independent findings of Sunway REIT's compliance with the Main Market Listing Requirements, Guidelines on Real Estate Investment Trust and Securities Commission's Licensing Handbook.
- (g) The Audit Committee had on 11 August 2015 and 27 January 2016 met with Sunway GIAD without the presence of the management staff to facilitate discussions of additional matters in relation to audit issues and internal control weaknesses noted in the course of their audit.
- (h) The Audit Committee had engaged an external professional consultant, Protiviti Pte Ltd ("Protiviti") to perform a quality assessment review on internal audit during the year to obtain independent assurance that the internal audit activity conforms to the International Standards for the Professional Practice of Internal Auditing (IIA Standards). The Audit Committee had reviewed and discussed the results of the assessment with Protiviti, the external Consultant on 27 January 2016. The review by Protiviti concluded that Sunway GIAD is assessed to be carrying out its internal audit activities in conformance with the IIA Standards.
- (i) The Audit Committee also assessed the adequacy of resources and core skills and competencies of staff within the Sunway GIAD and the Committee is of the opinion that the internal audit function is appropriate to its size and the nature and scope of its activities.

### (ii) External Audit

- (a) On 29 October 2015, the Audit Committee had reviewed and discussed with the Management and the External Auditors, the Audit Planning Memorandum for 2016. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to the commencement of annual audit. It was noted that there was no new financial reporting standards affecting Sunway REIT for financial year 2016.
- (b) Discussed with the External Auditors on 11 August 2015, the Audited Financial Statements for the financial year ended 30 June 2015 particularly, on the major issues that arose during the course of the audit and their resolution, key accounting and audit adjustments as well as the unadjusted differences identified during the audit.
- (c) The Audit Committee on 11 August 2015 and 29 October 2015, had private sessions with External Auditors to discuss any issues as well as reservations arising from their audit without the presence of management staff and the executive board members. No major concerns were highlighted by the External Auditors and they confirmed

that they had been receiving full cooperation from the Management.

- (d) Took note that there were no non-audit services fees required for the FY2015.
- (e) In line with good corporate governance practice, the Audit Committee supported the board policy of rotating the External Auditors every five year period. As such, it deliberated on the proposed change of External Auditors from Messrs Ernst & Young to Messrs BDO. The Audit Committee deliberated on the sufficiency of resources, professional scepticism and the independence of Messrs BDO and was satisfied that the resources were sufficient and their services were professional and independent. The Audit Committee subsequently recommended its appointment to the Board for approval.

### 4. Reviewing Related Party Transaction & Conflict of Interest Situations

- (a) The Audit Committee reviewed the potential conflict of interest, related party transactions and recurring related party transactions based on its existing framework which requires that such potential conflict of interest, related party transaction and recurring related party transaction situations be :
  - i) Carried out in compliance with the REIT Guidelines and the Deed;
  - ii) Carried out on an arms' length basis and under normal commercial terms;
  - iii) Carried out in the best interest of the unitholders;
  - iv) Abstention from voting at Board Meetings for interested parties;
  - v) Adequately disclose to the unitholders via Bursa Announcements, Quarterly Reports and Annual Report; and
  - vi) Approved by the Trustee.
- (b) The Committee took note that there were no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Chief Executive Officer at the quarterly meetings.
- (c) Reviewed the terms of the proposed renewal of the Third Car Park Tenancy Agreement for Sunway Putra Mall to be entered between RHB Trustees Berhad (as trustee for Sunway REIT) and Sunway Mall Parking Sdn Bhd (a subsidiary of Sunway Berhad). The Committee was satisfied that the proposed renewal of the Agreement was in the best interest of Sunway REIT and was not detrimental to the unitholders.
- (d) Reviewed and deliberated the proposal for the revised guaranteed rental for Sunway Putra Hotel. Having examined the financial assumptions presented, the Committee was satisfied that the guaranteed rental revision was done for the benefit of Sunway REIT and was not detrimental to the unitholders.
- (e) Reviewed and discussed the proposal in relation to the acquisition of the vacant land adjacent to Sunway Carnival Shopping Mall. Details are as set out in paragraph 6(ii) below. The Audit Committee was satisfied that the proposed acquisition of the vacant land was made to enhance the Shopping Mall's competitive edge and to tap the ever growing population in the vicinity. The purchase price was equivalent to the market value as appraised by independent valuer, Messrs. CH Williams Talhar & Wong.



## AUDIT COMMITTEE REPORT (CONT'D)

### 5. Other Matters

- (a) Reviewed the audit fees for the financial year ended June 2015.
- (b) Reviewed and recommended for the Board's approval, the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion into the Annual Report 2015 of Sunway REIT.
- (c) Reviewed and approved the Annual Report 2015.
- (d) The Committee was satisfied that there were no non-compliance of the Deed, Capital Markets Services Act 2007 and SC REIT guidelines based on the compliance survey completed by the key management of the Manager, and as reported by the compliance officer at the quarterly meetings during the financial year.
- (e) The Committee was informed that there were no breaches of the Main Market Listing Requirements of Bursa Securities as reported by the company secretary at the quarterly meetings during the financial year.

### 6. Significant Matters

#### i) Potential Conflict of Interest

The Audit Committee had deliberated on the potential conflict of interest situation which might arise from time to time based on the following roles held by Mr Chan Hoi Choy:

- a) as director of the REIT Manager;
- b) as the Chief Executive Officer ("CEO") of Retail (Sunway Shopping Malls and Theme Parks); and
- c) indirectly, as the CEO of Sunway IFM Sdn Bhd, which was currently the service provider appointed by the property manager, AREM Sdn Bhd for the retail properties.

The Audit Committee deliberated on the potential conflict of interest situation, which might arise where for example, proposals presented for capital expenditures involving retail property, approval for business plan and proposed acquisition of retail properties from Sunway Berhad Group. Mr Chan Hoi Choy was advised to declare his interest when such situation arises. He also would abstain from deliberation and voting on the proposals in which he has direct or indirect interest at any Board meetings.

#### ii) Related Party Transaction

The Audit Committee had deliberated on the proposed acquisition of a vacant land adjacent to Sunway Carnival Shopping Mall ("Proposed Acquisition") from a subsidiary of Sunway Berhad, the holding company of the Manager and a substantial unitholders of Sunway REIT. The Audit Committee supported the Management's view that it would be timely to expand Sunway Carnival Shopping Mall in order to cater to the rapidly growing population in Mainland Penang. The Audit Committee subsequently endorsed the Proposed Acquisition and requested a final feasibility study on the construction costs of the mall expansion, be presented in due course.

In view that the Manager would receive an acquisition fee from Sunway REIT for the Proposed Acquisition, Mr Ng Sing Hwa declared his interest, being a director of the Manager and Millennium Pavilion Sdn Bhd, which holds 20% in the Manager. He is also a major shareholder of Millennium Pavilion Sdn Bhd. Accordingly, Mr Ng Sing Hwa had abstained from voting on the Proposed Acquisition.

The Audit Committee is satisfied that all recommendations made to the Board have been done after much analysis and balancing between commercial consideration and related risks which were weighted in favour of the best interest of unitholders.

## ANNUAL ASSESSMENT OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board for the financial year ended 30 June 2016. The Audit Committee Members were given the Audit Committee Evaluation survey, Audit Committee Members' Self and Peer Evaluation and Internal Audit Function Evaluation survey to assess whether the Audit Committee had carried out its duties and responsibilities in accordance with its terms of reference.

Based on the Board's response, it was satisfied that the Audit Committee was effective in discharging its duties and responsibilities as required under the terms of reference of the Audit Committee.

## AUDIT COMMITTEE'S TRAINING

The details of training programmes and seminars attended by each Committee Member during the financial year ended 30 June 2016 are set out in Sunway REIT's website at [www.sunwayreit.com](http://www.sunwayreit.com).

## INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The Internal Audit function is performed in-house by the Sunway GIAD. It reports to the Audit Committee on its activities based on the approved annual plan. Sunway GIAD adopts a risk-based auditing approach, taking into account global best practices and industry standards. The main role of the internal audit function is to provide the Audit Committee with independent and objective reports on the adequacy and effectiveness of the system of internal controls, risks and governance framework of Sunway REIT. Sunway GIAD's reports arising from assignments were issued to the Management for their response, corrective actions and status of implementation of audit recommendations. The internal auditor's reports were subsequently tabled to the Audit Committee for their deliberation and approval. The Head of the Internal Audit of Sunway GIAD has unrestricted access to the Audit Committee and reports directly to the Audit Committee.

During the financial year ended 30 June 2016, Sunway GIAD carried out the following activities:-

- (a) Prepared the annual audit plan for the approval of the Audit Committee.
- (b) Regularly performed risk-based audits, which covered reviews of the internal control system, accounting and management information system and risk management.
- (c) Issued audit reports to the Audit Committee and management identifying weaknesses and issues as well as highlighting recommendations for improvements and followed up on matters raised.
- (d) Reviewed the investigation reports tabled during the year and ensured appropriate remedial actions/measures were taken.
- (e) Acted on suggestions made by the Audit Committee and/or management on concerns over operations or controls and significant issues pertinent to Sunway REIT.
- (f) Followed up on management corrective actions on audit issues raised by the External Auditors.
- (g) Reported to the Audit Committee on review of the adequacy, appropriateness and compliance with the procedures established to monitor recurrent related party transactions.
- (h) Performed independent evaluation on the operation of risk management framework focusing primarily on the adequacy and effectiveness of the said framework.

The costs incurred for the internal audit function in respect of the financial year ended 30 June 2016 amounted to RM538,058.00.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors ("the Board") of Sunway REIT is pleased to present the Statement on Risk Management and Internal Control in compliance with Chapter 15, Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The objective for establishing a sound risk management framework and internal controls system is to safeguard shareholders' investment and assets, as stipulated by the Malaysian Code on Corporate Governance.

## THE BOARD'S RESPONSIBILITY

The Board places importance on, and is committed to maintaining a sound system of internal control and effective risk management practices in the Manager to ensure good corporate governance. The Board affirms its responsibility for continuously reviewing the adequacy and integrity of the Manager's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines, and risk management.

Notwithstanding, as with any risk management and internal control system, the Manager's system of risk management and internal control are designed to manage rather than eliminate the risk threatening the achievement of business objectives. It follows, therefore, that the system of risk management and internal control can only provide reasonable but not absolute assurance against material misstatement of financial and management information and records, or against financial losses or fraud.

The Manager has in place an on-going process of identifying, evaluating, monitoring and managing the key risks affecting the achievement of its business objectives and strategies throughout the period. The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying the risks and assessing the potential impacts of the risks, monitors and manages the risk through suitable internal controls and mitigating action plans. The Board reviews this process on a quarterly basis and is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement, is adequate and effective.

The Board has received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Manager.

## THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

### Monitoring Mechanisms and Management Style

Scheduled periodic meetings of the Board, Board Committees and management represent the main platform by which the Manager's performance and conduct are monitored. The daily running of the business is entrusted to the CEO and his respective management teams. Under the purview of the Non-Executive Chairman and CEO, the Asset Managers of the respective properties of Sunway REIT are empowered with the responsibility of managing their respective operations.

The CEO actively communicates the Board's expectations to management at the management meetings. At these meetings, risks relating to strategy, operational, financial and external environment are discussed and dealt with action plans.

The Board is responsible for setting the business direction and for overseeing the conduct of the Manager's operations through its various Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to governance, risks, internal controls and regulatory compliance.

### Risk Management Framework

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

The risk management process is embedded into key activities and business processes, enabling proper risk management at operation level of each property, as well as at Sunway REIT's level. Risks identified are systematically evaluated with proper mitigating action in place, developed to manage the risks to an acceptable level and monitored on continuous basis.

This framework is designed to identify, quantify and control various risks encountered in Sunway REIT's business operations. The Manager can only mitigate but not completely eliminate all risks, in particular systemic risks.

### The framework basically:

- establishes clear functional responsibilities and accountabilities for the management of risk;
- determines risk appetite and risk tolerance based on measurable parameters related to critical risks that may impact the strategy, performance and reputation of Sunway REIT;
- sets risk policies and limits consistent with the risk appetite and risk tolerance of the Manager; and
- ensures appropriate skills and resources are applied to risk management.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### Whistle blowing Policy

The Audit Committee has implemented the whistle blowing policy and procedures. This whistle blowing policy has been established to promote fraud awareness. The objective of whistle blowing policy is to encourage the employees of the managers and other stakeholders, to report on suspected fraud, corrupt practices, abuses, or other similar matters relating to Sunway REIT. The employees are encouraged to report such matters in good faith, with the confidence that they will be treated fairly and shall be protected from reprisal.

The procedures provide employees of the Manager, the unitholders and other stakeholders, accessible channels to whistle-blow on the concerns relating to Sunway REIT, and for independent investigation of these reports and appropriate follow-up action.

### Key Elements of the Manager's System of Internal Control

The current system of internal control has within it, the following key elements:-

- Clear vision, mission, corporate philosophy and strategic direction which are communicated to employees at all levels.
- The Board with appropriate management reporting mechanisms which enable the Board to review the performance of Sunway REIT.
- The Board approves annual budgets and business plans prepared by each property during the Business Plan exercise to consider the challenges and strategies, relevant strengths, weaknesses, opportunities and threats including competitor, market and broader environmental analysis.
- Investment strategies and criteria which are agreed and formulated by the Investment Appraisal Working Group and recommendation on any acquisition or divestment would be presented to the Board for approval before escalating to RHB Trustees Berhad for approval.
- The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- The internal audit function which carries out internal audits based on an annual risk-based audit plan approved by the Audit Committee.
- Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operating, financial, human resources and health and safety matters.
- The use of the intranet as an effective means of communication and knowledge sharing.
- Regular management meetings involving the review of the operations and financial performance of each property.
- Communication of policies and guidelines in relation to human resources matters to all employees through a staff handbook which is also available on the intranet.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to personnel across all functions to maintain a high level of competency and capability.

### Assurance Mechanisms

The Audit Committee, with the assistance of the Internal Auditors is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the system of internal control. In carrying out its responsibilities, the Audit Committee relies significantly on the support of the internal audit function, which

carries out internal audits based on a risk-based audit plan approved annually by the Audit Committee.

Based on these audits, the Audit Committee is provided with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control. The Audit Committee has also engaged an external party to perform a quality assessment review on internal audit during the year to obtain assurance that the internal audit activity conforms to the International Standards for the Professional Practice of Internal Auditing. In addition, the Audit Committee also reviews and deliberates on any matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

The Manager has a designated compliance officer to ensure the compliance with all legislations, rules and guidelines issued by the Securities Commission and Bursa Malaysia Securities Berhad as well as Sunway REIT's Deed. The compliance officer ensures that the proper framework with compliance manuals, procedures, guidance and assessment questionnaires are in place for compliance of the REIT Deed, SC REIT Guidelines, SC Licensing Handbook, the Capital Markets and Services Act 2007 and the Main Market Listing Requirements.

In addition, the Manager has formed a Risk Management Working Group which has the responsibility for overseeing the risk management activities of Sunway REIT, approving appropriate risk management procedures and measurement methodologies as well as identification and management of strategic business risks of Sunway REIT.

## THE BOARD'S COMMITMENT

The Board recognises that Sunway REIT operates in a dynamic business environment in which risk management and internal control systems must be responsive in order to be able to support its business objectives. To this end, the Board remains committed towards maintaining a sound risk management and internal control systems and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

## THE BOARD'S CONCLUSION

The Board is pleased to report that the state of the internal control system and risk management practices are able to meet the objectives of the Manager and Sunway REIT to ensure good corporate governance. There was no material control failure or weakness that would have material adverse effect on the results of Sunway REIT for the period under review.

**This Statement on Internal Control was approved by the Board on 11 August 2016.**



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

## ADDITIONAL INFORMATION

The information set out below is disclosed in compliance with the Securities Commission's Guidelines on Real Estate Investment Trusts:-

### 1. SANCTIONS AND/OR PENALTIES

There was no public sanction and/or penalty imposed on Sunway REIT, Directors or Management of the Manager by the relevant regulatory bodies during the financial year ended 30 June 2016.

### 2. NON-AUDIT FEES

There was no non-audit fee paid to the External Auditors of Sunway REIT for the financial year ended 30 June 2016.

### 3. SOFT COMMISSION

There was no soft commission received by the Manager during the financial year ended 30 June 2016.

### 4. VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 30 June 2016 and the unaudited results previously announced by Sunway REIT. Sunway REIT did not release any profit estimate, forecast or projection for the financial year.

### 5. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF THE DIRECTORS AND MAJOR UNITHOLDERS

Save as disclosed, there were no material contracts (being contracts entered into out of the ordinary course of business) entered into by Sunway REIT involving the interests of the Directors and major unitholders during the financial year ended 30 June 2016:-

(a) Third Supplemental Agreement dated 6 October 2015 to the Hotel Master Lease dated 29 June 2011, the First Supplemental Agreement dated 5 January 2012 and the Second Supplemental Agreement dated 3 July 2013 between the Trustee, the Manager and Sunway Putra Hotel Sdn Bhd ("SPHSB") to document the agreed variation to the Guaranteed Rent for the 3rd and 4th Fiscal Year payable by SPHSB. The Guaranteed Rent is as set out in the announcement dated 6 October 2015 to be paid by SPHSB to the Trustee in accordance with the terms of the agreement.

(b) Third Car Park Tenancy Agreement dated 6 October 2015 between the Trustee and Sunway Mall Parking Sdn Bhd for the renewal of tenancy of Basement 1, Basement 2 and Level 5 to Level 8 within Sunway Putra for a period of three (3) years commencing from 1 July 2015 to 30 June 2018, based on rent calculated based on an amount equivalent to the Basic Rent and 95% of the gross operating profit payable monthly to the Trustee in accordance with the terms of the agreement.

(c) The Sale and Purchase Agreement dated 20 June 2016 between the Trustee and Commercial Parade Sdn Bhd ("CPSB"), to acquire a parcel of vacant land held under Pajakan Negeri 1814, Lot 5493, Mukim 1, Seberang Perai Tengah, Pulau Pinang which is adjacent to Sunway Carnival Shopping Mall, at a purchase price of RM17.2 million paid by Trustee to CPSB via its existing debt programme.

#### Relationship of Related Parties for item (a) above

SPHSB, a wholly-owned subsidiary of Sunway is deemed related party to Sunway REIT by virtue of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih are Directors of Sunway and the Manager. They are also substantial shareholders of Sunway, the ultimate holding company of SPHSB. Dato' Ngeow Voon Yean was a Director of the Manager and SPHSB at that material time. He had deemed interest in Sunway REIT as well as direct and deemed interests in Sunway at that material time.

#### Relationship of Related Parties for item (b) above

SMPSB, a wholly-owned subsidiary of Sunway is deemed related party to Sunway REIT by virtue of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih being Directors of Sunway and the Manager. They are also substantial unitholders of Sunway REIT and substantial shareholders of Sunway. Dato' Ngeow Voon Yean was a Director of SMPSB and the Manager at that material time. He also had direct and deemed interest in Sunway and deemed interest in Sunway REIT at that material time.

#### Relationship of Related Parties for item (c) above

CPSB, a wholly-owned subsidiary of Sunway is deemed related party to Sunway REIT by virtue of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling and Sarena Cheah Yean Tih being Directors of Sunway and the Manager. They are also substantial unitholders of Sunway REIT and substantial shareholders of Sunway. Mr Ng Sing Hwa, is a director of the Manager and Millennium Pavilion Sdn Bhd, which holds 20% of the shares in the Manager. He is also a major shareholder of Millennium Pavilion Sdn Bhd.

# GROWTH

On their own, blocks may seem small, but when stacked they create change. Every block plays an important role to form a firm structure of great heights.

## FINANCIAL INSIGHT

FINANCIAL STATEMENTS [184](#)

FINANCIAL CALENDAR [250](#)

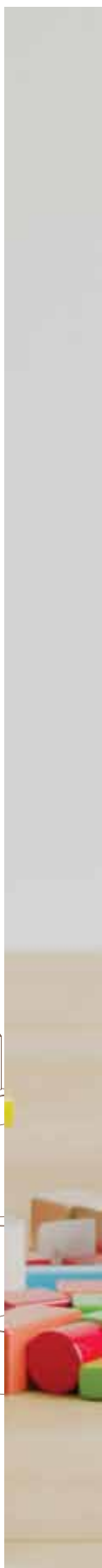
DETAILED MARKET REPORT [251](#)

ANALYSIS OF UNITHOLDINGS [264](#)

NOTICE OF 4<sup>TH</sup> ANNUAL GENERAL MEETING [267](#)

PROXY FORM [269](#)

GLOSSARY [271](#)





## MANAGER'S REPORT

The Manager of Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund"), Sunway REIT Management Sdn. Bhd., has pleasure in presenting its report together with the audited financial statements of the Group and of the Fund for the financial year ended 30 June 2016.

Sunway REIT is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed") between Sunway REIT Management Sdn. Bhd. (the "Manager") and RHB Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010.

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

Sunway REIT seeks to achieve its investment objective via the following broad strategies:

- a) active asset management strategy;
- b) acquisition growth strategy; and
- c) capital and risk management strategy.

The Manager is of the view that it has achieved the investment objective for the financial year ended 30 June 2016. There was no change in the strategies and policies employed during the financial year.

### Other information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Fund were made out, the Manager took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Manager is not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Fund inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Fund misleading.
- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.
- (d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Fund which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and of the Fund which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Fund which has arisen since the end of the financial year.
- (f) In the opinion of the Manager:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Fund to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Fund for the financial year in which this report is made.



## MANAGER'S REPORT (CONT'D)

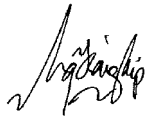
### Significant event during the financial year

Significant event during the financial year is disclosed in Note 37 to the financial statements.

### Material litigations

Material litigations are disclosed in Note 38 to the financial statements.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 11 August 2016.



