

MAKING IT TIMELESS, OUR PLACE IN THE STARS



SUNWAY[®]
REIT

ANNUAL REPORT 2018



RATIONALE

Stars are seen to be eternal. As one of the leading REITs in Malaysia, the business and the Manager of Sunway REIT will forever share a universal place among the stars of M-REITs. Whether we are delivering value to our unitholders, serving our customers or collaborating with our partners across the country, our focus on value enhancement in all of our efforts reinforced our position among the stars.

SUNWAY REIT ANNUAL REPORT 2018

ABOUT THE REPORT

Sunway REIT embarked on the journey of integrated reporting a year ago because we believe it is essential for you to understand the Sunway REIT story beyond financial performance. Essentially, we share Sunway REIT's business model with you to deepen your understanding of our value creation process through our strategic objectives by leveraging on our six capitals. We also discussed our risk management in mitigating potential adverse impacts to the business.

This financial year, we endeavour to continue to enhance our communication in this integrated report, with all stakeholders and we hope that stakeholders are able to have better appreciation of the business, risk management and commitment to sustainability.

MAIN GOVERNING REGULATIONS AND GUIDELINES

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

PRINTED VERSION

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

ONLINE VERSION

www.sunwayreit.com/investor-relations

NAVIGATION, LINKS AND LEGENDS



Connect to more information within this report



Connect to more information online at www.sunwayreit.com



The Manager



Property Level / Facilities Management Team



Residual Risk Rating



Risk Trend



Connect to more information in the Sustainability Statement



DISCLAIMER:

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

CONTENTS

• SUNWAY REIT ANNUAL REPORT 2018 •

VITAL ATTRIBUTES

- 8 SNAPSHOT VIEW
- 9 KEY MILESTONES
- 10 CORPORATE PROFILE
- 12 VISION, MISSION, CORE VALUES
- 13 GROWTH STRATEGIES AND STRATEGIC OBJECTIVES
- 14 SUNWAY REIT'S VALUE CREATION
- 16 STAKEHOLDER ENGAGEMENT
- 19 MATERIAL FACTORS
- 21 CORPORATE INFORMATION
- 22 SALIENT FEATURES
- 24 AWARDS AND RECOGNITION
- 27 INDICES REPRESENTATION

MESSAGE TO UNITHOLDERS

- 30 MESSAGE FROM THE CHAIRMAN
- 39 A CONVERSATION WITH THE CEO

TRUST STRUCTURE & LEADERSHIP

- 48 TRUST STRUCTURE
- 49 ORGANISATION STRUCTURE
- 50 BOARD OF DIRECTORS
- 58 MANAGEMENT TEAM & KEY PERSONNEL

MANAGEMENT DISCUSSION & ANALYSIS

- 66 KEY REFLECTIONS FROM THE CFO
- 68 FINANCIAL HIGHLIGHTS
- 75 VALUE ADDED STATEMENT
- 76 TRADING PERFORMANCE
- 80 FINANCIAL REVIEW
- 88 INVESTMENT REVIEW
- 93 OPERATIONS REVIEW
- 103 CAPITAL MANAGEMENT
- 106 RISK MANAGEMENT
- 111 INVESTOR AND MEDIA RELATIONS
- 122 MARKET REPORT SUMMARY
- 125 DETAILED MARKET REPORT

PROPERTY DETAILS

- 150 PORTFOLIO AT A GLANCE
- 151 RETAIL SUMMARY & DETAILS
- 180 HOTEL SUMMARY & DETAILS
- 206 OFFICE SUMMARY & DETAILS
- 223 OTHERS SUMMARY & DETAILS

CORPORATE GOVERNANCE & ACCOUNTABILITY

- 232 CORPORATE GOVERNANCE OVERVIEW STATEMENT
- 245 AUDIT COMMITTEE REPORT
- 252 STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
- 257 ADDITIONAL INFORMATION

SUSTAINABILITY STATEMENT

- 260 INTRODUCTION
- 266 ECONOMIC
- 274 ENVIRONMENTAL
- 291 SOCIAL

FINANCIAL INSIGHTS

- 298 FINANCIAL STATEMENTS

UNITHOLDERS' INFORMATION

- 366 FINANCIAL CALENDAR
- 367 ANALYSIS OF UNITHOLDINGS
- 370 NOTICE OF 6TH ANNUAL GENERAL MEETING
- 375 PROXY FORM
- 377 GLOSSARY