Dato' Ng Tiong Lip



Sarena Cheah Yean Tih

---

## STATEMENT BY THE MANAGER

The Manager acknowledges its responsibilities for the preparation and fair presentation of the financial statements of Sunway Real Estate Investment Trust. In the opinion of the Manager, the financial statements set out on pages 190 to 248 are drawn up in accordance with the provisions of the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 39 on page 249 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 11 August 2016.



Dato' Ng Tiong Lip



Sarena Cheah Yean Tih

## STATUTORY DECLARATION

I, Wai Sow Fun, being the officer primarily responsible for the financial management of Sunway Real Estate Investment Trust, do solemnly and sincerely declare that the accompanying financial statements set out on pages 190 to 249 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Wai Sow Fun  
at Petaling Jaya in the State of Selangor  
Darul Ehsan on 11 August 2016



Wai Sow Fun

Before me,



No. 69A, Jalan SS21/37  
Damansara Utama (Up Town)  
47400 Petaling Jaya, Selangor D.E

## TRUSTEE'S REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST

We have acted as Trustee of Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund") for the financial year ended 30 June 2016. In our opinion and to the best of our knowledge, Sunway REIT Management Sdn. Bhd. (the "Manager") has managed Sunway REIT during the period covered by these financial statements, set out on pages 190 to 248, in accordance with the limitations imposed on the investment powers of the Manager, the provisions of the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia and the applicable securities laws.

We have ensured that the procedures and processes employed by the Manager to value/price the units of Sunway REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 30 June 2016 are in line with and are reflective of the objective of Sunway REIT.

For and on behalf of the Trustee,  
RHB Trustees Berhad



Tony Chieng Siong Ung  
Director

Kuala Lumpur, Malaysia  
11 August 2016

---

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST

## Report on the financial statements

We have audited the financial statements of Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund"), which comprise the statements of financial position as at 30 June 2016 of the Group and of the Fund, and the statements of profit or loss and other comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 190 to 248.

### *Manager's and Trustee's responsibility for the financial statements*

The Manager of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST (CONT'D)

## Other reporting responsibilities

The supplementary information set out in Note 39 on page 249 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Manager is responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (the "MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other matters

The financial statements of the Group and of the Fund for the financial year ended 30 June 2015 were audited by another firm of chartered accountants whose report dated 11 August 2015 expressed an unqualified opinion on those statements.

This report is made solely to the Unitholders of the Fund in accordance with the trust deed of the Fund and for no other purpose.



BDO  
AF : 0206  
Chartered Accountants

Kuala Lumpur  
11 August 2016



Lum Chiew Mun  
3039/04/17(J)  
Chartered Accountant



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2016

	Note	Group		Fund	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross revenue	4	<b>507,013</b>	453,454	<b>507,013</b>	453,454
Property operating expenses	5	<b>(133,162)</b>	(112,628)	<b>(133,162)</b>	(112,628)
Net property income		<b>373,851</b>	340,826	<b>373,851</b>	340,826
Other income	6	<b>10,072</b>	3,444	<b>10,072</b>	3,444
Changes in fair value of investment properties	13	<b>63,482</b>	306,750	<b>63,482</b>	306,750
Net investment income		<b>447,405</b>	651,020	<b>447,405</b>	651,020
Manager's fees	7	<b>(30,802)</b>	(28,121)	<b>(30,802)</b>	(28,121)
Trustee's fees		<b>(1,248)</b>	(1,160)	<b>(1,208)</b>	(1,120)
Auditors' remuneration:					
Statutory audits		<b>(130)</b>	(174)	<b>(127)</b>	(171)
Tax agent's fee		<b>(32)</b>	(28)	<b>(27)</b>	(26)
Valuation fees		<b>(653)</b>	(539)	<b>(653)</b>	(539)
Other trust expenses		<b>(4,602)</b>	(2,907)	<b>(4,650)</b>	(2,952)
Finance costs	8	<b>(86,242)</b>	(70,751)	<b>(86,242)</b>	(70,751)
Total expenses		<b>(123,709)</b>	(103,680)	<b>(123,709)</b>	(103,680)
Profit before tax		<b>323,696</b>	547,340	<b>323,696</b>	547,340
Income tax expense	9	<b>-</b>	(5,896)	<b>-</b>	(5,896)
<b>Profit for the year</b>		<b>323,696</b>	541,444	<b>323,696</b>	541,444
Profit for the year comprises the following:					
Realised		<b>262,473</b>	242,032	<b>262,473</b>	242,032
Unrealised		<b>61,223</b>	299,412	<b>61,223</b>	299,412
		<b>323,696</b>	541,444	<b>323,696</b>	541,444
Basic earnings per unit (sen):					
Realised	10	<b>8.92</b>	8.25	<b>8.92</b>	8.25
Unrealised		<b>2.08</b>	10.21	<b>2.08</b>	10.21
		<b>11.00</b>	18.46	<b>11.00</b>	18.46
Distribution per unit (sen)	11	<b>9.18</b>	8.73	<b>9.18</b>	8.73

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the financial year ended 30 June 2016

	Group		Fund	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Profit for the year</b>	<b>323,696</b>	541,444	<b>323,696</b>	541,444
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods*:</b>				
Cash flow hedge - fair value of derivative	<b>21,785</b>	53,419	<b>21,785</b>	53,419
Cash flow hedge reserve recycled to profit or loss	<b>(18,100)</b>	(58,950)	<b>(18,100)</b>	(58,950)
<b>Total comprehensive income for the year</b>	<b>327,381</b>	535,913	<b>327,381</b>	535,913

Realised profit for the year is arrived at as follows:

Profit for the year	<b>323,696</b>	541,444	<b>323,696</b>	541,444
Less: Changes in fair value of investment properties	<b>(63,482)</b>	(306,750)	<b>(63,482)</b>	(306,750)
Add: Deferred tax expense on fair value gain of investment properties	-	5,896	-	5,896
Add: Net changes in fair value of derivative financial instrument (Note 19)	<b>2,218</b>	1,513	<b>2,218</b>	1,513
Add: Unrealised foreign exchange loss (hedged item)	<b>18,100</b>	58,950	<b>18,100</b>	58,950
Less: Cash flow hedge reserve recycled to profit or loss	<b>(18,100)</b>	(58,950)	<b>(18,100)</b>	(58,950)
Less: Others	<b>41</b>	(71)	<b>41</b>	(71)
<b>Realised profit for the year</b>	<b>262,473</b>	242,032	<b>262,473</b>	242,032

\*There is no tax effect arising from each of the components of the other comprehensive income.

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the financial year ended 30 June 2016

## Income distribution

	Group		Fund	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Realised profit for the year	<b>262,473</b>	242,032	<b>262,473</b>	242,032
Add: Surplus cash arising from 25%/50%				
Manager's fees paid/payable in units	<b>7,701</b>	14,061	<b>7,701</b>	14,061
Total available for income distribution for the year	<b>270,174</b>	256,093	<b>270,174</b>	256,093
Brought forward undistributed income				
available for distribution	<b>414</b>	484	<b>414</b>	484
Total available for income distribution	<b>270,588</b>	256,577	<b>270,588</b>	256,577
Distribution to unitholders during the year:				
Distribution of 2.28 sen per unit for period				
from 1 July 2014 to 30 September 2014	-	(66,826)	-	(66,826)
Distribution of 2.27 sen per unit for period				
from 1 October 2014 to 31 December 2014	-	(66,585)	-	(66,585)
Distribution of 2.13 sen per unit for period				
from 1 January 2015 to 31 March 2015	-	(62,528)	-	(62,528)
Final income distribution of 2.05 sen per unit				
for period from 1 April 2015 to 30 June 2015	-	(60,224)	-	(60,224)
Distribution of 2.12 sen per unit for period				
from 1 July 2015 to 30 September 2015	<b>(62,330)</b>	-	<b>(62,330)</b>	-
Distribution of 2.57 sen per unit for period				
from 1 October 2015 to 31 December 2015	<b>(75,592)</b>	-	<b>(75,592)</b>	-
Distribution of 2.37 sen per unit for period				
from 1 January 2016 to 31 March 2016	<b>(69,742)</b>	-	<b>(69,742)</b>	-
Proposed final income distribution of 2.12				
sen per unit for period from 1 April 2016				
to 30 June 2016 <sup>1</sup>	<b>(62,411)</b>	-	<b>(62,411)</b>	-
Balance undistributed arising from rounding				
difference	<b>513</b>	414	<b>513</b>	414

<sup>1</sup> The proposed final income distribution will be recognised and paid in the financial year ending 30 June 2017.

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

	Note	Group	
		2016 RM'000	2015 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	12	8,698	5,268
Investment properties	13	6,433,000	6,324,000
		<b>6,441,698</b>	6,329,268
<b>Current assets</b>			
Trade receivables	15	16,713	12,993
Other receivables	16	9,129	7,181
Derivatives	19	-	14,358
Cash and bank balances	18	69,719	66,218
		<b>95,561</b>	100,750
<b>Total assets</b>		<b>6,537,259</b>	6,430,018
<b>Equity and liabilities</b>			
<b>Unitholders' funds</b>			
Unitholders' capital	20	2,725,933	2,716,456
Undistributed income		1,325,297	1,265,804
		<b>4,051,230</b>	3,982,260
<b>Non-current liabilities</b>			
Borrowings	21	1,403,150	1,378,550
Long term liabilities	22	56,256	75,585
Deferred tax liability	23	5,896	5,896
Derivatives	19	22,189	1,513
		<b>1,487,491</b>	1,461,544
<b>Current liabilities</b>			
Trade payables	24	4,867	6,506
Other payables	25	221,271	216,320
Borrowings	21	772,400	763,388
		<b>998,538</b>	986,214
<b>Total liabilities</b>		<b>2,486,029</b>	2,447,758
<b>Total equity and liabilities</b>		<b>6,537,259</b>	6,430,018
Units in circulation ('000)	20	<b>2,943,918</b>	2,937,777
Net asset value ("NAV") per unit (RM):			
Before income distribution <sup>1</sup>		<b>1.3761</b>	1.3555
After income distribution <sup>2</sup>		<b>1.3549</b>	1.3350

<sup>1</sup> Before the proposed final income distribution of 2.12 sen per unit (2015: 2.05 sen per unit)

<sup>2</sup> After the proposed final income distribution of 2.12 sen per unit (2015: 2.05 sen per unit)

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION (CONT'D)

As at 30 June 2016

	Note	Fund	
		2016 RM'000	2015 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	12	8,698	5,268
Investment properties	13	6,433,000	6,324,000
Investments in subsidiaries	14	- <sup>1</sup>	- <sup>1</sup>
		<b>6,441,698</b>	6,329,268
<b>Current assets</b>			
Trade receivables	15	16,713	12,993
Other receivables	16	9,129	7,181
Derivatives	19	-	14,358
Cash and bank balances	18	69,719	66,218
		<b>95,561</b>	100,750
<b>Total assets</b>		<b>6,537,259</b>	6,430,018
<b>Equity and liabilities</b>			
<b>Unitholders' funds</b>			
Unitholders' capital	20	2,725,933	2,716,456
Undistributed income		1,325,300	1,265,807
		<b>4,051,233</b>	3,982,263
<b>Non-current liabilities</b>			
Amount due to a subsidiary	17	1,000,000	1,000,000
Borrowings	21	403,150	378,550
Long term liabilities	22	56,256	75,585
Deferred tax liability	23	5,896	5,896
Derivatives	19	22,189	1,513
		<b>1,487,491</b>	1,461,544
<b>Current liabilities</b>			
Trade payables	24	4,867	6,506
Other payables	25	213,759	208,776
Amounts due to subsidiaries	17	7,509	27,529
Borrowings	21	772,400	743,400
		<b>998,535</b>	986,211
<b>Total liabilities</b>		<b>2,486,026</b>	2,447,755
<b>Total equity and liabilities</b>		<b>6,537,259</b>	6,430,018
Units in circulation ('000)	20	2,943,918	2,937,777
Net asset value ("NAV") per unit (RM):			
Before income distribution <sup>2</sup>		1.3761	1.3555
After income distribution <sup>3</sup>		1.3549	1.3350

<sup>1</sup> Value less than RM1,000

<sup>2</sup> Before the proposed final income distribution of 2.12 sen per unit (2015: 2.05 sen per unit)

<sup>3</sup> After the proposed final income distribution of 2.12 sen per unit (2015: 2.05 sen per unit)

The accompanying notes form an integral part of the financial statements.



# STATEMENTS OF CHANGES IN NET ASSET VALUE

For the financial year ended 30 June 2016

Group	Unitholders' Capital RM'000	< Undistributed Income > Realised      Unrealised RM'000      RM'000		Unitholders' Funds RM'000
<b>As at 1 July 2015</b>	<b>2,716,456</b>	<b>727</b>	<b>1,265,077</b>	<b>3,982,260</b>
<b>Total comprehensive income</b>				
Profit for the year	-	262,473	61,223	323,696
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	21,785	21,785
- Cash flow hedge reserve recycled to profit or loss	-	-	(18,100)	(18,100)
Total comprehensive income, representing the increase in net assets resulting from operations	2,716,456	263,200	1,329,985	4,309,641
<b>Unitholders' transactions</b>				
Creation of units (Note 20):				
- Manager's fees paid in units	9,477	-	-	9,477
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 11)	-	(207,664)	-	(207,664)
- Income distribution proposed in prior year but paid in current year	-	(60,224)	-	(60,224)
Increase/(decrease) in net assets resulting from unitholders' transactions	9,477	(267,888)	-	(258,411)
<b>As at 30 June 2016</b>	<b>2,725,933</b>	<b>(4,688)</b>	<b>1,329,985</b>	<b>4,051,230</b>
<b>As at 1 July 2014</b>	<b>2,702,788</b>	<b>14,087</b>	<b>971,196</b>	<b>3,688,071</b>
<b>Total comprehensive income</b>				
Profit for the year	-	242,032	299,412	541,444
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	53,419	53,419
- Cash flow hedge reserve recycled to profit or loss	-	-	(58,950)	(58,950)
Total comprehensive income, representing the increase in net assets resulting from operations	2,702,788	256,119	1,265,077	4,223,984
<b>Unitholders' transactions</b>				
Creation of units (Note 20):				
- Manager's fees paid in units	13,668	-	-	13,668
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 11)	-	(195,939)	-	(195,939)
- Income distribution proposed in prior year but paid in current year	-	(59,453)	-	(59,453)
Increase/(decrease) in net assets resulting from unitholders' transactions	13,668	(255,392)	-	(241,724)
<b>As at 30 June 2015</b>	<b>2,716,456</b>	<b>727</b>	<b>1,265,077</b>	<b>3,982,260</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN NET ASSET VALUE (CONT'D)

For the financial year ended 30 June 2016

Fund	Unitholders' Capital RM'000	< Undistributed Income > Realised RM'000      Unrealised RM'000		Unitholders' Funds RM'000
<b>As at 1 July 2015</b>	<b>2,716,456</b>	<b>730</b>	<b>1,265,077</b>	<b>3,982,263</b>
<b>Total comprehensive income</b>				
Profit for the year	-	262,473	61,223	323,696
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	21,785	21,785
- Cash flow hedge reserve recycled to profit or loss	-	-	(18,100)	(18,100)
Total comprehensive income, representing the increase in net assets resulting from operations	2,716,456	263,203	1,329,985	4,309,644
<b>Unitholders' transactions</b>				
Creation of units (Note 20):				
- Manager's fees paid in units	9,477	-	-	9,477
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 11)	-	(207,664)	-	(207,664)
- Income distribution proposed in prior year but paid in current year	-	(60,224)	-	(60,224)
Increase/(decrease) in net assets resulting from unitholders' transactions	9,477	(267,888)	-	(258,411)
<b>As at 30 June 2016</b>	<b>2,725,933</b>	<b>(4,685)</b>	<b>1,329,985</b>	<b>4,051,233</b>
<b>As at 1 July 2014</b>	<b>2,702,788</b>	<b>14,090</b>	<b>971,196</b>	<b>3,688,074</b>
<b>Total comprehensive income</b>				
Profit for the year	-	242,032	299,412	541,444
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	53,419	53,419
- Cash flow hedge reserve recycled to profit or loss	-	-	(58,950)	(58,950)
Total comprehensive income, representing the increase in net assets resulting from operations	2,702,788	256,122	1,265,077	4,223,987
<b>Unitholders' transactions</b>				
Creation of units (Note 20):				
- Manager's fees paid in units	13,668	-	-	13,668
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 11)	-	(195,939)	-	(195,939)
- Income distribution proposed in prior year but paid in current year	-	(59,453)	-	(59,453)
Increase/(decrease) in net assets resulting from unitholders' transactions	13,668	(255,392)	-	(241,724)
<b>As at 30 June 2015</b>	<b>2,716,456</b>	<b>730</b>	<b>1,265,077</b>	<b>3,982,263</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2016

		Group		Fund	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating activities					
Cash receipts from customers		574,176	484,768	574,176	484,768
Refundable security deposits from customers		7,898	26,473	7,898	26,473
Cash paid for operating expenses		(227,015)	(163,697)	(227,015)	(163,697)
Net cash generated from operating activities		355,059	347,544	355,059	347,544
Investing activities					
Acquisition of plant and equipment	Note a	(4,844)	(2,328)	(4,844)	(2,328)
Acquisition of investment properties	13	-	(134,000)	-	(134,000)
Incidental costs on acquisition of investment properties	Note b	-	(1,967)	-	(1,967)
Subsequent expenditure of investment properties	Note c	(67,190)	(266,068)	(67,190)	(266,068)
Interest received		3,546	3,340	3,546	3,340
Net cash used in investing activities		(68,488)	(401,023)	(68,488)	(401,023)
Financing activities					
Drawdown of term loan		422,000	50,100	422,000	50,100
Proceeds from issuance of commercial papers		4,395,000	542,400	-	-
Drawdown of revolving loans/credits		4,959,800	6,688,000	4,959,800	6,688,000
Repayment of term loan		(360,900)	-	(360,900)	-
Repayment of commercial papers		(4,415,000)	(534,400)	-	-
Repayment of revolving loans/credits		(4,930,800)	(6,353,600)	(4,930,800)	(6,353,600)
Interest paid		(85,282)	(72,018)	(85,282)	(72,018)
Net change in inter-company balances		-	-	(20,000)	8,000
Distribution paid		(267,888)	(255,392)	(267,888)	(255,392)
Net cash (used in)/generated from financing activities		(283,070)	65,090	(283,070)	65,090
Net increase in cash and bank balances					
Cash and cash equivalent at beginning of year		66,218	54,607	66,218	54,607
Cash and cash equivalent at end of year		69,719	66,218	69,719	66,218

**STATEMENTS OF CASH FLOWS (CONT'D)****For the financial year ended 30 June 2016**

		Group		Fund	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances at end of year comprise:					
Cash on hand and at banks		21,123	66,218	21,123	66,218
Deposits with licensed financial institutions		48,596	-	48,596	
Cash and bank balances at end of year	18	69,719	66,218	69,719	66,218
Note a:					
Additions of plant and equipment	12	4,812	2,911	4,812	2,911
Additions via deferred payment		(597)	(1,067)	(597)	(1,067)
Payment of plant and equipment purchased via deferred payment in prior year		629	484	629	484
Cash outflow for acquisition of plant and equipment		4,844	2,328	4,844	2,328
Note b:					
Incidental costs on acquisition of investment properties, representing cash outflow for incidental costs on acquisition of investment properties	13	-	1,967	-	1,967
Note c:					
Subsequent expenditure of investment properties	13	45,518	361,283	45,518	361,283
Additions via deferred payment		(18,719)	(127,252)	(18,719)	(127,252)
Payment of subsequent expenditure of investment properties incurred via deferred payment in prior year		40,391	32,037	40,391	32,037
Cash outflow for subsequent expenditure of investment properties		67,190	266,068	67,190	266,068

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the financial year ended 30 June 2016

### 1. Fund information

Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed") between Sunway REIT Management Sdn. Bhd. (the "Manager") and RHB Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010.

The registered office of the Manager is located at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

The principal place of business is located at Level 15, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

Sunway REIT is an income and growth fund with the key investment objective to provide unitholders with exposure to a diverse portfolio of authorised investments (pursuant to provisions of the Deed) that will provide stable cash distributions with the potential for sustainable growth in net asset value ("NAV") per unit. The principal investment policy of Sunway REIT is to invest in retail, hospitality, office and other real estate assets, subject to the REIT Guidelines. The principal activities of the subsidiaries are set out in Note 32.

There has been no significant change in the nature of the principal activity during the financial year.

The consolidated financial statements comprise the Fund and its subsidiaries (the "Group").

The financial statements for the financial year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors of the Manager on 11 August 2016.

Sunway REIT has entered into several service agreements in relation to the management of the Fund and its property operations. The fee structures of these services are as follows:

#### 1.1 Manager's fees

Pursuant to the Deed, the Manager of Sunway REIT is entitled to receive the following fees from Sunway REIT:

- (a) Base fee of 0.3% per annum on the total assets value;
- (b) Performance fee of 3% per annum of net property income, but before deduction of fees payable to the Property Manager;
- (c) Acquisition fee of 1% of the acquisition price of any future assets of Sunway REIT or a Single-Purpose Company acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest in Real Estate or Single-Purpose Company purchased by the Trustee for Sunway REIT); and
- (d) Divestment fee of 0.5% of the sale price of any future assets of Sunway REIT or a Single-Purpose Company sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the assets of Sunway REIT sold).

The Manager's fee shall be net of all applicable tax, duties and levies imposed by the relevant authorities in Malaysia. The Manager shall be paid the base fee and performance fee which may be in the form of cash, new units or a combination thereof, with the initial applicable proportion to be 50% in the form of cash and 50% in the form of new units, such proportion which may be varied at the discretion of the Manager. The Manager's fees are payable quarterly in arrears.

#### 1.2 Property management fees

The Property Manager, AREM (Malaysia) Sdn. Bhd. ("AREM"), is entitled to receive a fixed fee for managing the retail and office properties owned by Sunway REIT. AREM and/or its service providers shall be reimbursed in full for the property expenses which include the employment and remuneration costs of the centralised team of employees of AREM and/or its service providers as provided in the Property Management Agreement dated 1 July 2014. The property management fees and reimbursements are payable monthly in arrears.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 1. Fund information (Contd.)

#### 1.3 Trustee's fees

Pursuant to the Deed, the Trustee of Sunway REIT is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, calculated on a monthly accrual basis, based on a year of 12 months and is payable monthly in arrears.

The trustee of SunREIT Capital Berhad, PB Trustee Services Berhad, is entitled to receive a predetermined annual fixed fee.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Group and of the Fund have been prepared in accordance with the provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The financial statements of the Group and of the Fund have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

#### 2.3 Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and of the Fund's financial statements are disclosed below. The Group and the Fund intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments (IFRS as issued by IASB in July 2014)	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.3 Standards issued but not yet effective (Contd.)

The Group and the Fund are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

#### 2.4 Fair value measurement

The Group and the Fund measure non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability; or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group or the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Fund use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Fund determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Manager determines the policies and procedures for the recurring fair value measurement, such as investment properties and derivative.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria of external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.4 Fair value measurement (Contd.)

At each reporting date, the Manager analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's and the Fund's accounting policies. For this analysis, the Manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Manager, in conjunction with the Group's and the Fund's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group and the Fund have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Fund. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- (i) The contractual arrangement with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Group's voting rights and potential voting rights.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.5 Basis of consolidation (Contd.)

##### Business combinations

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

#### 2.6 Foreign currency

##### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Fund are presented in Ringgit Malaysia ("RM"), which is also the Fund's functional currency.

##### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Fund and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

#### 2.7 Plant and equipment

All items of plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Fund and the cost of the item can be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 2. Summary of significant accounting policies (Contd.)

##### 2.7 Plant and equipment (Contd.)

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group and the Fund recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Office/computer equipment	10% - 20%
Furniture and fittings	10%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

##### 2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group or the Fund holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for plant and equipment set out in Note 2.7 up to the date of change in use.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 2. Summary of significant accounting policies (Contd.)

##### 2.9 Impairment of non-financial assets

The Manager assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Manager makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

##### 2.10 Subsidiaries

In the Fund's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and the carrying amounts is recognised in the profit or loss.

##### 2.11 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Fund determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

###### (a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.11 Financial assets (Contd.)

##### (a) Financial assets at fair value through profit or loss (Contd.)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

##### (b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Fund commit to purchase or sell the asset.

#### 2.12 Impairment of financial assets

The Manager assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

##### (a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Manager considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Manager's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.12 Impairment of financial assets (Contd.)

##### (a) Trade and other receivables and other financial assets carried at amortised cost (Contd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

#### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

#### 2.14 Provisions

Provisions are recognised when the Group or the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 2.15 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 2. Summary of significant accounting policies (Contd.)

##### 2.15 Financial liabilities (Contd.)

###### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Fund that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

###### (b) Other financial liabilities

The Group's and the Fund's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Fund have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### 2.16 Derivatives financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group and the Fund designate and document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and the Fund assess both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and applies hedge accounting only where effectiveness tests are met on both a prospective and retrospective basis. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group and the Fund do not have any fair value hedges and net investment hedges except for cash flow hedge.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.16 Derivatives financial instruments and hedging activities (Contd.)

##### Cash flow hedge

The Group and the Fund use cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuations over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve until such time as the hedged items affect profit or loss, then the gains or losses are transferred to the profit or loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit or loss. The application of hedge accounting will create some volatility in equity reserve balances.

Where a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time remain in equity and are recognised when the forecast transaction is ultimately recognised in the profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the profit or loss.

#### 2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Fund incurred in connection with the borrowing of funds.

#### 2.18 Leases

Leases where the Group or the Fund is the lessor and retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19 (a), (b), (c) and (d).

#### 2.19 Revenue and other income

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the Fund and the revenue and other income can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable.

##### (a) Rental income

Rental income is derived from renting of retail and office properties to tenants and includes base rent, turnover rent and service and promotion charges from tenants. Base rent and service and promotion charges are recognised in profit or loss on a straight-line basis over the term of lease. Contingent rent such as turnover rent is recognised as income in the profit or loss on an accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.19 Revenue and other income (Contd.)

##### (b) Hotel master lease income

Hotel master lease income is derived from leasing of hotel properties to hotel operators for a 10-year lease term and is recognised on accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis. The hotel master lease income is derived based on the following total rent formula:

Total rent = The higher of variable rent or guaranteed rent

Variable rent = Base rent plus 70% of (hotel's gross operating profit less master lease expenses)

- (i) Base rent: 20% of the hotel's gross operating revenue.
- (ii) Gross operating profit: Hotel's gross operating revenue less operating expenses.
- (iii) Master lease expenses: Base rent, reserve for furniture, fittings and equipment and hotel management fees.

##### (c) Hospital master lease income

Hospital master lease income is derived from leasing of a medical premise to a hospital operator for a 10-year lease term at a predetermined annual rental with a 3.5% annual rental increase and is recognised on a straight-line basis over the term of lease unless recoverability is in doubt, in which case, it is recognised on receipt basis.

The hospital master lease is based on a triple net basis whereby all the property operating expenses, quit rent, assessment and insurance will be borne by the hospital operator.

##### (d) Car park rental income

Car park rental income is derived from renting of the investment properties' car park space to car park operators and is recognised on accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis. The car park rental income is derived based on the following variable rent formula:

Variable rent = Base rent plus 95% of car park's gross operating profit

- (i) Base rent: 20% of the car park's gross operating revenue
- (ii) Gross operating profit: Car park's gross operating revenue less base rent and operating expenses.

##### (e) Other operating income

Other operating income mainly comprises rental from common area of the retail properties for promotional events and is recognised on the accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

##### (f) Interest income

Interest income from short term deposits is recognised on the accrual basis, using the effective interest method, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.20 Income taxes

##### (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

##### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Where investment properties are carried at fair value in accordance with the accounting policy set out in Note 2.8, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying values at the reporting date unless the property is depreciable and is held with the objective to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 2. Summary of significant accounting policies (Contd.)

#### 2.20 Income taxes (Contd.)

##### (b) Deferred tax (Contd.)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### 2.21 Segment reporting

For management purposes, the Group is organised into operating segments based on their business and geographical segment which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Manager who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment's performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### 2.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Fund. Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Fund.

#### 2.23 Current versus non-current classification

The Group and the Fund present assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- (i) Expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) Held primarily for the purpose of trading;
- (iii) Expected to be realised within twelve months after the reporting period; or
- (iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) It is expected to be settled in normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Fund classify all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

## 3. Judgements made in applying accounting policies

The preparation of the Group's and of the Fund's financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Fund's accounting policies, the Manager has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Classification between investment properties and plant and equipment

The Group and the Fund have developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Fund would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Impairment of loans and receivables

The Manager assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Manager considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Fund's loans and receivables at the reporting date are disclosed in Note 15.

#### (b) Fair value of investment properties

Fair value is determined in accordance with the Deed, the REIT Guidelines and the Guidelines on Asset Valuation issued by the Securities Commission which require the investment properties to be valued by independent qualified valuers. In determining the fair value, the valuers used valuation techniques which involve certain estimates. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates reflect the current market conditions. The basis of valuation is disclosed in Note 13.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 4. Revenue

	Group/Fund	
	2016	2015
	RM'000	RM'000
Rental income	382,394	345,164
Hotel/hospital master lease income	90,362	79,719
Car park rental income	21,858	17,739
Other operating income	12,399	10,832
	507,013	453,454

### 5. Property operating expenses

	Group/Fund	
	2016	2015
	RM'000	RM'000
Quit rent, assessment and insurance	12,850	9,531
Property management fees and reimbursements	41,352	34,617
Utilities	26,001	26,237
Service contracts and maintenance	25,768	19,393
Advertising and promotion	17,338	13,065
Allowance/(reversal) of impairment on trade receivables (Note 15)	467	(620)
Bad debts written off (Note 36)	432	1,718
Depreciation of plant and equipment (Note 12)	1,382	682
Administrative and other operating expenses	7,572	8,005
	133,162	112,628

### 6. Other income

	Group/Fund	
	2016	2015
	RM'000	RM'000
Interest income from deposits with licensed financial institutions	3,801	3,329
Others	6,271	115
	10,072	3,444

Included in others is court award of RM6,189,000 (2015: Nil) as further disclosed in Note 38(b) to the financial statements.

### 7. Manager's fees

	Group/Fund	
	2016	2015
	RM'000	RM'000
Base fee	19,579	17,888
Performance fee	11,223	10,233
	30,802	28,121

During the financial year, approximately 25% (2015: 50%) of Manager's fees were paid/payable in units.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 8. Finance costs

	Group		Fund	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest paid/payable:				
- subsidiaries	-	-	55,127	40,633
- term loan	15,128	13,154	15,128	13,154
- commercial papers	16,039	1,652	-	-
- revolving loan/credit and commitment fees	13,339	19,620	13,339	19,620
- unrated medium term notes	39,088	38,981	-	-
Amortisation of transaction costs	2,640	1,880	2,640	1,880
Others	47	75	47	75
	86,281	75,362	86,281	75,362
Less: Interest expense capitalised				
in investment properties (Note 13)	(39)	(4,611)	(39)	(4,611)
	86,242	70,751	86,242	70,751

### 9. Income tax expense

	Group/Fund	
	2016	2015
	RM'000	RM'000
Deferred tax (Note 23):		
Relating to origination of temporary differences	-	5,896

#### Taxation of the Real Estate Investment Trust ("REIT")

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967, exempts the REIT from income tax in a year of assessment if the REIT distributes at least 90% of its total taxable income in the same year of assessment.

Sunway REIT will not incur any tax expense during the financial year as it will distribute approximately 100% of its realised income available for distribution for the financial year ended 30 June 2016 which translates to more than 90% of its total taxable income.

Reconciliation of the tax expense is as follows:

	Group		Fund	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax	323,696	547,340	323,696	547,340
Income tax at Malaysian statutory				
tax rate of 24% (2015: 25%)	77,687	136,835	77,687	136,835
Fair value adjustment of investment				
properties not subject to tax	(15,236)	(70,792)	(15,236)	(70,792)
Income not subject to tax	(65,348)	(62,706)	(65,348)	(62,706)
Expenses not deductible for tax purposes	2,897	2,559	2,897	2,559
Income tax expense	-	5,896	-	5,896

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 9. Income tax expense (Contd.)

#### Taxation of the Unitholders

Pursuant to Section 109D(2) of the Malaysian Income Tax Act 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to unitholders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Tax rate
Individuals and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 24%.

### 10. Basic earnings per unit

Basic earnings per unit amounts are calculated by dividing realised/unrealised total profit for the year attributable to unitholders of the Fund by the weighted average number of units in issue during the financial year.

	Fund	
	2016 Unit '000	2015 Unit '000
Weighted average number of units in issue	2,941,129	2,933,074

	Group/Fund	
	2016 RM'000	2015 RM'000
<b>Realised</b>		
Total realised profit for the year attributable to unitholders of the Group/Fund	262,473	242,032
Realised basic earnings per unit (sen)	8.92	8.25
<b>Unrealised</b>		
Total unrealised profit for the year attributable to unitholders of the Group/Fund	61,223	299,412
Unrealised basic earnings per unit (sen)	2.08	10.21

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 11. Distribution per unit

Distribution to unitholders is from the following sources:

	Group/Fund	
	2016 RM'000	2015 RM'000
Net property income	373,851	340,826
Other income	10,072	3,444
Changes in fair value of investment properties	63,482	306,750
Net investment income	447,405	651,020
Less: Expenses	(123,709)	(109,576)
Profit for the year	323,696	541,444
Less: Unrealised income	(61,223)	(299,412)
Add: Surplus cash arising from 25%/50% Manager's fees paid/payable in units	7,701	14,061
Add: Brought forward undistributed income available for distribution	414	484
Total available for income distribution	270,588	256,577
Less: Income distributed	(207,664)	(195,939)
Less: Proposed final income distribution	(62,411)	(60,224)
Balance undistributed arising from rounding difference	513	414
Distribution per unit (sen)	9.18	8.73

### 12. Plant and equipment

At 30 June 2016

Group/Fund	Office/ computer equipment RM'000	Furniture and fittings RM'000	Total RM'000
<b>Cost</b>			
At beginning of financial year	4,832	1,689	6,521
Additions (Note 36)	4,268	544	4,812
At end of financial year	9,100	2,233	11,333
<b>Accumulated depreciation</b>			
At beginning of financial year	1,038	215	1,253
Depreciation charge for the year (Note 5)	1,176	206	1,382
At end of financial year	2,214	421	2,635
<b>Net carrying amount</b>	<b>6,886</b>	<b>1,812</b>	<b>8,698</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 12. Plant and equipment (Contd.)

At 30 June 2015

Group/Fund	Office/ computer equipment RM'000	Furniture and fittings RM'000	Total RM'000
<b>Cost</b>			
At beginning of financial year	2,680	930	3,610
Additions (Note 36)	2,152	759	2,911
At end of financial year	4,832	1,689	6,521
<b>Accumulated depreciation</b>			
At beginning of financial year	481	90	571
Depreciation charge for the year (Note 5)	557	125	682
At end of financial year	1,038	215	1,253
<b>Net carrying amount</b>	<b>3,794</b>	<b>1,474</b>	<b>5,268</b>

### 13. Investment properties

	Group/Fund	
	2016	2015
	RM'000	RM'000
At beginning of financial year	6,324,000	5,520,000
Additions from acquisition (Note 36)	-	134,000
Incidental costs on acquisition (Note 36)	-	1,967
Additions from subsequent expenditure (Note 36)	45,518	361,283
Changes in fair value (Note 36)	63,482	306,750
At end of financial year	6,433,000	6,324,000

In the previous financial year, Sunway REIT acquired two investment properties namely Sunway Hotel Georgetown and Wisma Sunway for a purchase consideration of RM74,000,000 and RM60,000,000 respectively, which were fully financed through proceeds from drawdown of borrowings.

Included in the subsequent expenditure of investment properties are the borrowing costs capitalised for certain capital work-in-progress which satisfied the recognition criteria of MFRS 123: Borrowing Costs amounting to RM39,000 (2015: RM4,611,000) as disclosed in Note 8.

Investment properties of the Group and of the Fund amounting to RM5,973,000,000 (2015: RM5,863,000,000) are pledged as securities for borrowings as disclosed in Note 21.

The following are recognised in profit or loss in respect of investment properties:

	Group/Fund	
	2016	2015
	RM'000	RM'000
Revenue	507,013	453,454
Property operating expenses (Note 5)	(133,162)	(112,628)
Net property income	373,851	340,826

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

## 13. Investment properties (Contd.)

Details of the investment properties are as follows:

Description of property	Location	Date of acquisition	Tenure of land	Term of lease	Remaining term of lease	Fair value as at 30.6.2016 RM'000	Fair value as at 30.6.2015 RM'000	Percentage of net asset value as at 30.6.2016 %	Percentage of net asset value as at 30.6.2015 %
<b>Retail</b>									
Sunway Pyramid Shopping Mall	Selangor	8 July 2010	Leasehold	99 years	81/89 years	3,300,000 ^	3,200,000 *	81.5	80.3
Sunway Carnival Shopping Mall	Penang	8 July 2010	Leasehold	99 years	76 years	380,000 ^	340,000 *	9.4	8.5
SunCity Ipoh Hypermarket	Perak	8 July 2010	Leasehold	99 years	84 years	61,000 ^	60,000 *	1.5	1.5
Sunway Putra Mall	Kuala Lumpur	19 April 2011	Freehold	-	-	595,000 ^	588,000 #	14.7	14.8
						4,336,000	4,188,000	107.1	105.1
<b>Hotel</b>									
Sunway Resort Hotel & Spa	Selangor	8 July 2010	Leasehold	99 years	81 years	530,000 ^	530,000 *	13.1	13.3
Sunway Pyramid Hotel East (formerly known as Pyramid Tower East)	Selangor	8 July 2010	Leasehold	99 years	85 years	295,000 ^	295,000 *	7.3	7.4
Sunway Hotel Seberang Jaya	Penang	8 July 2010	Leasehold	99 years	76 years	68,000 ^	75,000 *	1.7	1.9
Sunway Putra Hotel	Kuala Lumpur	19 April 2011	Freehold	-	-	335,000 ^	335,000 #	8.3	8.4
Sunway Hotel Georgetown	Penang	28 January 2015	Freehold	-	-	72,000 ^	74,000 *	1.8	2.0
						1,300,000	1,309,000	32.2	33.0
<b>Office</b>									
Menara Sunway	Selangor	8 July 2010	Leasehold	99 years	81 years	164,000 ^	164,000 *	4.0	4.1
Sunway Tower	Kuala Lumpur	8 July 2010	Freehold	-	-	135,000 ^	166,000 *	3.3	4.2
Sunway Putra Tower	Kuala Lumpur	19 April 2011	Freehold	-	-	110,000 ^	110,000 #	2.7	2.8
Wisma Sunway	Selangor	23 March 2015	Leasehold	99 years	78 years	62,000 ^	62,000 *	1.4	2.0
						471,000	502,000	11.4	13.1
<b>Others</b>									
Sunway Medical Centre	Selangor	31 December 2012	Leasehold	99 years	81 years	326,000 ^	325,000 #	8.0	8.2
						6,433,000	6,324,000	158.7	159.4

^ Based on valuation carried out by an independent professional valuer, C H Williams Talhar & Wong Sdn. Bhd. on 30 June 2016

\* Based on valuation carried out by an independent professional valuer, Knight Frank Malaysia Sdn. Bhd. on 30 June 2015

# Based on valuation carried out by an independent professional valuer, C H Williams Talhar & Wong Sdn. Bhd. on 30 June 2015



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 13. Investment properties (Contd.)

##### Fair value information

MFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The three levels are explained below:

##### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the Group and the Fund can assess at the measurement date.

##### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.

##### Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

##### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

The fair values of investment properties of the Group and of the Fund are categorised as Level 3.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer below)	<ul style="list-style-type: none"> <li>- Allowance for void of 5.00% - 15.00%</li> <li>- Term yield rates ranging from 6.00% - 8.00%</li> <li>- Reversionary yield rates ranging from 6.50% - 7.25%</li> </ul>	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> <li>- Allowance for void was lower/(higher)</li> <li>- Term yield rate was lower/(higher)</li> <li>- Reversionary yield rate was lower/(higher)</li> </ul>
Profits method (refer below)	<ul style="list-style-type: none"> <li>- Average room rates during holding period ranging from RM190 per room - RM534 per room</li> <li>- Average occupancy rates during holding period ranging from 60.00% - 85.00%</li> <li>- Capitalisation rate of 7.00%</li> <li>- Discount rate of 9.00% over 10-year holding period</li> </ul>	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> <li>- Average room rates during the holding period were higher/(lower)</li> <li>- Average occupancy rates during the holding period were higher/(lower)</li> <li>- Capitalisation rate was lower/(higher)</li> <li>- Discount rate was lower/(higher)</li> </ul>

The investment method involves capitalisation of the net annual income stream that is expected to be received from the property after deducting the annual outgoings and other operating expenses incidental to the property with allowance for void by using an appropriate market derived capitalisation rate.

The profits method is most appropriate for properties occupied as business premises and in essence, attempts to determine the net operating profit from the trading accounts which is then capitalised. As a primary method of valuation for the hotel properties, the valuer has carried out a discounted cash flow analysis over a 10-year investment horizon in which it has assumed that the property is sold at the commencement of the eleventh year of the discounted cash flow analysis. In undertaking this analysis, the valuer has also used a wide range of assumptions for the hotel properties including the growth of average room rates and other revenues during the holding period, average occupancy rates, expense ratios and other related expenses.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 13. Investment properties (Contd.)

The following table shows a reconciliation of Level 3 fair value:

	Group/Fund	
	2016 RM'000	2015 RM'000
At beginning of financial year	6,324,000	5,520,000
Additions	45,518	497,250
Changes in fair value	63,482	306,750
At end of financial year	6,433,000	6,324,000

#### Valuation processes applied by the Group and the Fund for Level 3 fair value

The fair value of investment properties are determined by independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the investment properties being valued. The independent professional valuers provide the fair value of the Group's and of the Fund's investment properties portfolio annually. Changes in Level 3 fair value are assessed by the Manager annually after obtaining the valuation reports from the independent professional valuers.

### 14. Investments in subsidiaries

	Fund	
	2016 RM	2015 RM
<b>At cost</b>		
Unquoted ordinary shares	4	4

Further details of the subsidiaries are disclosed in Note 32.

### 15. Trade receivables

	Group/Fund	
	2016 RM'000	2015 RM'000
<b>Current</b>		
Third parties	15,481	12,094
Amount due from parties related to the Manager	5,174	4,374
	20,655	16,468
Less: Allowance for impairment	(3,942)	(3,475)
Total trade receivables	16,713	12,993
 Total trade receivables	 16,713	 12,993
Add: Other receivables (Note 16)	9,129	7,181
Less: Prepayments (Note 16)	(5,981)	(2,578)
Add: Cash and bank balances (Note 18)	69,719	66,218
Total loans and receivables	89,580	83,814

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 15. Trade receivables (Contd.)

Included in trade receivables is the following amount due from parties related to the Manager:

	Group/Fund	
	2016 RM'000	2015 RM'000
Sunway Berhad Group	5,174	4,374

The amount due from parties related to the Manager is unsecured and bears interests ranging from 8% to 18% per annum (2015: 8% to 18% per annum) and the credit period is generally for a period of 7 days to 30 days (2015: 7 days to 30 days). The relationship with the parties related to the Manager is as disclosed in Note 31.

The Group's and the Fund's primary exposure to credit risk arises through its trade receivables. The Group's and the Fund's trading terms with its customers are mainly on credit. The credit period is generally for a period of 7 days to 30 days (2015: 7 days to 30 days). The Group and the Fund seek to maintain strict control over its outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by the Manager. In view of the aforementioned and the fact that the Group's and the Fund's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables bear interest ranging from 8% to 18% per annum (2015: 8% to 18% per annum).