6th

ANNUAL GENERAL MEETING



Grand Luxor,
Level CP4, Sunway Pyramid
Convention Centre,
3 Jalan PJS 11/15,
Bandar Sunway,
47500 Subang Jaya
Selangor Darul Ehsan, Malaysia



Wednesday
26th September 2018
3.00pm

VITAL ATTRIBUTES

8
SNAPSHOT VIEW

9
KEY MILESTONES

10
CORPORATE PROFILE

12
VISION, MISSION,
CORE VALUES

13
GROWTH STRATEGIES AND
STRATEGIC OBJECTIVES

14
SUNWAY REIT'S
VALUE CREATION

16
STAKEHOLDER ENGAGEMENT

19
MATERIAL FACTORS

21
CORPORATE INFORMATION

22
SALIENT FEATURES

24
AWARDS AND RECOGNITION

27
INDICES REPRESENTATION

VALUE CREATION ON THE UP

As the stars align, we see the importance of value creation. It allows us to elevate our strategic objectives by reimagining and refining our value creation processes.

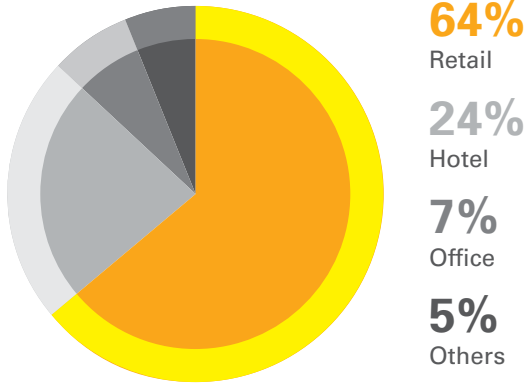




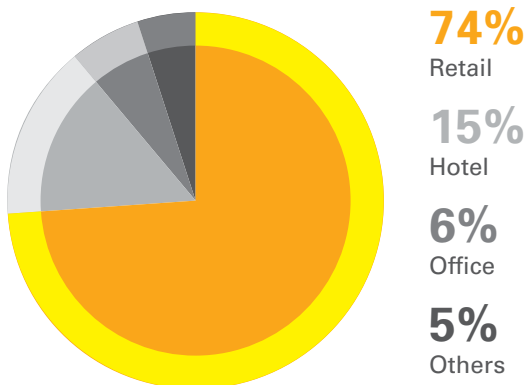
SUNWAY RESORT HOTEL & SPA

SNAPSHOT VIEW

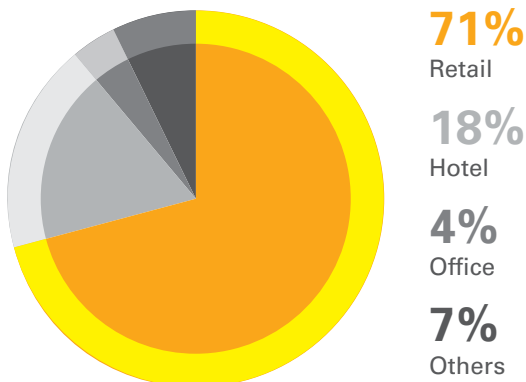
PORTFOLIO BY PROPERTY VALUE



PORTFOLIO BY REVENUE



PORTFOLIO BY NPI



Property Value

RM 7.28
billion



Gross Revenue

RM 560
million



Net Property Income

RM 420
million



Gross Floor Area

13.9
million sq.ft.



DPU

9.57
sen

KEY MILESTONES



Market Capitalisation

RM5.21
billion


No. of Assets

16


Distribution Yield

5.4%


Annual Total Return

4.8%

August 2017

Completion of the acquisition of Sunway REIT Industrial – Shah Alam 1.


February 2018

Completion of the acquisition of Sunway Clio Property, comprising a 4-star 401-room hotel with a retail podium of approximately 88,000 sq.ft. and car parks.


March 2018

Ground-breaking ceremony for the expansion of Sunway Carnival Shopping Mall at Seberang Jaya, Penang was held with onward commencement of construction works.