#### Ageing analysis of trade receivables

The ageing analysis of the Group's and of the Fund's trade receivables is as follows:

	Group/Fund	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	8,398	7,860
Past due but not impaired:		
1 to 30 days	5,184	2,725
31 to 60 days	1,978	1,194
61 to 90 days	773	297
91 to 120 days	198	831
More than 120 days	182	86
	8,315	5,133
Impaired	3,942	3,475
	20,655	16,468

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Fund.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 15. Trade receivables (Contd.)

#### Receivables that are impaired

The Group's and the Fund's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group/Fund	
	2016 RM'000	2015 RM'000
At beginning of financial year	3,475	4,095
Charge/(reversal) for the year (Note 5)	467	(620)
At end of financial year	3,942	3,475

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

#### Receivables that are past due but not impaired

The remainder trade receivables that are past due but not impaired relate to customers with good track record with the Group and the Fund. Based on past experience, the Manager believes that no allowance for impairment is necessary in respect of those balances.

### 16. Other receivables

	Group/Fund	
	2016 RM'000	2015 RM'000
Deposits	2,204	3,180
Prepayments (Note 15)	5,981	2,578
Sundry receivables	944	1,423
	9,129	7,181

Included in other receivables are the following amounts due from parties related to the Manager:

	Group/Fund	
	2016 RM'000	2015 RM'000
Sunway Berhad Group	1,232	210
Sunway Technology Sdn. Bhd. Group	-	3

The amounts due from parties related to the Manager are unsecured, non-interest bearing and are repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 31.

The Group and the Fund have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 17. Amounts due to subsidiaries

The amount due to a subsidiary (non-current) is unsecured, bears an average interest rate of 3.90% per annum (2015: 3.90% per annum) and is repayable in year 2017 and year 2018.

The amounts due to subsidiaries (current) are unsecured, non-interest bearing (2015: 3.84% per annum) and are repayable on demand.

#### 18. Cash and bank balances

	Group/Fund	
	2016 RM'000	2015 RM'000
Cash on hand and at banks	21,123	66,218
Deposits with licensed financial institutions	48,596	-
	<b>69,719</b>	66,218

Cash at banks earn interest rates ranging from 3.05% to 3.70% per annum (2015: 3.05% to 3.70% per annum).

The weighted average interest rate and range of maturities of deposits with licensed financial institutions of the Group and of the Fund in current year are 3.85% per annum and between 11 to 75 days respectively.

#### 19. Derivatives

		Group/Fund	
	Contract/ Notional amount RM'000	Asset RM'000	Liability RM'000
At 30 June 2016			
Non-current			
Non-hedging derivative:			
Interest rate swap	1,072,000	-	(3,731)
Hedging derivative: Cash flow hedge			
Cross currency swap	422,000	-	(18,458)
	1,494,000	-	(22,189)
At 30 June 2015			
Non-current			
Non-hedging derivative:			
Interest rate swap	500,000	-	(1,513)
Current			
Hedging derivative: Cash flow hedge			
Cross currency swap	360,900	14,358	-
	860,900	14,358	(1,513)



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 19. Derivatives (Contd.)

An interest rate swap is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flow. During the financial year, Sunway REIT had entered into 2-year interest rate swap contracts to exchange floating interest rates for fixed interest rates in order to minimise the exposure from fluctuation of interest rate. The interest rate swap contracts receive floating interest rates equal to Kuala Lumpur Interbank Offered Rate ("KLIBOR") per annum, pay fixed rates of interest ranging from 3.61% to 3.85% per annum. The fair value of the interest rate swap contracts is determined by using the market rates at the end of reporting period and changes in the fair value is recognised in the profit or loss. Accordingly, the Group and the Fund recognised an unrealised net loss of RM2,218,000 (2015: RM1,513,000) arising from changes in fair value of interest rate swap in the current financial year.

Sunway REIT also entered into 2-year cross currency swap contracts on 4 February 2016, upon maturity of the previous 1-year cross currency swap contract, to manage its exposure to foreign currency risk arising from foreign currency borrowings which was entered to reduce the Group's and the Fund's average cost of borrowings. The Group and the Fund use cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognised directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the profit or loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit or loss. The fair value of the cross currency swap contract is determined by using the market rate at the end of the reporting period and changes in the fair value is recognised in equity due to the application of hedge accounting.

### 20. Unitholders' capital

	Group/Fund	
	2016 Unit '000	2015 Unit '000
<b>Authorised</b>		
At beginning/end of financial year	3,650,889	3,650,889

	Group/Fund			
	2016 Unit '000	2015 Unit '000	2016 RM'000	2015 RM'000
<b>Issued and fully paid</b>				
At beginning of financial year	2,937,777	2,928,715	2,783,999	2,770,331
Manager's fees paid in units	6,141	9,062	9,477	13,668
Total issued and fully paid	2,943,918	2,937,777	2,793,476	2,783,999
Less: Unit issuance expenses (Note 26)	-	-	(67,543)	(67,543)
At end of financial year	2,943,918	2,937,777	2,725,933	2,716,456

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 20. Unitholders' capital (Contd.)

As at 30 June 2016, the Manager did not hold any units in Sunway REIT. However, the directors of the Manager and parties related to the Manager held units in Sunway REIT as follows:

	Group/Fund			
	Number of units		Market value	
	2016	2015	2016	2015
	Unit '000	Unit '000	RM'000	RM'000
Direct unitholdings of directors of the Manager:				
Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO *	<b>164,907</b>	164,907	<b>273,746</b>	253,957
Elvin A/L Bertly Luke Fernandez	<b>90</b>	90	<b>149</b>	139
Indirect unitholdings of directors of the Manager:				
Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO *	<b>1,098,651</b>	1,061,048	<b>1,823,761</b>	1,634,014
Dato' Ngeow Voon Yean **	-	200	-	308
Sarena Cheah Yean Tih ***	<b>1,263,561</b>	1,225,959	<b>2,097,511</b>	1,887,977
Ng Sing Hwa ****	<b>4,498</b>	3,270	<b>7,467</b>	5,036
Direct unitholdings of parties related to the Manager:				
Sunway Berhad	<b>987</b>	32,843	<b>1,638</b>	50,578
Millennium Pavilion Sdn. Bhd.	<b>4,498</b>	3,270	<b>7,467</b>	5,036
Sunway REIT Holdings Sdn. Bhd.	<b>1,097,664</b>	1,028,205	<b>1,822,122</b>	1,583,436
Indirect unitholdings of parties related to the Manager:				
Sunway Berhad ^	<b>1,097,664</b>	1,028,205	<b>1,822,122</b>	1,583,436

\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn. Bhd., Sungei Way Corporation Sdn. Bhd., Sunway Berhad and Sunway REIT Holdings Sdn. Bhd.

\*\* Resigned during the financial year.

\*\*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn. Bhd., Sungei Way Corporation Sdn. Bhd., Sunway Berhad, Sunway REIT Holdings Sdn. Bhd., spouse and parent.

\*\*\*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Millennium Pavilion Sdn. Bhd.

^ Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sunway REIT Holdings Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 21. Borrowings

		Group		Fund	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Short term borrowings					
Secured:					
Commercial papers	(a)	-	20,000	-	-
		-	20,000	-	-
Unsecured:					
Revolving loan	(b)	772,400	743,400	772,400	743,400
		772,400	763,400	772,400	743,400
Less: Discount on commercial papers		-	(12)	-	-
		772,400	763,388	772,400	743,400
Long term borrowings					
Secured:					
Term loan	(c)	403,150	378,550	403,150	378,550
Unrated medium term notes	(d)	1,000,000	1,000,000	-	-
		1,403,150	1,378,550	403,150	378,550
Total borrowings		2,175,550	2,141,938	1,175,550	1,121,950

#### (a) Commercial papers

SunREIT Capital Berhad ("SunREIT Capital" or the "Issuer"), a wholly owned subsidiary of Sunway REIT, had on 26 April 2012, issued its first commercial papers ("CPs") amounting to RM850 million in nominal value. The CPs are issued at a discount to face value under a 7-year programme of up to RM1.6 billion in nominal value ("CP Programme"). The CP Programme has been accorded a rating of P1 by RAM Rating Services Berhad and is fully underwritten by a financial institution (the "Underwriter").

The CPs issued are for various tenures ranging from 1, 2, 3, 6, 9 or 12 months, and any amount that has been issued may be rolled over during the tenure of the programme at the option of the holder or reissued, to the same or new lenders. In view that the CPs issued carry tenures that are less than 12 months, the Group has classified the outstanding balance of the CPs as current liabilities despite there will be no roll over risk to the Group throughout the duration of the programme as the CP Programme is fully underwritten by the Underwriter for the entire duration of the CP Programme.

#### (i) Details of the CP Programme

The respective limit of the CP Programme shall be as follows:

- 1) RM1.25 billion in nominal value for the first three (3) years (commencing on the date of first issuance of the commercial paper(s) to be issued from time to time under the CP Programme); and
- 2) RM1.6 billion in nominal value thereafter until expiry of the CP Programme.

The aggregate outstanding nominal value of the CPs issued under the CP Programme shall not exceed the applicable programme limit at any one time. The CPs may be issued via competitive tender, direct or private placement, bought deal basis or book running basis, all without prospectus at the option of the Issuer.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 21. Borrowings (Contd.)

##### (a) Commercial papers (Contd.)

###### (i) Details of the CP Programme (Contd.)

At all times, the amount underwritten will not exceed the programme limit of the CP Programme (being RM1.25 billion for the first three (3) years and RM1.6 billion thereafter). The Underwriter reserves the right to sell down all or part of its underwriting commitment.

On 10 April 2013, Sunway REIT had obtained approval from the Underwriter to revise the underwriting commitment from the applicable programme limit to such underwritten commitment as requested by the Issuer and agreed to by the Underwriter ("Prevailing Underwriting Commitment") at any one time and from time to time provided that at all times the aggregate outstanding nominal value of the CPs shall not exceed the Prevailing Underwriting Commitment.

###### (ii) Utilisation of the proceeds

The proceeds raised from the CP Programme shall be utilised by the Issuer for the purpose of advancing to Sunway REIT, where the Trustee shall utilise such proceeds firstly to repay the existing borrowings granted by the Underwriter, secondly as working capital requirements of Sunway REIT and to defray expenses incurred in relation to the CP Programme, and thirdly for financing including repayment of cash utilised by Sunway REIT to part finance the investment activities (including capital expenditure and the related acquisition and financing expenses) of Sunway REIT and/or refinancing of existing/future borrowings undertaken by Sunway REIT for its investment activities (including capital expenditure and the related acquisition and financing expenses) as well as to refinance maturing CPs on their respective maturity dates subsequent to the first issuance of the CPs and to fund the Trustee's Reimbursement Account as required under the SC's Trust Deed Guidelines.

##### (b) Revolving loan

On 21 June 2016, Sunway REIT had renewed the floating rate Revolving Loan Facility (the "Facility") of RM1.1 billion from a financial institution for another 3 years. The purpose of the Facility is to partly or fully repay any issuance of the CPs by SunREIT Capital during the tenure of the Facility. The Facility has been extended until 25 April 2019.

##### (c) Term loan

In the previous financial year, Sunway REIT had secured a 3-year term loan facility ('USD100 million Loan Facility') of USD100 million (equivalent to RM422.0 million) from a financial institution to repay the existing 3-year term loan.

Sunway REIT had, on 4 February 2016, entered into 2-year floating rate cross currency swap contracts to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the period of the foreign currency borrowing, upon maturity of the previous 1-year fixed rate cross currency contract.

The USD100 million Loan Facility is to be repaid by way of bullet repayment at maturity.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 21. Borrowings (Contd.)

#### (d) Unrated medium term notes

In the previous financial years, SunREIT Unrated Bond Berhad ("SunREIT Unrated Bond" or the "Issuer"), a wholly owned subsidiary of Sunway REIT, had issued several 5-year unrated medium term notes ("Unrated MTNs") amounting to an aggregate of RM1.0 billion in nominal value at an agreed coupon rate pursuant to the 15-year RM1.0 billion Medium Term Note Programme ("MTN Programme").

The proceeds raised from the MTN Programme was utilised by the Issuer for the purpose of advancing to Sunway REIT to repay all the existing borrowings of Sunway REIT.

All borrowings are denominated in Ringgit Malaysia (RM) unless otherwise indicated.

The secured borrowings of the Group and of the Fund are secured by legal charges on investment properties of the Group and of the Fund amounting to RM5,973,000,000 (2015: RM5,863,000,000) as disclosed in Note 13.

Maturity of the gross borrowings are as follows:

	Group		Fund	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Not later than 1 year	772,400	763,400	772,400	743,400
Later than 1 year and not later than 2 years	1,403,150	-	403,150	-
Later than 2 years and not later than 3 years	-	1,378,550	-	378,550
Later than 3 years and not later than 4 years	-	-	-	-
Later than 4 years and not later than 5 years	-	-	-	-
	<b>2,175,550</b>	2,141,950	<b>1,175,550</b>	1,121,950

Sunway REIT had entered into several 2-year and 3-year interest rate swap contracts to hedge the floating interest rate payable on CPs, revolving loan and term loan. The contracts entitle the Group and the Fund to pay interest at fixed rates on notional principal amounts and oblige them to receive interest at floating rates on the same amounts. Under the swaps, Sunway REIT agrees with the other parties to exchange the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 21. Borrowings (Contd.)

Details of the borrowings are as follows:

Type of borrowings	Year of maturity	Average interest rate		Group	
		2016	2015	2016	2015
				RM'000	RM'000
<u>Secured</u>					
Fixed rate:					
Unrated medium term notes					
(Issue 1, Tranche 1 and 2)	2017	<b>3.97%</b>	3.97%	<b>400,000</b>	400,000
Unrated medium term notes					
(Issue 2 and 3)	2018	<b>3.85%</b>	3.85%	<b>600,000</b>	600,000
				<b>1,000,000</b>	1,000,000
Floating rate:					
Term loan	2018	<b>3.61%</b>	4.10%	<b>403,150</b>	378,550
Commercial papers	2015	-	3.84%	-	20,000
				<b>403,150</b>	398,550
Total secured borrowings				<b>1,403,150</b>	1,398,550

#### Unsecured

Floating rate:

Revolving loan	2016	<b>3.99%</b>	3.84%	<b>772,400</b>	743,400
Total gross borrowings				<b>2,175,550</b>	2,141,950
Less: Discount on commercial papers				-	(12)
Total carrying amount				<b>2,175,550</b>	2,141,938

Type of borrowings	Year of maturity	Average interest rate		Fund	
		2016	2015	2016	2015
				RM'000	RM'000
<u>Secured</u>					
Floating rate:					
Term loan	2018	<b>3.61%</b>	4.10%	<b>403,150</b>	378,550
<u>Unsecured</u>					
Floating rate:					
Revolving loan	2016	<b>3.99%</b>	3.84%	<b>772,400</b>	743,400
Total carrying amount				<b>1,175,550</b>	1,121,950

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 22. Long term liabilities

Long term liabilities are in respect of refundable deposits received from tenants for tenancy contracts with tenure of two to three years. The long term liabilities are unsecured and non-interest bearing.

### 23. Deferred tax liability

	Group/Fund	
	2016	2015
	RM'000	RM'000
At beginning of financial year	5,896	-
Recognised in profit or loss (Note 9)	-	5,896
At end of financial year	5,896	5,896

The deferred tax liability relates to fair value gain of freehold land component within the investment properties which is expected to be recovered through sale.

### 24. Trade payables

	Group		Fund	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total trade payables	4,867	6,506	4,867	6,506
Add: Other payables (Note 25)	221,271	216,320	213,759	208,776
Less: Deferred income (Note 25)	(4,823)	(1,691)	(4,823)	(1,691)
Add: Amounts due to subsidiaries (Note 17)	-	-	1,007,509	1,027,529
Add: Borrowings (Note 21)	2,175,550	2,141,938	1,175,550	1,121,950
Add: Long term liabilities (Note 22)	56,256	75,585	56,256	75,585
Total financial liabilities carried at				
amortised cost	2,453,121	2,438,658	2,453,118	2,438,655

Included in trade payables is the following amount due to parties related to the Manager:

	Group/Fund	
	2016	2015
	RM'000	RM'000
Sunway Berhad Group	340	287

The amount due to parties related to the Manager is unsecured, non-interest bearing and is repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 31.

The normal trade credit terms granted to the Group and the Fund range from 1 day to 90 days (2015: 1 day to 90 days).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 25. Other payables

	Group		Fund	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sundry payables	6,640	10,470	6,640	10,470
Accruals	158,089	176,294	150,577	168,750
Deferred income (Note 24)	4,823	1,691	4,823	1,691
Refundable deposits	51,719	27,865	51,719	27,865
	<b>221,271</b>	<b>216,320</b>	<b>213,759</b>	<b>208,776</b>

Included in other payables is the following amount due to parties related to the Manager:

	Group/Fund	
	2016	2015
	RM'000	RM'000
Sunway Berhad Group	29,939	36,383

The amount due to parties related to the Manager is unsecured, non-interest bearing and is repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 31.

Deferred income of the Group and of the Fund includes court award of RM3,189,000 (2015: Nil) as further disclosed in Note 38(a) to the financial statements.

### 26. Unit issuance expenses

	Group/Fund	
	2016	2015
	RM'000	RM'000
At beginning/end of financial year	67,543	67,543

### 27. Portfolio turnover ratio

	Group/Fund	
	2016	2015
	RM'000	RM'000
Average of the total acquisitions	-	67,984
Average net asset value during the financial year	3,943,697	3,699,579
Portfolio Turnover Ratio ("PTR") (times)	-	0.02

The calculation of PTR is based on the average of the total acquisitions and total disposals of investments in the Group for the year to the average net asset value during the financial year.

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Group's PTR against other real estate investment trusts.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 28. Management expense ratio

	Group/Fund	
	2016 RM'000	2015 RM'000
Total trust expenses	35,038	31,238
Net asset value at end of financial year	4,051,230	3,982,260
Less: Proposed final income distribution	(62,411)	(60,224)
Net asset value at end of financial year, after proposed final income distribution	3,988,819	3,922,036
Management Expense Ratio ("MER")	0.88%	0.80%

The calculation of MER is based on the total fees and expenses incurred by the Group in the year, including Manager's fees, Trustee's fees, auditors' remuneration, tax agent's fee, valuation fees and other trust expenses to the net asset value (after proposed final income distribution) at end of financial year.

Since the basis of calculating MER can vary among real estate investment trusts, comparison of the Group's MER with other real estate investment trusts which use a different basis of calculation may not be an accurate comparison.

### 29. Operating lease agreements

#### The Group and the Fund as lessor

The Group and the Fund lease out their investment properties. Non-cancellable operating lease rentals receivable are as follows:

	Group/Fund	
	2016 RM'000	2015 RM'000
Within 1 year	371,289	395,791
After 1 year but within 5 years	477,171	538,729
After 5 years	92,033	92,033
	940,493	1,026,553

### 30. Capital commitments

	Group/Fund	
	2016 RM'000	2015 RM'000
<b>Capital expenditure</b>		
Subsequent expenditure of investment properties:		
Approved and contracted for	91,582	58,556
Approved but not contracted for	34,218	20,775
	125,800	79,331

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 31. Significant transactions with parties related to the Manager

During the financial year, other than those disclosed elsewhere in the financial statements, the Group and the Fund transacted with certain parties related to the Manager as follows:

Name of companies related to the Manager	Nature of transactions	Group/Fund	
		2016 RM'000	2015 RM'000
(a) Sunway Berhad Group *	Rental income and utilities charges	137,737	124,944
	Property management and related services	(30,802)	(35,747)
	Construction and related services	(43,286)	(237,804)
	Others	(10,588)	(6,102)
	Acquisition of investment properties	-	(134,000)
(b) Sunway Technology Sdn. Bhd. Group ["STSB Group"] #	Rental income and utilities charges	542	575

The above transactions have been entered into in the normal course of business and have been established based on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

The above parties are deemed related to the Manager as follows:

- \* Sunway Berhad Group are deemed parties related to the Manager by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling's common directorships in Sunway Berhad and the Manager as well as interests in Sunway Berhad Group and the Group. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the spouse of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, has deemed interests in Sunway Berhad Group and the Group. Sarena Cheah Yean Tih, being the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a director of Sunway Berhad, the Manager and the Group as well as director and alternate director in several subsidiaries of Sunway Berhad. Evan Cheah Yean Shin, the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a director in several subsidiaries of Sunway Berhad and he has interest in Sunway Berhad. Sarena Cheah Yean Tih and Evan Cheah Yean Shin have interests in Sunway Berhad Group and the Group.
- # STSB Group are deemed parties related to the Manager by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling's common directorships in STSB and the Manager as well as interests in STSB Group and the Group. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the spouse of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, also has deemed interests in STSB Group and the Group. Sarena Cheah Yean Tih and Evan Cheah Yean Shin, being the children of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, have deemed interests in STSB Group and the Group. Evan Cheah Yean Shin is a director of STSB Group.

Information regarding outstanding balances arising from transactions with parties related to the Manager as at 30 June 2016 are disclosed in Notes 15, 16, 24 and 25.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 32. Subsidiaries

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Principal activity	Proportion of ownership interest	
			2016 %	2015 %
SunREIT Capital Berhad	Malaysia	To undertake the issuance of commercial papers pursuant to the commercial papers programme ("CP Programme") and/or medium term notes programme ("MTN Programme") (collectively referred to as "CP/MTN Programme") and all matters relating to the CP/MTN Programme	100	100
SunREIT Unrated Bond Berhad	Malaysia	To undertake the issuance of unrated medium term notes ("Unrated MTNs") under a medium term note programme ("MTN Programme") and all matters relating to the Unrated MTNs under/and/ or the MTN Programme	100	100

The subsidiaries are intended as Special Purpose Vehicle ("SPV") to undertake the issuance of the commercial papers and unrated medium term notes for Sunway REIT.

### 33. Financial instruments

#### (a) Financial risk management objectives and policies

The Manager proactively reviews the capital management of the Group and of the Fund to ensure that adequate financial resources are available for the working capital requirements, growing the Group's businesses and for income distributions whilst managing its interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The Manager reviews and agrees policies for managing each of these risks and they are summarised below.

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Fund's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Fund's interest rate risk arises primarily from borrowings at floating rates. All of the Group's and the Fund's borrowings at floating rates are contractually re-priced monthly and quarterly.

The Manager manages the Group's and the Fund's interest rate exposure by monitoring a mix of fixed and floating rate borrowings. The Group also entered into interest rate swap contracts to hedge the floating rate interest payable on certain borrowings. At the reporting date, after taking into account the interest rate swap contracts, approximately 94% (2015: 88%) of the Group's borrowings are at fixed rates of interest.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 33. Financial instruments (Contd.)

#### (b) Interest rate risk (Contd.)

##### Fair value sensitivity analysis for fixed rate instruments

The Group and the Fund do not account for any fixed rate instruments at fair value through the profit or loss. Therefore, a change in interest rates at the reporting date would not affect the profit or loss.

##### Sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would result in profit for the year to be (lower)/higher by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group		Fund	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>25 basis points increase</b>				
Variable rate instruments	(1,931)	(1,909)	(1,931)	(1,859)
<b>25 basis points decrease</b>				
Variable rate instruments	1,931	1,909	1,931	1,859

#### (c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Fund are not significantly exposed to foreign currency risk as the majority of the Group's and of the Fund's transactions, assets and liabilities are denominated in Ringgit Malaysia ("RM") except for the USD100 million Loan Facility as disclosed in Note 21 (c).

The USD100 million Loan Facility is hedged with cross currency swap contracts. As such, fluctuation in USD is not expected to have any material effects to the financial performance and position of the Group and of the Fund.

#### (d) Liquidity risk

The Manager manages the Group's and the Fund's debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Fund maintain sufficient levels of cash or cash convertible investments to meet their working capital requirements. In addition, the Manager strives to ensure that the Group and the Fund maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Fund raise committed funding from both capital markets and financial institutions and balances their portfolio with some short term funding so as to achieve overall cost effectiveness.

At the reporting date, RM772,400,000 (2015: RM763,400,000) of the Group's borrowings comprising revolving loan (2015: CPs and revolving loan) will be maturing in the next twelve months based on the carrying amount reflected in the financial statements. There will be no repayment risk for the maturing borrowings as the borrowings could be refinanced with the existing unutilised CP Programme limit and CPs are fully underwritten by a financial institution for the entire duration of the CP Programme.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

## 33. Financial instruments (Contd.)

### (d) Liquidity risk (Contd.)

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Fund's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	----- 2016 -----		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
<b>Group</b>			
<b>Financial liabilities</b>			
Trade and other payables	221,315	56,256	277,571
Borrowings	826,868	1,451,688	2,278,556
Total undiscounted financial liabilities	1,048,183	1,507,944	2,556,127
<b>Fund</b>			
<b>Financial liabilities</b>			
Trade and other payables	252,784	1,076,910	1,329,694
Borrowings	787,887	431,034	1,218,921
Total undiscounted financial liabilities	1,040,671	1,507,944	2,548,615

	----- 2015 -----		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
<b>Group</b>			
<b>Financial liabilities</b>			
Trade and other payables	221,135	75,585	296,720
Borrowings	832,516	1,435,873	2,268,389
Total undiscounted financial liabilities	1,053,651	1,511,458	2,565,109
<b>Fund</b>			
<b>Financial liabilities</b>			
Trade and other payables	280,101	1,135,220	1,415,321
Borrowings	773,535	376,238	1,149,773
Total undiscounted financial liabilities	1,053,636	1,511,458	2,565,094

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 33. Financial instruments (Contd.)

#### (e) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Fund's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Group and the Fund minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Fund's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Fund trade only with recognised and creditworthy third parties. It is the Group's and the Fund's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Fund's exposure to bad debts is not significant.

#### Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's and the Fund's varied customers. These customers are dispersed, engaged in a wide spectrum of activities and sell in a variety of end markets. The Manager's experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Fund's trade receivables.

#### Credit risk concentration profile

The Manager determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Fund's trade receivables by segment at the reporting date are as follows:

Business segments	Group/Fund			
	2016		2015	
	RM'000	%	RM'000	%
Retail	11,830	70.8	5,980	46.0
Hotel	1,790	10.7	700	5.4
Office	1,193	7.1	4,478	34.5
Others	1,900	11.4	1,835	14.1
	16,713	100.0	12,993	100.0

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

## 33. Financial instruments (Contd.)

### (f) Fair values

The carrying amounts of financial liabilities of the Group and of the Fund as at reporting date approximated their fair values except for the following:

	Group		Fund	
	Carrying amount RM'000	Fair value at Level 3 RM'000	Carrying amount RM'000	Fair value at Level 3 RM'000
<b>At 30 June 2016</b>				
Borrowings	2,175,550	2,189,219	1,175,550	1,189,988
Long term liabilities	56,256	52,460	56,256	52,460
<b>At 30 June 2015</b>				
Borrowings	2,141,938	2,128,461	1,121,950	1,120,459
Long term liabilities	75,585	71,092	75,585	71,092

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<b>Note</b>
Trade receivables	15
Other receivables	16
Amounts due to subsidiaries	17
Trade payables	24
Other payables	25

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 34. Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

##### Level 1

Quoted (unadjusted) market prices in an active market for identical assets or liabilities.

##### Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

##### Level 3

Valuation techniques for which the lowest input that is significant to the fair value measurement is unobservable.

The following table provides the fair value hierarchy of the Group's and of the Fund's assets and financial instruments:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>At 30 June 2016</b>				
<b>Financial assets</b>				
Investment properties	-	-	6,433,000	6,433,000
	-	-	6,433,000	6,433,000
<b>Financial liability</b>				
Derivatives	-	(22,189)	-	(22,189)
<b>At 30 June 2015</b>				
<b>Financial assets</b>				
Investment properties	-	-	6,324,000	6,324,000
Derivatives	-	14,358	-	14,358
	-	14,358	6,324,000	6,338,358
<b>Financial liability</b>				
Derivatives	-	(1,513)	-	(1,513)

##### Investment properties

Fair value reconciliation and valuation techniques of investment properties measured at Level 3 are disclosed in Note 13.

##### Derivatives

Cross currency swap and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counter parties and interest rate curves.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## For the financial year ended 30 June 2016

### 35. Capital management

The primary objective of the Manager's capital management is to optimise capital structure and cost of capital of the Group and to adopt active interest rate management strategy to manage the risks associated with changes in interest rates. No changes were made in the objectives, policies or processes during the financial year ended 30 June 2016.

The Manager monitors capital using a gearing ratio, which is total gross borrowings divided by total asset value of the Group pursuant to Securities Commission's Guidelines on Real Estate Investment Trusts. The Group's policy is to keep the gearing ratio below 50%.

Sunway REIT's capital is represented by its unitholders' fund in the Statement of Financial Position.

	Group	
	2016	2015
	RM'000	RM'000
Non-current assets	6,441,698	6,329,268
Current assets	95,561	100,750
Total asset value	6,537,259	6,430,018
Total gross borrowings (Note 21)	2,175,550	2,141,950
Gearing ratio	33.3%	33.3%

### 36. Segment information

#### (a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the product and services produced. Secondary information is reported geographically. The investment properties are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

#### (b) Business segments

The Group comprises the following main major business segments:

- (i) Retail - renting of retail premises to tenants
- (ii) Hotel - leasing of hotel premises to hotel operators
- (iii) Office - renting of office premises to tenants
- (iv) Others - leasing of a medical premise to a hospital operator

#### (c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Rental from tenants disclosed in geographical segments are based on the geographical location of the assets. The Group's four business segments operate in four main geographical areas:

- (i) Selangor - the operations in this area are principally renting of retail and office premises, leasing of hotel premises to a hotel operator and leasing of a medical premise to a hospital operator.
- (ii) Kuala Lumpur - the operations in this area are principally renting of retail and office premises and leasing of a hotel premise to a hotel operator.
- (iii) Penang - the operations in this area are principally renting of a retail premise and leasing of hotel premises to hotel operators.
- (iv) Perak - the operation in this area is principally renting of a retail premise.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 36. Segment information (Contd.)

#### Business segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

	2016				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
Revenue					
Rental income	351,425	1,789	29,180	-	382,394
Hotel/hospital master lease income	-	69,220	-	21,142	90,362
Car park rental income	19,013	1,785	1,060	-	21,858
Other operating income	12,381	-	18	-	12,399
Gross revenue	382,819	72,794	30,258	21,142	507,013
Segment net property income	269,435	68,788	14,486	21,142	373,851
Other income					10,072
Changes in fair value of investment properties	147,710	(53,039)	(32,138)	949	63,482
Total expenses (excluding finance costs)					(37,467)
Finance costs					(86,242)
Profit before tax					323,696
Income tax expense					-
<b>Profit for the year</b>					<b>323,696</b>

	2016					
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Note
<b>Assets</b>						
Segment assets	4,362,618	1,304,642	473,801	327,900	6,468,961	
Unallocated assets					68,298	
Total assets					6,537,259	
<b>Liabilities</b>						
Segment liabilities	198,939	41,577	18,974	-	259,490	A
Unallocated liabilities					2,226,539	
Total liabilities					2,486,029	
<b>Other segment information</b>						
Capital expenditure	4,812	44,105	1,362	51	50,330	B
Depreciation	1,332	2	48	-	1,382	
Other significant non-cash income/ (expenses)	146,879	(53,037)	(32,207)	949	62,584	
Unallocated					(2,260)	
					60,324	C

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

## 36. Segment information (Contd.)

### Business segments (Contd.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments: (Contd.)

	----- 2015 -----				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
Revenue					
Rental income	306,705	641	37,818	-	345,164
Hotel/hospital master lease income	-	59,335	-	20,384	79,719
Car park rental income	15,141	1,330	1,268	-	17,739
Other operating income	10,818	2	12	-	10,832
Gross revenue	332,664	61,308	39,098	20,384	453,454
Segment net property income	236,883	58,743	24,816	20,384	340,826
Other income					3,444
Changes in fair value of investment properties	375,672	(46,072)	(24,395)	1,545	306,750
Total expenses (excluding finance costs)					(32,929)
Finance costs					(70,751)
Profit before tax					547,340
Income tax expense					(5,896)
<b>Profit for the year</b>					<b>541,444</b>

	----- 2015 -----					
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Note
<b>Assets</b>						
Segment assets	4,208,770	1,309,919	507,373	326,835	6,352,897	
Unallocated assets					77,121	
Total assets					6,430,018	
<b>Liabilities</b>						
Segment liabilities	217,054	39,890	21,882	-	278,826	A
Unallocated liabilities					2,168,932	
Total liabilities					2,447,758	
<b>Other segment information</b>						
Capital expenditure	203,239	197,072	93,395	6,455	500,161	B
Depreciation	675	-	7	-	682	
Other significant non-cash income/ (expenses)	374,574	(46,072)	(24,395)	1,545	305,652	
Unallocated					(7,338)	
					298,314	C

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 36. Segment information (Contd.)

#### Geographical segments

The following table provides an analysis of the Group's revenue, net property income, capital expenditure and assets by geographical segments:

	----- 2016 -----				
	Selangor RM'000	Kuala Lumpur RM'000	Penang RM'000	Perak RM'000	Total RM'000
Gross revenue	394,743	54,940	52,328	5,002	507,013
Segment net property income	310,339	22,802	36,014	4,696	373,851
Capital expenditure	3,671	46,418	241	-	50,330
Segment assets	4,696,956	1,187,576	523,754	60,675	6,468,961
Unallocated assets					68,298
					6,537,259

	----- 2015 -----				
	Selangor RM'000	Kuala Lumpur RM'000	Penang RM'000	Perak RM'000	Total RM'000
Gross revenue	375,012	25,169	48,271	5,002	453,454
Segment net property income	296,558	7,319	32,269	4,680	340,826
Capital expenditure	133,856	289,946	76,359	-	500,161
Segment assets	4,596,687	1,201,549	494,542	60,119	6,352,897
Unallocated assets					77,121
					6,430,018

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

## 36. Segment information (Contd.)

**Note** Nature of eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment expenses are eliminated on consolidation.

B Capital expenditures consist of:

	Group/Fund	
	2016 RM'000	2015 RM'000
Plant and equipment (Note 12)	4,812	2,911
Investment properties (Note 13)	45,518	497,250
	<b>50,330</b>	500,161

C Other significant non-cash income/(expenses) consist of the following items as presented in the respective notes:

	Group/Fund	
	2016 RM'000	2015 RM'000
Fair value gain on investment properties (Note 13)	63,482	306,750
Deferred tax expense on fair value gain of investment properties (Note 23)	-	(5,896)
Net changes in fair value of derivative financial instrument (Note 19)	(2,218)	(1,513)
Unrealised foreign exchange loss (hedged item)	(18,100)	(58,950)
Cash flow hedge reserve recycled to profit or loss	18,100	58,950
(Allowance)/reversal of allowance for impairment on trade receivables (Note 5)	(467)	620
Bad debts written off (Note 5)	(432)	(1,718)
Other (expense)/income	(41)	71
	<b>60,324</b>	298,314

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### For the financial year ended 30 June 2016

#### 37. Significant event during the financial year

##### Proposed Acquisition

On 20 June 2016, Kenanga Investment Bank Berhad ("Kenanga") announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, the manager for Sunway REIT ("SunREIT"), represented by its trustee, RHB Trustees Berhad, that SunREIT had on even date entered into a conditional sale and purchase agreement with Commercial Parade Sdn Bhd, an indirect subsidiary of Sunway Berhad, to acquire a parcel of vacant land ("Proposed Acquisition") held under Pajakan Negeri 1814, Lot 5493, Mukim 1, Seberang Perai Tengah, Pulau Pinang which is adjacent to Sunway Carnival Shopping Mall ("Sunway Carnival") for a purchase price of RM17.2 million. The Proposed Acquisition is to facilitate the plans of the Manager to expand the existing Sunway Carnival Shopping Mall.

The completion of the sale of Lot 5493 is conditional upon fulfilling the following conditions precedent:

- (i) State Authority approval;
- (ii) the Securities Commission's ("SC") approval for the waiver of Clause 8.44(b) and Clause 8.44(c) of the Guidelines on Real Estate Investment Trusts ("REIT Guidelines")<sup>1</sup>; and
- (iii) any other approvals of any authority as may be deemed necessary by the parties.

On 13 July 2016, Kenanga announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, the manager of SunREIT, that the SC had vide its letter dated 13 July 2016, resolved to approve the application submitted on 29 June 2016 for the proposed exemption from Paragraph 8.44(b) and (c) of the REIT Guidelines ("Exemption").

The approval granted by the SC for the Exemption is subject to the condition that SunREIT continues to hold the expanded Sunway Carnival for at least 2 years from the date of completion of the construction of the extension to the existing mall.

With the above approval from SC, condition (ii) for the Proposed Acquisition has been met.

The Proposed Acquisition will be fully funded through the existing debt facility of SunREIT. The Proposed Acquisition is to facilitate the plans of the Manager to increase the net lettable area of Sunway Carnival with the construction of an extension of the existing mall and the expanded mall is expected to provide long-term growth in DPU and/or NAV per unit.

<sup>1</sup> Clause 8.44(b) and Clause 8.44(c) of the REIT Guidelines state that a fund is not permitted to conduct property development activities and/or acquire vacant land.

#### 38. Material litigations

##### (a) Sunway Putra - Assessment for Damages

**(High Court Originating Summons No. 24NCVC-1255-2011, Court of Appeal W-02(NCVC)-1680-2011 and W-02(NCVC)-1773-2011, Federal Court Leave to Appeal 08(f)-425-09-2011 and Rayuan Sivil No. W-03(IM) (NCVC)-8-01/20-15)**

After the Federal Court has on 20 February 2012 dismissed Metroplex Holdings Sdn Bhd's ("MHSB") application for leave to appeal, RHB Trustees Berhad (as Trustee for Sunway REIT) (the "Trustee") and Sunway REIT Management Sdn Bhd. (the "Manager") proceeded with the enforcement of the remaining parts of the orders made by the High Court that have not been enforced, *inter alia*, the damages awarded to the Trustee.

The Trustee and the Manager instituted the assessment proceedings to determine the amount of damages to be paid by MHSB.

On 27 August 2014, the court awarded a total of RM3,184,071.67 in damages to be paid to the Trustee being RM2,859,000 for revenue foregone and RM325,071.67 for security costs. The court found that these claims were justified as they were a direct result of MHSB's unlawful possession of Sunway Putra (formerly known as Sunway Putra Place). No costs were awarded by the court.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 38. Material litigations (Contd.)

- (a) **Sunway Putra - Assessment for Damages**  
(High Court Originating Summons No. 24NCVC-1255-2011, Court of Appeal W-02(NCVC)-1680-2011 and W-02(NCVC)-1773-2011, Federal Court Leave to Appeal 08(f)-425-09-2011 and Rayuan Sivil No. W-03(IM)(NCVC)-8-01/20-15) (Contd.)

MHSB had proceeded to file an appeal to the judge in chambers on the decision given above. A decision was delivered by the learned judge on 22 December 2014 in favour of the Trustee and the Manager as the appeal was dismissed with costs. MHSB had on 9 January 2015 filed a notice of appeal in the Court of Appeal to appeal against the decision delivered on 22 December 2014. On 25 June 2015, the judge dismissed the appeal with costs, in favour of the Manager and the Trustee. MHSB proceeded to file a leave for appeal at the Federal Court.

The Manager and Trustee have filed a winding up petition against MHSB for non-payment of the damages awarded by the court amounting to RM3,189,071.67 (including costs of RM5,000) and have proceeded with the winding up procedures. MHSB then filed for a stay of the winding up petition, which was heard on 23 October 2015, and the court allowed the stay until the hearing of the leave of appeal in the Federal Court on 3 November 2015. The court also ordered that the RM3.184 million be placed in a joint stakeholders' account within 14 days of the order.

At the Federal Court hearing for the motion for leave to appeal, the judges dismissed the appeal unanimously.

The winding up application hearing was heard on 11 March 2016 and the decision of the court was delivered on 31 March 2016. The court ordered the release of the monies held in the joint stakeholders' account to the Manager within 21 days. On 19 April 2016, the Manager received a cheque for RM3,189,071.67 from MHSB's lawyers. The money has been transferred from the Manager's account to the Sunway REIT collection account and has yet to be recognised. The REIT Manager expects that this will be recognised in FY2017, pending confirmation of the legal case closure by our lawyer.

Separately, on 26 May 2016, the court clarified that the original assessment order did not provide for interest and therefore, the interest in the joint stakeholders' account belonged to MHSB. The application was dismissed with costs of RM1,000 and ordered that the accrued interest be released to MHSB.

- (b) **Sunway Putra - Loss of Actual Income**  
(High Court Originating Summons No. 28NCC-994-12/2012, Court of Appeal Civil No. W-02(IM)(MCC)-622-03/2013 and High Court Companies (Winding Up) No. 28NCC-994-12/2012)

The solicitors for the Trustee and the Manager had on 2 August 2012, issued a section 218 Companies Act notice (winding up) to MHSB pursuant to one of the High Court orders dated 28 June 2011 where MHSB is required to provide all accounting records and a true account of all income and receipts derived or received by it from Putra Place since 19 April 2011 together with all supporting documents and to pay all such income and receipts to Sunway REIT.

On 2 August 2013, the Kuala Lumpur High Court decided that MHSB should not be wound up as it is still solvent. Pursuant to the High Court order, a joint stakeholder account was opened and approximately RM6,189,000 was deposited in the joint stakeholder account and the amount is to be released pending the outcome of the case on assessment of damages mentioned in Note 38(a) above and committal proceedings.

As such, upon the decision of the court of appeal in Note 38(a) above, the Manager and the Trustee had instructed their lawyers to proceed with a notice of motion to the winding up court to release the money held in the joint stakeholders account. On 14 July 2015, the judge ordered that the amount of RM6,189,000 (without interest) held in the joint stakeholder account with MHSB be released to the Trustee and the Manager within 14 days from the order.

MHSB filed for an appeal at the Court of Appeal on 20 July 2015 against the order made on 14 July 2015 and a stay of the said Order. However, the money in the joint stakeholder account was released to the Manager on 28 July 2015 based on the said Order. The hearing for the stay application for the release of the money to the Manager was dismissed on 20 August 2015. On 3 September 2015, the Court of Appeal judges fixed the hearing for the appeal on 12 November 2015.

The Court of Appeal dismissed the appeal and there was no appeal filed to the Federal Court within the appeal period. This case is now closed.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 38. Material litigations (Contd.)

**(c) Sunway Putra (formerly known as Putra Place) - Striking out statement of claim on chattels and movable items (Kuala Lumpur High Court Civil Suit No. 22NCVC-523-09/2015)**

MHSB had filed writ summons and a statement of claim dated 28 September 2015 claiming for various chattels and movable items (e.g. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) which were allegedly acquired and owned by MHSB but not removed by MHSB when the Manager took possession of the hotel at Sunway Putra on 27 September 2011. MHSB has in its statement of claim alleged that the various chattels and moveable items were worth in excess of RM80 million as at September 2011.

A striking out application dated 24 November 2015 was filed by the Manager to strike out the said writ summons and statement of claim on the grounds that the claim by MHSB was scandalous, frivolous or vexatious and/or an abuse of the process of the court.

On 1 April 2016, the Manager was informed that the High Court of Malaya at Kuala Lumpur had on 31 March 2016, dismissed the striking out application. The Learned High Court Judge dismissed the Manager's application on the grounds that there are triable issues in the pleadings and that MHSB should be given an opportunity to prove its claim. The latest case management took place on 28 July 2016 where the Learned Judge fixed the next case management date on 8 September 2016 to allow for the parties to finalise the bundle of documents. The Learned Judge also fixed the matter for trial on 10, 11, 24 and 25 November 2016.