CORPORATE PROFILE

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

Menara Sunway

Sunway Medical Centre

Sunway Pyramid Hotel

Sunway Resort Hotel & Spa

Sunway Pyramid Shopping Mall

Sunway Clio Property



Sunway Putra

Sunway REIT Industrial –
Shah Alam 1

SunCity Ipoh Hypermarket

Sunway Carnival
Shopping Mall

Sunway REIT was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 8 July 2010 with an initial market capitalisation of RM2.4 billion. The market capitalisation of Sunway REIT stood at RM5.2 billion as at 30 June 2018. Sunway REIT is a component of FTSE Bursa Malaysia Mid 70 Index, FTSE4 Good Bursa Malaysia Index, Bursa Malaysia REIT Index, FTSE EPRA/NAREIT Global REIT Index, FTSE EPRA/NAREIT Global Index, FTSE EPRA/NAREIT Asia ex Japan Index, FTSE EPRA/NAREIT Asia Pacific Index, FTSE EPRA/NAREIT Emerging REIT Index and MSCI Malaysia Small Cap Index.

With an initial portfolio of 8 properties, Sunway REIT has grown to 16 properties comprising 4 retail malls, 6 hotels, 4 offices, a medical centre and an industrial property. The property value has grown by 110% from the initial RM3.46 billion to RM7.28 billion as at 30 June 2018.

The Sponsor, Sunway Berhad (Sunway), is an established and reputable property-construction conglomerate group with a market capitalisation of RM7.6 billion as at 30 June 2018. Sunway is currently trading on the Trading/Services counter on the Main Board of Bursa Malaysia Securities. It accentuates Sunway's strength as a conglomerate with diverse yet complementary businesses that are market leaders in their respective industries.

Sunway REIT's assets are primarily located in Sunway City, Selangor, Malaysia's first Green Building Index (GBI) certified sustainable integrated township master planned and developed by the Sponsor. The assets

located in Sunway City are Sunway Pyramid Shopping Mall, Sunway Resort Hotel & Spa, Sunway Pyramid Hotel, Menara Sunway and Sunway Medical Centre¹. In addition to that, the newly acquired asset, Sunway Clio Property is also located within the township.

The success of Sunway City is replicated in Sunway City Ipoh, Perak; the first integrated township in Southeast Asia with five FIABCI accolades, where SunCity Ipoh Hypermarket is located. On the mainland of Penang, Sunway REIT owns Sunway Carnival Shopping Mall and Sunway Hotel Seberang Jaya. In FY2015, Sunway REIT added 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 4 properties in Kuala Lumpur, namely, Sunway Tower and the remaining 3 which constitute part of the 3-in-1 integrated development, Sunway Putra, consisting of Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower.

In the industrial segment, Sunway REIT owns Sunway REIT Industrial – Shah Alam 1 in Section 23, Shah Alam, Selangor, which is a prime industrial hub, that is predominantly occupied by established multinational logistics and manufacturing companies.

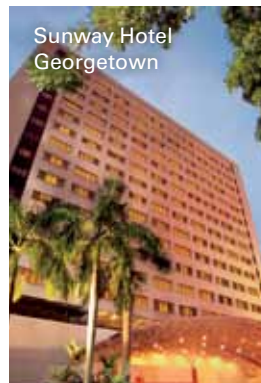
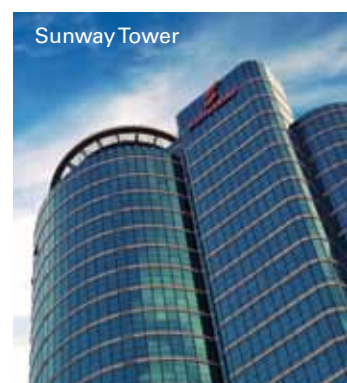
Sunway REIT's key investment objective is to provide unitholders with exposure to a diverse portfolio of authorised investments that will provide stable cash distributions with the potential for sustainable growth in net asset value per unit.