If the eventual outcome of this case is not in the Manager's favour, it would not have any impact on the distribution per unit and immaterial impact on the total asset value of Sunway REIT.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 30 June 2016

### 39. Supplementary information

The breakdown of the retained profits/undistributed income of the Group and of the Fund as at 30 June 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Fund	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits/undistributed income:				
- realised	(4,685)	730	(4,685)	730
- unrealised	1,329,985	1,265,077	1,329,985	1,265,077
	1,325,300	1,265,807	1,325,300	1,265,807
Less: Consolidation adjustments	(3)	(3)	-	-
Total retained profits/undistributed income	1,325,297	1,265,804	1,325,300	1,265,807

The unrealised retained profits/undistributed income mainly comprise fair value gain on investment properties of RM1,338,561,000 (2015: RM1,275,079,000).

## FINANCIAL CALENDAR

### ANNOUNCEMENT OF QUARTERLY RESULTS

**29 October 2015**

Announcement of the unaudited results for the 1<sup>st</sup> quarter ended 30 September 2015

**27 January 2016**

Announcement of the unaudited results for the 2<sup>nd</sup> quarter ended 31 December 2015

**27 April 2016**

Announcement of the unaudited results for the 3<sup>rd</sup> quarter ended 31 March 2016

**11 August 2016**

Announcement of the unaudited results for the 4<sup>th</sup> quarter ended 30 June 2016

---

### INCOME DISTRIBUTION

**For the 1<sup>st</sup> quarter ended 30 September 2015**

2.12 sen per unit (of which 1.67 sen per unit is taxable and 0.45 sen per unit is non-taxable)

**Announcement of the notice of entitlement and payment**  
29 October 2015

**Date of entitlement**  
16 November 2015

**Date of payment**  
1 December 2015

**For the 2<sup>nd</sup> quarter ended 31 December 2015**

2.57 sen per unit (of which 2.12 sen per unit is taxable and 0.45 sen per unit is non-taxable)

**Announcement of the notice of entitlement and payment**  
27 January 2016

**Date of entitlement**  
15 February 2016

**Date of payment**  
1 March 2016

**For the 3<sup>rd</sup> quarter ended 31 March 2016**

2.37 sen per unit (of which 1.81 sen per unit is taxable and 0.56 sen per unit is non-taxable)

**Announcement of the notice of entitlement and payment**  
27 April 2016

**Date of entitlement**  
16 May 2016

**Date of payment**  
31 May 2016

**For the 4<sup>th</sup> quarter ended 30 June 2016**

2.12 sen per unit (of which 1.31 sen per unit is taxable and 0.81 sen per unit is non-taxable)

**Announcement of the notice of entitlement and payment**  
11 August 2016

**Date of entitlement**  
29 August 2016

**Date of payment**  
13 September 2016

---

### ANNUAL GENERAL MEETING

**29 September 2016**

4<sup>th</sup> Annual General Meeting

---

# DETAILED MARKET REPORT

## 1. ECONOMIC OVERVIEW

Spearheaded by private sector growth the Malaysian economy continues to grow, albeit at a slower pace. Even though the economy expanded slower in CY2015 than in CY2014 (6%), the 5% expansion is still considered a respectable growth, given the weak and uneven global economic recovery. Based on the latest figures released by Bank Negara Malaysia (BNM) the Gross Domestic Product (GDP) registered a growth of 4.2% in 1Q CY2016 (4Q CY2015: 4.5%). The slight moderation in growth mainly reflected the external shock to the economy and cautious spending by the private sector. Going forward, the Malaysian economy is expected to remain on a sustainable growth path of 4.0% – 4.5%, despite the challenging economic environment globally and domestically. Domestic demand will continue to be the principal driver of growth, sustained primarily by private sector spending. However, domestic consumption is expected to grow at a moderate pace as households continue to adjust to the higher cost of living. Uncertainties in the external environment and the on-going adjustments in the domestic economy pose downside risks to growth.

According to the Malaysian Investment Development Authority (MIDA), the country secured total approved investments amounting to RM186.7 billion in CY2015, a 21% decrease in value compared to RM235.9 billion in CY2014. The investment performance in CY2015 was strongly influenced by global economic headwinds exacerbated by the drop in oil and commodity prices, as well as the appreciation of the US dollars. Of the total investment approved, some RM150.6 billion or 80.7% was contributed by domestic direct investments (DDI) while RM36.1 billion or 19.3% came from foreign sources (FDI). The higher DDI performance reflects the local investors' favourable response to the Government's call for domestic investments to lead the way in the growth of the economy. In 1Q CY2016, the country recorded RM37.3 billion of approved investments. Despite a weaker global environment, the country remains a competitive investment location for foreign investors, with an increase of 28% in this quarter. Year-on-year, FDI increase to RM12.8 billion in 1Q CY2016 from RM10.0 billion in the corresponding period of CY2015. Domestic investments led with RM24.5 billion or 65.7% of total approved investments in 1Q CY2016.

Private investment registered a slower growth of 2.2% in 1Q CY2016 (4Q CY2015: 4.9%), the cautious business sentiments and lower commodity prices continued to weigh down on investments in the upstream mining sector. Nevertheless, there was continued investment in the manufacturing and service sectors.

Private consumption growth expanded by 5.3% in 1Q CY2016 (4Q CY2015: 4.9%), supported by continued wage and employment growth.

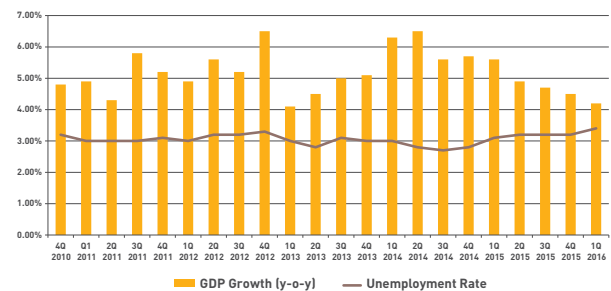
Growth in public sector consumption improved to 3.8% in 1Q CY2016 (4Q CY2015: 3.3%), as a result of higher spending on emoluments.

On the other hand, public investment declined by 4.5% in 1Q CY2016 (4Q CY2015: 0.4%) due to lower spending on fixed assets by public corporations, particularly in the oil and gas and transportation sectors, which more than offset higher investment by the Federal Government.

Inflation is on an upward trend where Consumer Price Index (CPI) increased by 2.7% y-o-y in the first half of CY2016 as consumers are grappling with higher cost of living and utility costs. On a brighter note, transportation related inflation retreated due to lower crude oil price. BNM expects to be contained within 2.0% to 3.0% in CY2016 barring any unforeseen circumstances.

BNM decided to reduce the Overnight Policy Rate (OPR) to 3.00% at the recent Monetary Policy Committee (MPC) meeting on 13 July 2016. The adjustment to the OPR is intended for the degree of monetary accommodativeness to remain consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation supported by continued healthy financial intermediation in the economy.

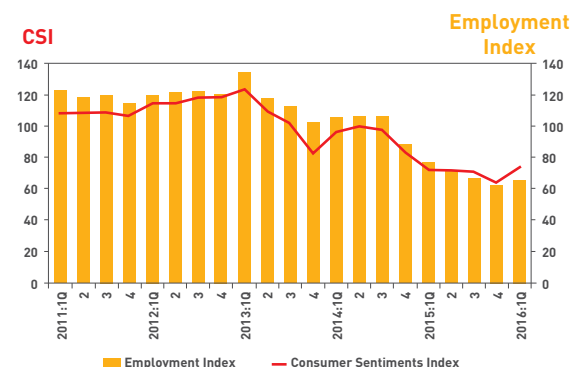
**Figure 1.1: GDP Growth & Unemployment Rate, 4Q CY2010 – 1Q CY2016**



Source: Bank Negara Malaysia

The Consumer Sentiment Index (CSI) improved by 9.1 points to 72.9 points in 1Q CY2016 (4Q CY2015: 63.8 points), still below the threshold level of confidence. "With no real changes in the economic outlook, Malaysians' confidence remains low and we see that this trend will continue to be the case until the pressure on the Ringgit eases. Only when the pressure of the Ringgit improves, can consumers start to feel the burden of their day-to-day spending lessen," said Country Manager of Nielsen Malaysia. The CSI index improvement over the last few quarters indicates that GST impact has normalised.

**Figure 1.2 : Consumer Sentiment Index, 1Q CY2011 – 1Q CY2016**



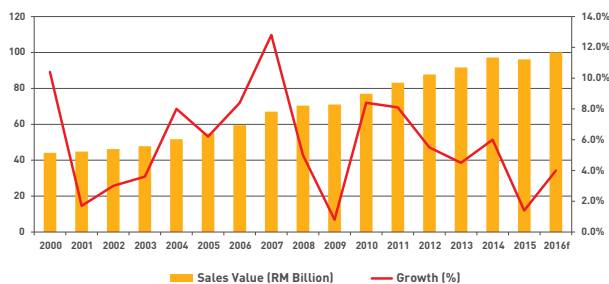
Source: Bank Negara Malaysia

## DETAILED MARKET REPORT (CONT'D)

The Malaysian retail industry recorded a 4.4% fall in sales in the 1Q CY2016 compared to a 4.6% growth a year ago, according to Retail Group Malaysia (RGM). The fall was attributed to higher pre-GST sales a year ago, as well as weak Chinese New Year sales in February 2016. RGM maintains its forecast of 4% growth rate for the Malaysian retail industry in CY2016.

The uncertainties regarding both the domestic and global economies have resulted in fewer travellers and also less spending. Companies are cutting down on business trips, while individual tourist are likely to erase or tighten their travel budgets. CY2016 is expected to once again be a very challenging year as the double impact of slowing economies and weaker business conditions continue. The number of tourist arrivals to Malaysia in CY2015 was 25.7 million, which was 13% lower than the targeted number of 29.4 million tourist arrivals and 6.2% lower than 27.4 million tourist arrivals in CY2014. The tourism sector garnered tourist receipts of RM69.1 billion in CY2015 (CY2014: RM72 billion) a drop of 4% compared to the previous year.

**Figure 1.3: Retail Sales Growth, CY2000 - CY2016f**

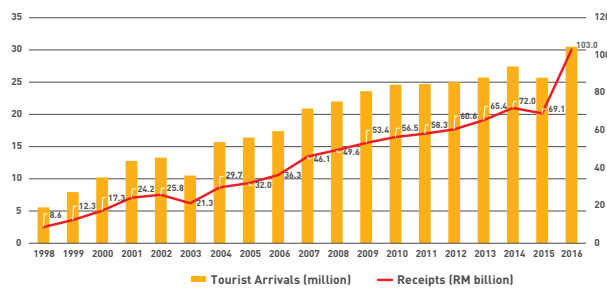


Source: Retail Group Malaysia and AREM (Malaysia) Sdn. Bhd., July 2016

The average national occupancy rates of hotels saw a slight decline from 62.6% in CY2014 to 61.0% in CY2015 as reported by Tourism Malaysia in tandem with the drop in tourist arrivals. As at end-CY2015, there were 2,587 hotels across the country offering 208,747 rooms. Another 116 hotels (24,069 rooms) were in the incoming supply led by Kuala Lumpur with 5,125 rooms. There were another 85 hotels (16,341 rooms) at the planned supply stage.

For CY2016, the number of tourist arrivals is targeted at a fairly unrealistic 30.5 million. However efforts are being made by the authorities to entice foreign tourists to Malaysia via the issuance of e-visa to major target market, specifically China, while considerations are being made for issuance of e-visa to tourists from India. More cultural programmes, motor grand prix, sales campaigns (the first of three shopping campaigns in CY2016 kicked off on 1<sup>st</sup> March 2016 adopting a new tagline "Super Bargains, Fantastic Experience"), eco-tourism initiatives and entertainment events. The tourism agency has also embarked on promotional activities in the Scandinavian countries (Sweden, Norway and Finland), Korea and Japan and is simultaneously increasing promotions in numerous other countries.

**Figure 1.4: Foreign Tourist Arrivals and Receipts**



Source: Tourism Malaysia

## 2. SELANGOR – PETALING JAYA/ SUBANG JAYA

The Selangor economy still remains resilient and continues to attract investments. The state is still one of the most popular destinations in the country for investment, industry and trade. It has attracted RM3.78 billion in foreign investments in CY2015 second after the state of Penang, based on statistics released by the Malaysian Industrial Development Authority (MIDA).

The future outlook for Selangor is expected to be promising backed by various on-going and proposed Statement Government projects. Under the Selangor Budget 2016, several initiatives have been formulated to ensure that Selangor property market performance sustains.

### 2.1 RETAIL

The retail sub-sector sustained its firm performance with an overall occupancy rate of 87.7% (CY2015), up from 84.7% recorded in CY2014. The sub-sector witnessed an annual take-up of 2.68 million sq. ft. (CY2015), higher than 0.98 million sq. ft. recorded in CY2014.

As at 1Q CY2016, Klang Valley has 241 shopping complexes (malls, arcade and hypermarkets) offering 64.38 million sq. ft. of total retail space based on Property Market Report 1Q CY2016 by National Property Information Centre (NAPIC). The average occupancy rate for these shopping complexes is around 80% which translates to a retail space provision of approximately 8.23 sq. ft. per capita which is considered adequate compared to other states in the country.

There is a total of 11.49 million sq. ft. of retail space in Petaling Jaya and its surrounding area as at 1Q CY2016. About 41% of the total space is concentrated in Subang Jaya/Bandar Sunway and the overall occupancy rate as at 1Q CY2016 was at 85%.

Petaling Jaya and its surrounding areas still remain an attractive location for shopping malls and entertainment activities. Sunway Pyramid Shopping Mall still continues to maintain its position, as one of the premier regional mall, catering to both domestic as well as tourists, given the integration with Sunway Resort Hotel & Spa, Sunway Pyramid Hotel East and West and Sunway Lagoon. At occupancy rate of about 98% with mid-to-upper mid leisure and entertainment opportunities, Sunway Pyramid Shopping Mall's performance is expected to remain healthy. The mall is further supported by a fairly strong catchment of 1.6 million within a 10km radius which has a mixed population of middle to high income and the growing affluence of population within the state.

## DETAILED MARKET REPORT (CONT'D)

**Table 2.1: Supply and Occupancy – Retail Centres  
Petaling Jaya and Surroundings, 1Q CY2016**

LOCATION	NLA (sq. ft.)	TOTAL OCCUPIED	OCCUPANCY
Petaling Jaya	2,713,922	2,035,442	75%
Subang Jaya/ Bandar Sunway	4,759,855	4,188,672	88%
Damansara	4,021,020	3,538,498	88%
<b>Total</b>	<b>11,494,797</b>	<b>9,762,612</b>	<b>85%</b>

Source: NAPIC & AREM (Malaysia) Sdn Bhd, July 2016

In CY2015, seven malls were completed contributing 2.2 million sq. ft. of additional retail space in the state of Selangor. In CY2016, eleven new shopping malls with retail space of approximately 6.97 million sq. ft. will enter the market and in CY2017, five malls with retail space of approximately 2.70 million sq. ft. will be added. There would be a further five malls entering the market in CY2018 with a retail space of approximately 4.39 million sq. ft. Newly completed retail

malls are also grappling to achieve satisfactory occupancy rates as pre-commitments from retailers are dwindling especially from the smaller neighbourhood retail malls with restrictive target catchments. Owners of new retail malls will however, have to identify their market positioning and value proposition in terms of location, accessibility, tenant mix, competition, target market and consumer preference to achieve optimal occupancy and rental rates in the challenging market.

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

The short term outlook for the local retail industry is one of caution. With a great number of newer retail malls offering larger retail space, it is noted that a handful of regional and local retailers are taking up larger lots at competitive tenancy terms with attractive rentals and incentives. Consumers are also becoming more prudent in their spending pattern following the weakening of ringgit and the increasing cost of living.

**Table 2.2: Future Supply of Shopping Centres in Petaling Jaya, Subang Jaya/Bandar Sunway and Damansara**

Shopping Malls	Location	Net Lettable Area (sq. ft.)	Expected Completion
Sunway Pyramid (Phase 3)	Bandar Sunway	62,000	
da:mén	USJ	400,000	
The Starling	Damansara Uptown	328,000	
The Starling Boutique	Damansara Uptown	150,000	
Pacific Star	Section 13, PJ	270,000	
Tropicana Gardens Mall	Kota Damansara	1,000,000	2016
M Square Shopping Mall @ Millenia City	Puchong	380,000	
Pinnacle	Petaling Jaya	80,000	
Empire City	Damansara Perdana	2,500,000	
The Wharf Puchong	Puchong	302,000	
MCT Mall @ One City	USJ 25	1,500,000	
<b>Total</b>		<b>6,972,000</b>	
PJ Sentral Garden	Petaling Jaya	1,000,000	
SJCC, Subang Jaya	Subang Jaya	400,000	
The Wharf Puchong	Puchong	302,000	2017
Tropicana Metropark	Subang	n/a	
Remix Mall	USJ 1	1,000,000	
<b>Total</b>		<b>2,702,000</b>	
Central Plaza Mall	Shah Alam	1,000,000	
The TWO Wholesale and Premium Outlet Malls	Rawang	990,000	
TTDI Sentralis	Shah Alam	150,000	2018
Emporia Mall	Shah Alam	1,350,000	
KSL City Mall 2	Klang	900,000	
<b>Total</b>		<b>4,390,000</b>	
<b>Total Mall Supply</b>		<b>14,064,000</b>	

Source: AREM (Malaysia) Sdn Bhd, July 2016



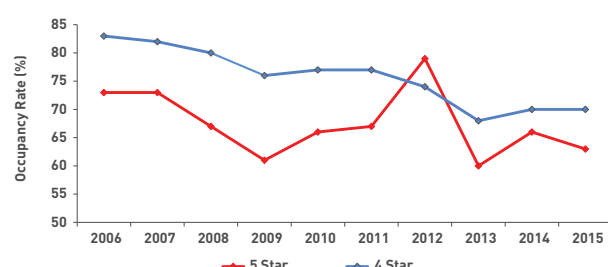
## DETAILED MARKET REPORT (CONT'D)

### 2.2 HOTEL

The hospitality sub-sector sustained its moderate performance as the average occupancy rates of hotels shrank to 61.0% (CY2015) against 64.9% recorded in CY2014. In CY2015, four new hotels completed comprising Prosper Resort Morib, Four Points by Sheraton Puchong Hotel, Sunway Pyramid Hotel West and Pegasus Hotel IDCC with a combined total of 900 rooms.

The room stock is largely provided by 5-star hotel accounting for 5,295 rooms (31%) and 4-star hotel accounting for 3,704 rooms (21.6%) out of the total stock of 17,119 rooms in 1Q CY2016. Average occupancy rate of selected 4/5-star hotels within the selected localities in Selangor remained flat ranging between 60% and 68% on average in 1Q CY2016.

**Figure 2.1: Average Occupancy Rate of 4-star & 5-star hotels in Petaling Jaya**



Source: AREM (Malaysia) Sdn Bhd, July 2016

During the financial year, the average occupancy rate for Sunway Resort Hotel & Spa was at 81.2% and Sunway Pyramid Hotel East was at 71.8%, attracting mainly corporate guests and tourists. The drop in occupancy rate for Sunway Pyramid Hotel East was due to the hotel closure in 2Q CY2016 for its refurbishments. The performance of both the hotels are expected to remain stable in the short and medium term with the efforts being made by the authorities to entice foreign tourists to the country via the issuance of e-visa to major target markets, specifically China and considerations are being made for India as well. The tourism agency has also embarked on promotional activities in the Scandinavian countries, Korea and Japan and is simultaneously increasing promotions in numerous other countries.

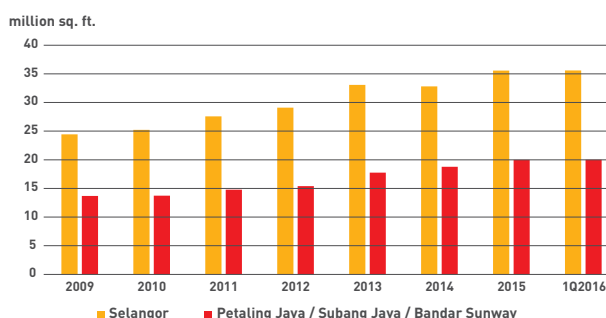
### 2.3 OFFICE

The office segment portrayed downward performance as the occupancy rate contracted slightly to 75.7% (CY2015), down from 76.4% recorded in CY2014. This sub-sector witnessed an annual take-up rate of 1.85 million sq. ft. (CY2015), higher than 0.142 million sq. ft. recorded in CY2014. There were four new completions offering a combined space of 0.842 million sq. ft. The new buildings were Westar Auto Office in Jalan Ulu Kelang, Sunway Nexis Office Suites in Kota Damansara, Ideal Corporate Tower in Shah Alam and The Ascent @ The Paradigm in Kelana Jaya.

The total stock of office space in Petaling Jaya/Subang Jaya/Bandar Sunway is 19.17 million sq. ft. (1Q CY2016), reflecting a marginal increase of space by 2.08% from 18.78 million sq. ft. (1Q CY2015).

Future supply of office space in Petaling Jaya/Subang Jaya/Bandar Sunway is expected to grow by approximately 6.18 million sq. ft. and will be scheduled for completion by end of CY2017. Post CY2018 there would be an additional 4.12 million sq. ft. of office space added further.

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



Source: NAPIC & AREM (Malaysia) Sdn Bhd, July 2016

## DETAILED MARKET REPORT (CONT'D)

Selected well established and growing decentralised office locations such as Bandar Utama, Bandar Sunway, Shah Alam and Kelana Jaya have maintained strong occupancy rates, recording more than 80%, higher than the Selangor state's overall occupancy level.

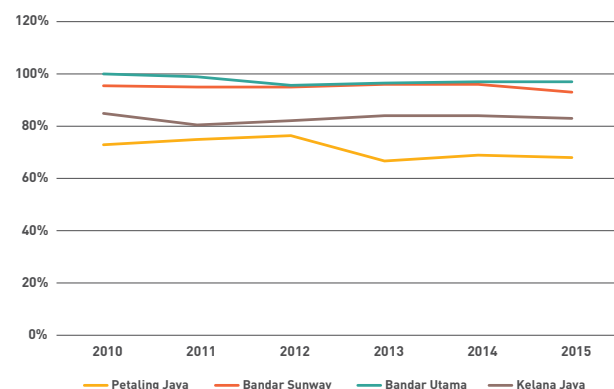
**Table 2.3: Future Supply of Office in Petaling Jaya and its Surrounding**

Office Buildings	Location	Net Lettable Area (sq. ft.)	Expected Completion
Cororate Office Tower @ One City (Phase 3)	USJ	1,500,000	
PJ Sentral Garden (Celcom Tower)	Petaling Jaya	450,000	2016
Iconic Tower - Empire City	Damansara Perdana	480,000	
The Star Tower @ Pacific Star	Section 13, PJ	270,000	
Mercu Mustapa Kamal (Tower 1)	Damansara Perdana	290,000	
<b>Total</b>		<b>2,990,000</b>	
CP 4 Tower	Bandar Sunway	180,000	2017
HCK Tower @ Empire City	Damansara Perdana	440,000	
PJ Sentral Garden (Tower 1)	Section 52, PJ	598,000	
PJ Sentral Garden (Tower 2)	Section 52, PJ	860,000	
PJ Sentral Garden (Tower 3)	Section 52, PJ	280,000	
PJ Sentral Garden (Tower 5)	Section 52, PJ	535,000	
PJ Sentral Garden (Tower 6)	Section 52, PJ	295,000	
<b>Total</b>		<b>3,188,000</b>	
Paramount (Tower 1)	Petaling Jaya	278,000	Post 2018
Paramount (Tower 2)	Petaling Jaya	294,000	
KUB Tower	Petaling Jaya	n/a	
Uptown 8	Damansara Uptown	450,000	
PJCC	Petaling Jaya	290,000	
Petaling Tin Berhad (site)	Petaling Jaya	300,000	
The Prime @ The Altium	Damansara Perdana	n/a	
MRCB Office Building	Petaling Jaya	184,000	
Corporate Tower P1 @ i-City	Shah Alam	1,300,000	
Corporate Tower P2 @ i-City	Shah Alam	780,000	
Fraser Square (F&N)	Damansara Perdana	240,000	
<b>Total</b>		<b>4,116,000</b>	
<b>Total Office Supply</b>		<b>10,294,000</b>	

Source: AREM (Malaysia) Sdn Bhd, July 2016

## DETAILED MARKET REPORT (CONT'D)

**Figure 2.3: Office Occupancy Rates in Petaling Jaya and its Surrounding**



Source: AREM (Malaysia) Sdn Bhd, July 2016

Average rental rates for purpose-built office space in Selangor have remained fairly stable, averaging between RM3.20 to RM3.40 psf/m, over the past five years. In CY2015 the overall average rental rate was recorded at RM3.35 psf/m.

The average gross rental rates in Petaling Jaya and Subang Jaya remained stable with rental ranging from RM3.50 to RM5.50 psf/m. However, effective rentals achieved at new and modern office buildings are ranging from RM3.50 to RM4.50 psf/m with many landlords offering longer rent free period and various incentives.

The average occupancy rate for Menara Sunway in Bandar Sunway was at 89.3% and Wisma Sunway in Shah Alam was at 90.2% for FY2016. The occupancy rate for both the buildings are expected to remain stable going forward due to their captive market.

Going forward we anticipate a slower take-up rate in the office market sector in Selangor within the next 4 to 5 years due to the incoming supply of 6.18 million sq. ft. which is expected to be completed by CY2017. Market rentals are expected to come under pressure due to the large incoming supply as well as the larger amount of existing vacant space available in the market.

### 3. KUALA LUMPUR

The Kuala Lumpur property market would remain on a positive path backed by various on-going and proposed development projects. In Greater Kuala Lumpur/Klang Valley. Transport infrastructure development is being stepped up and leading the transformation of public transport in line with the rapid urbanisation in the region. Slated for full completion by July 2017, it will enhance connectivity within the Greater Kuala Lumpur/Klang Valley region.

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

- The realignment of the Sungai Buloh-Serdang-Putrajaya MRT line 2, which head straight from Tun Razak Exchange station to the yet-to-build Bandar Malaysia.
- Duta-Ulu Kelang Expressway [DUKE] extension expected completion in 2016.

The much eagerly awaited project, Kuala Lumpur-Singapore High Speed Rail (HSR) memorandum of understanding was signed on 19<sup>th</sup> July 2016 by the Malaysia and Singapore government, which is likely to be completed by CY2026. The cross-border HSR project is expected to boost investments, improve trade and business opportunities, as well as promote tourism.

### 3.1 RETAIL

As at 1Q CY2016, the retail stock in Kuala Lumpur had grown to 29.10 million sq. ft., a marginal increase of 5.89% from the preceding year mainly due to the opening of IKEA Cheras, Wangsa I18 in Jalan Cheras, GLO Damansara and Jakel Square.

In the pipeline, there will be a total of 11.48 million sq. ft. of retail space to be completed between CY2016 and CY2018 in Kuala Lumpur. This pipeline exclude projects that are still under planning such as Bandar Malaysia, TRX, Warisan Merdeka and Bukit Bintang City Centre, which will come on stream within the next 2 to 4 years.

Performance of the retail sub-sector softened in CY2015. The overall occupancy rate dropped to 87.4% slightly lower than 89.8% recorded in CY2014. With the uncertain economic outlook, rising cost of living and increasing supply of retail space, the retail sub-sector will continue to face challenges in CY2016. The depreciation in ringgit will add more pressure as it further deteriorates the spending power of consumers.

Sunway Putra Mall registered an average occupancy rate of 74.9% in FY2016. The mall was reopened on 28 May 2015 after an extensive refurbishment exercise. The occupancy is expected to gradually improve going forward, despite the challenging market condition.

Despite facing a challenging year, occupancy rates of prime and established shopping malls in Kuala Lumpur continued to remain stable with average occupancy rate of over 98% such as Pavilion Kuala Lumpur, Suria KLCC, Mid Valley Megamall and The Gardens Mall.

Overall, rentals of prime retail space continued to record higher rates from new and renewed leases. Average monthly rental rates in prime retail malls are in the range of RM11 – RM38 psf/m and are expected to remain resilient, albeit registering slower rental growth.

With the influx of retail space scheduled to be completed between CY2016 and CY2018, competition should intensify. The prime and regional shopping centres will continue to perform whereas centres in secondary locations which do not benefit from good catchment areas will most likely struggle.

## DETAILED MARKET REPORT (CONT'D)

**Table 3.1: Future Supply of Shopping Centre in Kuala Lumpur**

Shopping Malls	Location	Net Lettable Area (sq. ft.)	Expected Completion
Jakel Square	CapSquare Kuala Lumpur	670,000	
e-gallery @ Wisma IAV	Jalan Pasar	50,600	
KL Gateway Boutique Mall	Kerinch	150,000	
Bangsar Trade Cente	Pantai Baru	100,000	
Medley Park Concept Mall	Jalan Kuching	100,000	2016
Sunway Velocity	Jalan Peel	1,000,000	
Melawati Mall	Tamam Melawati	620,000	
My Town @ Cochrane	Jalan Cochrane	1,300,000	
Selayang Star City	Jalan Ipoh	550,000	
<b>Total</b>		<b>4,540,600</b>	
Four Seasons Place	Jalan Ampang	300,000	
KLCC (Lot K)	KLCC	399,000	2017
KL Eco City	Hukum Abdullah	313,000	
Kiara 163	Mont Kiara	180,000	
<b>Total</b>		<b>1,192,000</b>	
Pavilion KL Mall (Extension)	Jalan Bukit Bintang	225,000	
8 Conlay Podium	Jalan Conlay	188,000	
Paradigm KL	Jalan Awan Besar	1,700,000	2018
Pavilion 2	Bukit Jalil	2,000,000	
Eko Cheras	Cheras	1,000,000	
Quartza Mall	Desa Melawati	635,000	
<b>Total</b>		<b>5,748,000</b>	
<b>Total Retail Supply</b>		<b>11,480,600</b>	

Source: AREM (Malaysia) Sdn Bhd, July 2016

**Table 3.2: Average Gross Rental of Selected Shopping Centres in Kuala Lumpur**

SHOPPING MALLS	LOCATION	ESTIMATED AVERAGE GROSS RENTAL (RM per/m)
Suria KLCC	KLCC	30.00 - 40.00
Pavilion	Bukit Bintang	20.00 - 28.00
Sungei Wang Plaza	Bukit Bintang	9.00 - 12.00
The Gardens	Mid Valley	11.00 - 12.00
Mid Valley Megamall	Mid Valley	13.00 - 14.00

Source: AREM (Malaysia) Sdn Bhd, July 2016

The outlook is very challenging as consumer sentiment is at an all time low, mainly due to the escalating cost of living, slowing economy, deteriorating employment outlook and weakened ringgit. Consumers are expected to continue making expenditure adjustment and as consumer purchasing power declines further, retailers are encouraged to enhance value in their goods and services. Shopping malls owners and asset managers may need to undertake innovative marketing strategy to drive footfalls and spending by consumers.

## DETAILED MARKET REPORT (CONT'D)

### 3.2 HOTEL

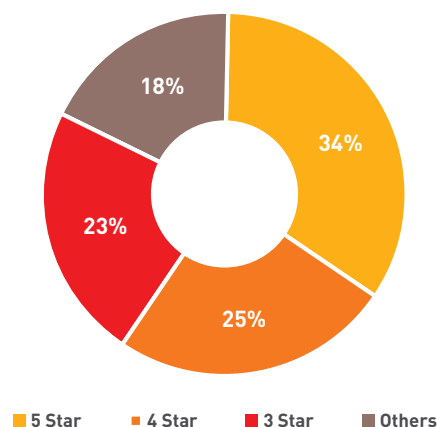
The hospitality sub-sector performance was less promising in CY2015. The average occupancy rate of hotels by Tourism Malaysia registered a lower rate of 64.8% in CY2015, down from 67.5% recorded in CY2014. The year recorded the completion of D'Majestic Hotel by Swiss Garden Hotel Kuala Lumpur and a 4-star W.P. Hotel offering a combined 318 rooms into the market. As at 1Q CY2016, there are a total of 200 tourist accommodations providing a total of 35,856 rooms in Kuala Lumpur. Out of the 35,856 hotel rooms in Kuala Lumpur, 33.9% of them are of 5-star category, 25.2% of 4-star category and 23.4% are of 3-star category. The remaining 17.5% are other category.

As at 1Q CY2016 there are a number of proposed hotels in the incoming supply and planned supply, totaling 6,489 rooms. Selected future supply of hotels under construction and planning stages are tabulated in Table 3.

The average occupancy rate of Sunway Putra Hotel was at 50.2% for FY2016. The hotel completed its refurbishment towards the end of CY2015 and going forward the occupancy is expected to improve.

Due to the increasing supply of hotel room in the Kuala Lumpur market, Dewan Bandaraya Kuala Lumpur (DBKL) has placed a ban on new hotel licenses from 23 February 2016. From 1 March 2016 new applications for hotel developments have also been put on hold by DBKL. The indefinite hotel license and hotel development freeze is a result of over capacity, which in turn has saturated the market impacting competition and rates.

**Figure 3.1: Hotel Rooms by Star Rating in Kuala Lumpur, 1Q CY2016**



Source: AREM (Malaysia) Sdn Bhd, July 2016

The Average Room Rate (ARR) of hotels in Kuala Lumpur has been experiencing a slight dip in CY2015. The Ritz Carlton, Shangri-La and Westin were among the 5-star hotels recording an ARR above RM450. The ARR for other 5-star hotels were in the range of RM300 to RM400.

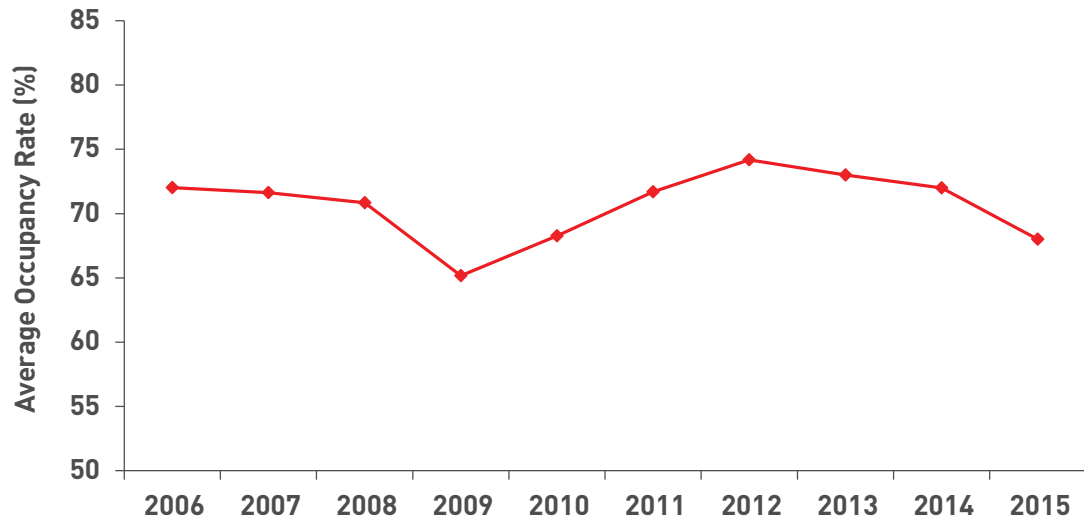
**Table 3.3: Selected Future Supply of Hotels in Kuala Lumpur**

Hotel & Serviced Apartment	Location	No. of Rooms	Expected Completion
The St Regis Kuala Lumpur	KL Sentral	208	
Sofitel Kuala Lumpur Damansara	Damansara Town Centre	312	
Banyan Tree	Jalan Conlay	43	
Best Western	Bangsar Trade Centre	378	2016
Brisdale Hotel	Jalan Haji Hussein	275	
Malaya Hotel	Jln Hang Lekir	238	
Holiday Inn Express	Jalan Raja Chulan	296	
Four Seasons	Jalan Ampang	230	
The Ruma Hotel and Residence	Jalan Kia Peng	253	
W Hotel	Jalan Ampang	150	
Alia Bangsar	Jalan Ang Seng	126	2017
Fairmont Hotel	KLCC	750	
Hyat House	Jalan Kiara	275	
KLCC Ibis Styles Hotel	Jalan Yap Kwan Seng	678	
Hotel Equatorial	Jalan Sultan Ismail	452	2018
Royale Pavilion	Jalan Bukit Bintang	329	
<b>Total</b>		<b>4,993</b>	

Source: AREM (Malaysia) Sdn Bhd, July 2016

## DETAILED MARKET REPORT (CONT'D)

Figure 3.2: Occupancy Rate of 5-star Hotels in Kuala Lumpur



Source: AREM (Malaysia) Sdn Bhd, July 2016

The Kuala Lumpur hospitality landscape is expected to remain challenging with slower economic growth and lower corporate travel demand amidst increased competition with the 4,993 rooms likely to enter the market from CY2016 to CY2018.

### 3.3 OFFICE

For the office sub-sector the occupancy rate moderated from 83.3% (CY2014) to 81.2% in CY2015 with a contraction in annual take-up by nearly 0.237 million sq. ft. CY2015 recorded completions of nine new private office buildings with Green Building Index (GBI) compliant namely Naza Tower and TH Tower at Platinum Park, Ilham Tower, Menara Bangkok Bank, Menara MBMR, Q Sentral, KL Trillion, Menara MITI as well as Kompleks Kerja Raya 2. These new buildings contributed a combined space measuring 3.65 million sq. ft. to the market.

As at 1Q CY2016 the stock of purpose built office space in Kuala Lumpur stood at 89.93 million sq. ft., a growth of 3.24% from 1Q CY2015. Majority of the space of approximately 30.97% is concentrated in the Golden Triangle, 15.33% in the Central Business District and the remaining 53.7% is distributed amongst Kuala Lumpur decentralised areas.

Table 3.4: Existing Supply of Purpose Built Office in Kuala Lumpur (1Q CY2016)

Location	No of Buildings	Total Space (sq. ft.)	Total Space Occupied (sq. ft.)	Occupancy (%)
KLCC/Golden Triangle	91	27,851,154	22,559,435	81%
Central Business District	93	13,784,995	11,717,246	85%
Within City Centre	143	31,745,042	25,078,583	79%
Suburban	104	16,548,500	12,245,890	74%
<b>Total</b>	<b>431</b>	<b>89,929,691</b>	<b>71,601,154</b>	<b>80%</b>

Source: NAPIC & AREM (Malaysia) Sdn Bhd, July 2016



## DETAILED MARKET REPORT (CONT'D)

**Table 3.5: Future Supply of Purpose Built Office in Kuala Lumpur (1Q CY2016)**

Office Buildings	Location	Net Lettable Area (sq. ft.)	Expected Completion
Menara Public Mutual	Jalan Raja Chulan	420,000	2016
JKG Tower	Jalan Raja Laut	390,000	
Ken TTDI	Taman Tun Dr Ismail	220,000	
Vertical Corporate Towers	Bangsar South	1,000,000	
<b>Total</b>		<b>2,030,000</b>	
KL Ecocity - Tower 1	Hukum Abdullah	700,000	2017
KL Ecocity - Tower 2	Hukum Abdullah	540,000	
KL Ecocity - Tower 3	Hukum Abdullah	400,000	
KL Ecocity - Boutique	Hukum Abdullah	700,000	
MidValley Southpoint	Mid Valley City	900,000	
<b>Total</b>		<b>3,240,000</b>	
Equatorial Plaza	Jalan Sultan Ismail	470,000	2018
Etiga Insurance	Bangsar	390,000	
<b>Total</b>		<b>860,000</b>	
<b>Total Office Supply</b>		<b>6,130,000</b>	

Source: NAPIC & AREM (Malaysia) Sdn Bhd, July 2016

There is a high impending supply currently under construction and in the planning pipeline with an estimated 6.13 million sq. ft. of space expected to enter the market between CY2016 and CY2018. Post CY2018 there is an estimated 11.0 million sq. ft. of space to be added further.

Given the current market condition some developers are likely to defer their projects until a more positive sentiment returns to the economy, business world and the office market in general.

Average prime office rents in Kuala Lumpur remained stable in CY2015 with some downward pressure on older office buildings. Prime A office space in the Golden Triangle (GT) have consistently commanded higher rental rates compared to those located in Central Business District (CBD). Prime A office buildings in the GT range from RM6.50 psf/m to RM8.50 psf/m whilst rental rates for Prime A+ office are in the region of RM7.50 psf/m and above. In the CBD rental rates range from RM4.50 psf/m to RM7.50 psf/m and KL city fringe rental rates for prime office buildings range from RM3.50 psf/m to RM7.00 psf/m.

The average occupancy rate for Sunway Tower was at 19.6% and for Sunway Putra Tower it was at 26.4% for FY2016. Securing new tenants for both the buildings will be challenging due to the oversupply office market environment.

Going forward the Kuala Lumpur office market is expected to face further downward pressure. The contraction on the O&G sector, the main lifeline of the office segment following the plunge in crude oil prices, has negatively impacted the market. In the coming quarters, with a high level of existing and impending supply coupled with a weaker leasing market which is seeing more consolidation cum mergers & acquisitions activities, competition among building owners are expected to heighten.

Overall, rental rate may dip over a period of time due to heightened competition in a tenant favoured environment. Coupled with a further slowdown in the country's economy, with business confidence at a low, many businesses are freezing recruitment, and consolidating their positions - this will inevitably impact the take-up rate and overall occupancy levels.

## DETAILED MARKET REPORT (CONT'D)

### 4. PENANG

The Penang property market would remain promising. Various developments are taking place in Batu Kawan particularly the new township of Bandar Cassia. Batu Kawan is the third satellite town of Georgetown, after Bayan Lepas and Seberang Jaya. Several proposed developments in Batu Kawan that are expected to boost the demand and supply of property in the state included:

- One Auto Hub – commercial development by PKT Logistic Group in Bandar Cassia comprises a few commercial components which includes The 12 Waves (Warehouse), The Ship campus (University), The Lighthouse Lodge (Premium B&B), The Automotive Boulevard, Part Centre, The Mangrove Walk and Wildlife Sanctuary. One Auto Hub is slated to emerge as one of the largest automotive logistics providers in the country to cater to the needs of the automotive industry under the purview of the Northern Corridor Implementation Authority.
- Penang Development Corporation proposed to develop 312 hectares site near the second Bridge in Batu Kawan into a resort theme park, a golf course and mixed residential property

Under the Penang Integrated Transportation Master plan, the state government is planning public transport covering the state of Penang and is expected to cost RM27 billion. The master plan includes:

- Proposed Light Rail Transit project from KOMTAR to Bayan Lepas Terminal Airport
- Proposed Plan Island Link Highway between Gurney Drive and Bayan Lepas

All the proposed and on-going developments as well as various initiatives by the state government are expected to postulate positive impact on the market activity.

### 4.1 RETAIL

The retail sub-sector recorded better performance as the overall occupancy witnessed positive growth to 71.8% in CY2015, increased from 66.1% recorded in CY2014. The total existing supply of retail space in the state stood at 18.32 million sq. ft. (island and mainland) as at 1Q CY2016. The retail space per capita for the state of Penang is 10.98 sq. ft. per capita, which indicates an oversupply situation compared to 8.02 sq. ft. per capita in the Klang Valley.

There are 5 retail centres expected to be completed by the end of 2016. Two retail centres on Penang Island namely Trends @ Southbay Plaza (0.13 million sq. ft.) located at Southbay City in Batu Maung and Moulmein Rise Shoppes (0.027 million sq. ft.) located at Jalan Moulmein, Pulau Tikus. The 3 other retail centres are located on the mainland, BM City Mall (0.12 million sq. ft.) in Bukit Mertajam, Design Village Penang (0.40 million sq. ft.) in Batu Kawan and the extension of the existing Perda City Mall (0.14 million sq. ft.) in Bukit Mertajam.

Prime shopping malls in the state have maintained their occupancy rate of above 90% whilst occupancy rates of secondary malls range from 60% to 80%. Sunway Carnival Shopping Mall located in Seberang Jaya still remains as the leading mall in the mainland with an occupancy rate of 96% for FY2016. Sunway Carnival Shopping Mall's performance is expected to remain resilient going forward as there is no significant amount of new supply entering the market within the next 12 months.

The average rental rates for ground floor space in shopping centres in Penang were stable between RM4.50 and RM38.50 per sq. ft. per month, depending on the mall, location and size of the retail space. Overall, the state's retail sector is generally expected to be stable over the next 12 months in terms of a balanced level of demand and supply of retail space.

## DETAILED MARKET REPORT (CONT'D)

### 4.2 HOTEL

This sub-sector recorded moderate performance as the average occupancy rate of hotel declined to 61.5% in CY2015 against 63.0% recorded in CY2014. As at 1Q CY2016 there are a total of 9,199 hotel rooms in the state provided by hotels ranging from 3-star to 5-star. The nine 5-star hotels are located in the state offers a total of 3,285 rooms. While the 4-star category offer a total of 4,111 rooms provided by thirteen hotels and in the 3-star category offers a total of 1,803 rooms by twelve hotels. There was no additional supply of 3-star to 5-star hotel rooms in the state compared with 1Q CY2015.

The average occupancy rates for 3-star to 5-star hotels declined in 1Q CY2016 to 65% compared to 67% recorded in 1Q CY2015.

Penang has the most vibrant economy among the states in the northern part and the hospitality sector in Penang caters to a wide range of markets including business, leisure and well-being and health tourism. The majority of foreign tourist are from Indonesia, Singapore and China.

The continued popularity of Penang as an international destination for medical tourism, supported with the opening of more medical and healthcare facilities will help to support the hospitality sector. Penang has also recently been named as one of the “best places in the world to retire” in CY2016 by travel magazine Conde Nast Traveller, and it was the only Asia city to make it into the list, at second place after Coronado, Panama. Georgetown was also named by CNNMoney, as the 6<sup>th</sup> best place “to retire abroad” in CY2016, saying that “there is a lot to see and do in Georgetown”, including “museums, art centres, free concerts, jungle parks, beaches and amusements parks”. The recognition on a global level which Penang receives, as international standard retirement and healthcare destination, will have a positive impact on the hospitality sector and hotels in general.

Another positive factor is the weakening of ringgit will have an impact on both domestic and regional travellers. More domestic travellers are likely to visit Penang, as going overseas is now considerable more expensive and regional tourist will visit Penang as the exchange rate is more attractive and Penang is relatively close by.

Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown can expect to benefit from the tourism sector, medical tourism and with the industrial sector remaining robust in Penang.

**Table 4.1: Selected Hotels and Number of Rooms, Seberang Jaya & Georgetown**

Hotel	Rating	No of Rooms
<b>Seberang Jaya</b>		
Light Hotel	4	300
Sunway Hotel Seberang Jaya	3	202
Summit	3	108
Pearl View	3	308
Ixora	3	326
Aroma	3	155
<b>Georgetown</b>		
St Giles Wembley	4	415
Cititel Express	Budget Class	234
Sunway Hotel Georgetown	4	250
Bayview Hotel Georgetown	4	333
Georgetown City Hotel	4	320
Eastern & Oriental Hotel	5	222
Eastin Hotel	4	328
Sentral Hotel Penang	3	137

Source: AREM (Malaysia) Sdn Bhd, July 2016

## DETAILED MARKET REPORT (CONT'D)

### 5. PERAK

The state property market is expected to be promising backed by various proposed and on-going development projects as well as State Government initiatives. Several proposed infrastructure projects and initiatives that are expected to postulate positive impact on the demand and supply of property development in the state include:

- State's economic development corridor would focus on Southern Perak based on a master plan, encompassing Batang Padang and Hilir Perak Districts involving 450,000 hectares. The main component is the Perak Eco Industrial Hub sited on 1,376 hectares of reclaimed land at Mukim Rungkup comprising a terminal, iron and steel integrated industry and other supporting industries. Another component is the Rungkup Terminal City covering 1,638 hectares involving a terminal, integrated sea transport facilities and mixed development projects.
- Plans to build the Ipoh Aerospace Park near Sultan Azlan Shah Airport in view of the lack of maintenance, repair and overhaul facilities.
- Lembah Beriah Metropolis City, which has components of commercial and industrial development, will have a UKM branch campus for collaboration with factories and serve as a faculty as well as an industrial training centre.
- Proposed Green Asia Aerospace Technology Park in Seri Iskandar as an aerospace hub for 20 major companies and 60 small-medium industries, which would potentially open up 2,000 employment opportunities.

The State Government has also obtained approval from the Federal Government to create a new district, "Daerah Mua'llim", in line with the rapid development of Tanjung Malim. T-City comprising mixed development of a 172.5 hectares area in the Kinta and Kampar district will potentially see the materialization of a Formula 2 Circuit, an automotive factory outlet, street Malls and hotels. The Warisan Perdana Ipoh or Ipoh Sentral project will be initiated in the 11<sup>th</sup> Malaysia Plan to rebuild the golden triangle of Kinta Valley with an estimated investment of RM2 billion and expected to be the new landmark for Ipoh City.

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

### 5.1 RETAIL

The Perak property market portrayed a slight moderation in CY2015.

The retail segment saw its performance moderated as the overall occupancy of shopping complexes dropped marginally to 88.2% in CY2015 compared with 92.5% recorded in CY2014. The sub-sector saw an annual take-up of 0.905 million sq. ft. in CY2015 higher than 0.533 million sq. ft. recorded in CY2014. There were five new completion in CY2015, namely Pasaraya TF in Gerik, Econsave Hypermarket in Klebang as well as AEON Big Farlim and Econsave Bercham offering a total of 1.35 million sq. ft.

The current total stock of retail space in the state as at 1Q CY2016 is 10.21 million sq. ft. (Ipoh accounts for approximately 6.11 million sq. ft.) offered by 71 shopping complexes. Of these, 26 are hypermarkets in which 10 are located in Ipoh. The retail space stock increased by 14.78% compared with 1Q CY2015.

The current rentals of hypermarket space in Ipoh range from RM2.10 to RM2.80 psf/m depending on the location and conditions agreed between landlord and tenant. The prospect for hypermarket is expected to continue to be good over the short and medium term.



## ANALYSIS OF UNITHOLDINGS

As at 29 JULY 2016

**Approved fund size : 3,650,888,858 units**  
**Issued and fully paid units : 2,943,918,400 units (voting right: 1 vote per unit)**

### DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units Held	% of Unitholdings
Less than 100	21	0.22	396	#
100 - 1,000	1,824	19.10	1,367,200	0.05
1,001 - 10,000	5,255	55.02	26,721,300	0.91
10,001 - 100,000	1,994	20.88	65,067,700	2.21
100,001 to less than 5% of issued units	451	4.72	1,407,825,359	47.82
5% and above of issued units	6	0.06	1,442,936,445	49.01
	<b>9,551</b>	<b>100.00</b>	<b>2,943,918,400</b>	<b>100.00</b>

# Negligible

### THIRTY (30) LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS

Name of Unitholders	No. of Units	%
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	306,674,100	10.42
Amanahraya Trustees Berhad - Amanah Saham Bumiputera	273,491,500	9.29
HSBC Nominees (Tempatan) Sdn Bhd - Sunway Reit Holdings Sdn Bhd	260,000,000	8.83
CIMB Group Nominees (Tempatan) Sdn Bhd - The Bank of Tokyo - Mitsubishi UFJ, Ltd for Sunway Reit Holdings Sdn Bhd	250,000,000	8.49
Sunway Reit Holdings Sdn Bhd	187,863,525	6.38
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	164,907,320	5.60
Cartaban Nominees (Tempatan) Sdn Bhd - Sunway Reit Holdings Sdn Bhd	131,900,000	4.48
Bank of Tokyo - Mitsubishi UFJ (Malaysia) Berhad - Sunway Reit Holdings Sdn Bhd	129,000,000	4.38
RHB Nominees (Tempatan) Sdn Bhd - Sumitomo Mitsui Banking Corporation Malaysia Berhad for Sunway Reit Holdings Sdn Bhd	115,000,000	3.91
Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	87,153,800	2.96
Cartaban Nominees (Tempatan) Sdn Bhd - Exempt AN for Eastspring Investments Berhad	56,664,400	1.92
Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	47,526,400	1.61
Amanahraya Trustees Berhad - Amanah Saham Malaysia	45,266,000	1.54
HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for SMAM Asia Reit Sub Trusf	40,950,200	1.39
Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	40,706,100	1.38
Kumpulan Wang Persaraan (Diperbadankan)	38,181,600	1.30
Permodalan Nasional Berhad	37,413,600	1.27
Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	31,498,900	1.07

## ANALYSIS OF UNITHOLDINGS (CONT'D)

As at 29 JULY 2016

Name of Unitholders	No. of Units	%
RHB Nominees (Tempatan) Sdn Bhd - Industrial And Commercial Bank Of China (Malaysia) Berhad for Sunway Reit Holdings Sdn Bhd	23,900,000	0.81
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AMUNDI)	19,700,000	0.67
HSBC Nominees (Asing) Sdn Bhd - BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund	19,629,000	0.67
HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	18,663,500	0.63
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AFFIN - HWG)	18,135,900	0.62
DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt AN for Deutsche Bank AG London (Prime Brokerage)	16,358,800	0.56
Sunway Education Group Sdn Bhd	14,850,000	0.50
Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc	14,376,100	0.49
HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for AMB Value Trust Fund (4249)	12,300,000	0.42
HSBC Nominees (Asing) Sdn Bhd - SMTBUSA for Sumitomo Mitsui Asia Oceania Dividend Yield Stock Open	12,000,000	0.41
Malaysia Nominees (Tempatan) Sendirian Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	11,526,800	0.39
Amanahraya Trustees Berhad - As 1Malaysia	11,400,000	0.39
	<b>2,437,037,545</b>	<b>82.78</b>



## ANALYSIS OF UNITHOLDINGS (CON'T)

As at 29 JULY 2016

### SUBSTANTIAL UNITHOLDERS (5% and above)

Name of Unitholders	Direct interest		Deemed interest	
	No. of Units	%	No. of Units	%
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	164,907,320	5.60	1,098,650,885 (i)	37.32
Puan Sri Datin Seri (Dr) Susan Cheah Seek Cheng	-	-	1,263,558,205 (ii)	42.92
Sarena Cheah Yean Tih	-	-	1,263,561,205 (iii)	42.92
Evan Cheah Yean Shin	-	-	1,263,558,205 (iv)	42.92
Active Equity Sdn Bhd	-	-	1,098,650,885 (v)	37.32
Sungei Way Corporation Sdn Bhd	-	-	1,098,650,885 (vi)	37.32
Sunway Berhad	987,360	0.03	1,097,663,525 (vii)	37.29
Sunway Reit Holdings Sdn Bhd	1,097,663,525	37.29	-	-
Employees Provident Fund Board	362,125,300	12.30	-	-
AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	271,544,100	9.22	-	-

Notes:

- (i) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway Reit Holdings Sdn Bhd
- (ii) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through spouse
- (iii) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Reit Holdings Sdn Bhd, spouse and parent
- (iv) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Reit Holdings Sdn Bhd and parent
- (v) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway Reit Holdings Sdn Bhd
- (vi) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sunway Berhad and Sunway Reit Holdings Sdn Bhd
- (vii) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Sunway Reit Holdings Sdn Bhd

### DIRECTORS' INTERESTS

Name of Directors	Direct interest		Deemed interest	
	No. of Units	%	No. of Units	%
1. Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	164,907,320	5.60	1,098,650,885 (a)	37.32
2. Sarena Cheah Yean Tih	-	-	1,263,561,205 (b)	42.92
3. Elvin A/L Bertly Luke Fernandez	90,000	#	-	-
4. Ng Sing Hwa	-	-	4,498,300 (c)	0.15

Notes:

- (a) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway Reit Holdings Sdn Bhd
- (b) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Reit Holdings Sdn Bhd, spouse and parent
- (c) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Millennium Pavilion Sdn Bhd
- # Negligible

## NOTICE OF 4<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting (“4<sup>th</sup> AGM”) of Sunway Real Estate Investment Trust (“Sunway REIT”) will be held at Grand Bahamas, Level 12, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Thursday, 29 September 2016 at 3.00 p.m. for the following purposes:-

### **AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 30 June 2016 of Sunway REIT together with the Trustee’s and Auditors’ Reports thereon.

### **AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following Resolution:-

#### **2. ORDINARY RESOLUTION:**

#### **PROPOSED UNITHOLDERS’ MANDATE TO ALLOT AND ISSUE NEW UNITS OF UP TO 10% OF THE APPROVED FUND SIZE OF SUNWAY REIT PURSUANT TO CLAUSE 14.03 OF THE GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS ISSUED BY SECURITIES COMMISSION MALAYSIA (“REIT GUIDELINES”)**

“THAT pursuant to the REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, approval be and is hereby given to the Directors of Sunway REIT Management Sdn Bhd, the Manager for Sunway REIT (“the Manager”), to issue and allot new units in Sunway REIT (“New Units”) from time to time to such persons and for such purposes as the Directors of the Manager may in their absolute discretion deem fit and in the best interest of Sunway REIT, provided that the aggregate number of New Units issued pursuant to this resolution, when aggregated with the number of units in Sunway REIT issued during the preceding 12 months, must not exceed 10% of the approved fund size of Sunway REIT for the time being comprising 3,650,888,858 units (“Proposed Mandate”).

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the unitholders at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next Annual General Meeting of the unitholders is required by law to be held; or
- (iii) revoked or varied by resolution passed by the unitholders in a unitholders’ meeting, whichever is the earlier.

THAT the New Units to be issued pursuant to the Proposed Mandate shall, upon allotment and issue, rank *pari passu* in all respects with the existing units of Sunway REIT, except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions that may be declared prior to the date of allotment and issue of such New Units.

THAT authority be and is hereby given to the Directors of the Manager and RHB Trustees Berhad (“the Trustee”), acting for and on behalf of Sunway REIT, to give effect to the Proposed Mandate with full powers to assent to any condition, modification, variation and/or amendment as they may deem fit in the best interest of Sunway REIT and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Manager and the Trustee, acting for and on behalf of Sunway REIT, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds, things in relation to the Proposed Mandate.”

**By Order of the Board of Directors of  
SUNWAY REIT MANAGEMENT SDN BHD**  
(Manager for Sunway REIT)

**TAN KIM AUN (MAICSA 7002988)**  
**CHIN SOO CHING (MAICSA 7042265)**  
Company Secretaries

Bandar Sunway  
29 August 2016

## NOTICE OF 4TH ANNUAL GENERAL MEETING (CON'T)

### Notes:

1. A Unitholder who is entitled to attend and vote at the Meeting, may appoint not more than 2 proxies to attend and vote instead of the Unitholder at the Meeting. A proxy may but need not be a Unitholder.
2. If a Unitholder has appointed a proxy to attend this Meeting and subsequently he attends the Meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend this Meeting.
3. Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account.
4. Where a Unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in 1 securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
5. Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless the proportion of unitholdings to be represented by each proxy is specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Management Company at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the Unitholder is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
8. In respect of deposited securities, only Unitholders whose names appear in the Record of Depositors on 21 September 2016, shall be entitled to attend, speak and vote at the 4<sup>th</sup> AGM.

### **Explanatory Notes on Special Business**

#### 1. Proposed Mandate

The proposed ordinary resolution, if passed, will give a mandate to the Manager of Sunway REIT to issue units of Sunway REIT from time to time provided that the aggregate number of the new Units to be issued, when aggregated with the number of Units issued during the preceding 12 months must not exceed 10% of the approved fund size of Sunway REIT for the time being. The Proposed Mandate, unless revoked or varied at a Unitholders' Meeting, will expire at the conclusion of the next Annual General Meeting of Sunway REIT.

The Proposed Mandate will allow the Manager the flexibility to allot and issue new Units to raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of Sunway REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed Mandate, delays and further costs involved in convening separate general meetings to approve such issue of units to raise funds can be avoided.

### **Personal Data Notice**

The Personal Data Protection Act 2010 ("Act") which regulates the processing of personal data in commercial transactions, applies to us, Sunway REIT Management Sdn Bhd, being the Manager of Sunway REIT.

The personal data processed by us may include your name, contact details, mailing address and any other personal data derived from any documentation.

We may use or disclose your personal data to any person engaged for the purposes of issuing the above notice of meeting and convening the meeting.

Subject to the requirement under the Act, if you would like to make any enquiries of your personal data, please contact us:

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

**SUNWAY REAL ESTATE INVESTMENT TRUST**

(Established in Malaysia under a deed dated 20 May 2010 and a supplementary deed dated 10 June 2010 entered into between Sunway REIT Management Sdn Bhd and RHB Trustees Berhad, both companies incorporated in Malaysia under the Companies Act, 1965)

**PROXY FORM****4<sup>TH</sup> ANNUAL GENERAL MEETING****SUNWAY REIT MANAGEMENT SDN BHD**

(Company No. 806330-X)

Manager of Sunway Real Estate Investment Trust

Registered Office:

Level 16, Menara Sunway, Jalan Lagoon Timur

Bandar Sunway, 47500 Subang Jaya

Selangor Darul Ehsan, Malaysia

Tel No. : (603) 5639 8855 / 5639 8832

Fax No. : (603) 5639 9507

Number of units held	
CDS Account No.	

\*I/We (Full Name) ..... \*NRIC No./Passport No./Company No. ....

Tel./Mobile No. .... of .....

being a Unitholder of SUNWAY REAL ESTATE INVESTMENT TRUST and entitled to vote hereby appoint:-

**1<sup>ST</sup> PROXY 'A'**

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
Address	NRIC No./Passport No.	No. of Units	%

and/or failing \*him/her,

**2<sup>ND</sup> PROXY 'B'**

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
Address	NRIC No./Passport No.	No. of Units	%
		100%	

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy to attend and vote for \*me/us on \*my/our behalf at the 4<sup>th</sup> Annual General Meeting of Sunway REIT to be held at Grand Bahamas, Level 12, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Thursday, 29 September 2016 at 3.00 p.m. and at any adjournment thereof.

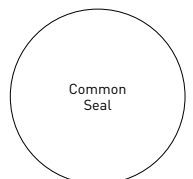
\* Strike out whichever not applicable

Please indicate with an "X" in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolutions at his/their discretion.

NO.	ORDINARY RESOLUTION	1 <sup>ST</sup> PROXY 'A'		2 <sup>ND</sup> PROXY 'B'	
		FOR	AGAINST	FOR	AGAINST
1.	Proposed Mandate				

Dated this ..... day of ..... 2016

Signature of Unitholder .....

**Notes:**

1. A Unitholder who is entitled to attend and vote at any meeting of Unitholders, may appoint not more than 2 proxies to attend and vote instead of the Unitholder at the Meeting. A proxy may but need not be a Unitholder.
2. If a Unitholder has appointed a proxy to attend this Meeting and subsequently he attends the Meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend this Meeting.
3. Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account.
4. Where a Unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in 1 securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
5. Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless the proportion of unitholdings to be represented by each proxy is specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Management Company at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the Unitholder is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
8. In respect of deposited securities, only Unitholders whose names appear in the Record of Depositors on 21 September 2016, shall be entitled to attend, speak and vote at the 4<sup>th</sup> AGM.
9. Please refer to the Management Company's Personal Data Notice in page 268 of the Annual Report in relation to Personal Data Privacy.

PLEASE FOLD HERE

STAMP

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
LEVEL 16, MENARA SUNWAY  
JALAN LAGOON TIMUR  
BANDAR SUNWAY  
47500 SUBANG JAYA  
SELANGOR DARUL EHSAN  
MALAYSIA

PLEASE FOLD HERE

## GLOSSARY

AEI	Asset enhancement initiatives
AGM	Annual general meeting
ARR	Average rental rate
bps	Basis point
CAGR	Compounded annual growth rate
CP	Commercial paper
CY	Calendar year
Capex	Capital Expenditure
Deed	The deed dated 20 May 2010 and the supplemental deed dated 10 June 2010 entered into between the Trustee and the Manager constituting Sunway REIT
DPU	Distribution per unit
EPU	Earnings per unit
FP	Financial period
FY	Financial year ended or ending
GFA	Gross floor area
GDP	Gross domestic product
IPO	Initial public offering
MER	Management expense ratio – ratio of expenses incurred in operating Sunway REIT to its NAV
MICE	Meetings, incentives, conferences and exhibitions
MTN	Medium Term Note
NAV	Net asset value
NBV	Net book value
NPI	Net property income
NLA	Net lettable area
REIT	Real estate investment trust
ROFR	Right of first refusal dated 26 May 2010 granted by Sunway City Bhd (SCB) to the Trustee to, amongst others, acquire properties that SCB or its wholly owned subsidiaries intend to sell
ROI	Return on investment
Sq. ft.	Square feet
TAV	Total asset value
US	United States
USD	United States Dollar
WALE	Weighted average lease expiry





**SUNWAY REIT MANAGEMENT SDN BHD** (Company No. 806330-X)  
Manager of Sunway REIT

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

Tel : (603) 5639 8888  
Fax : (603) 5639 8001  
Website : [www.sunwayreit.com](http://www.sunwayreit.com)  
E-mail : [irsunreit@sunway.com.my](mailto:irsunreit@sunway.com.my)

**SUNWAY®**