Note:

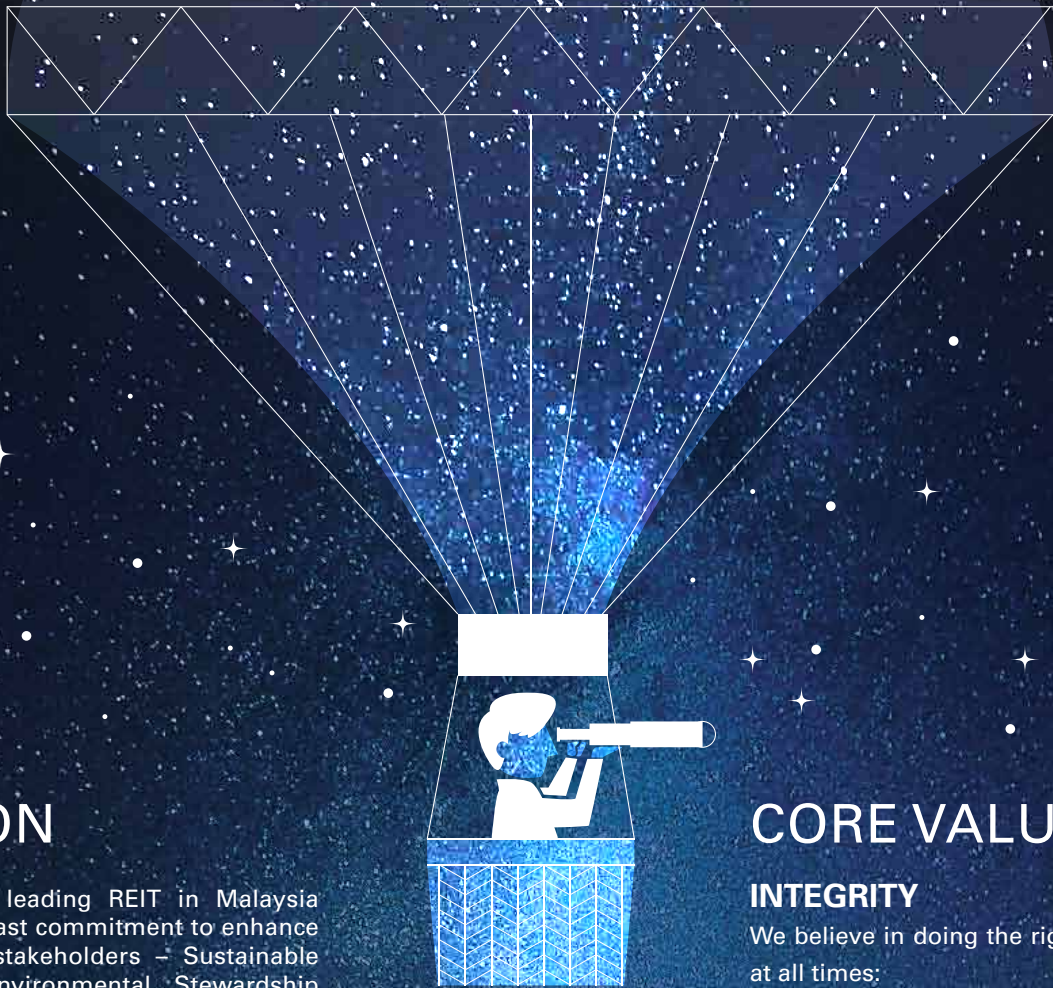
¹ Refers to Sunway Medical Centre (Tower A & B) which is owned by Sunway REIT. This reference is applicable throughout the Annual Report



Wisma Sunway

Sunway Hotel
Seberang JayaSunway Hotel
Georgetown

Sunway Tower



VISION

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

MISSION STATEMENT

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

CORE VALUES

INTEGRITY

We believe in doing the right thing at all times:

- We conduct ourselves in an honest and trustworthy manner
- We act professionally, ethically and honourably
- We ensure our actions are consistent with our words

HUMILITY

We believe in being humble, polite and respectful:

- We never stop learning
- We care for and respect people and the environment
- We seek first to understand, then to be understood

EXCELLENCE

We take pride in all that we do:

- We strive to deliver high quality products and services
- We continuously innovate and improve for greater progress
- We seek to inspire others to excel

GROWTH STRATEGIES

ACQUISITION GROWTH

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

ORGANIC GROWTH

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

CAPITAL AND RISK MANAGEMENT

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

STRATEGIC OBJECTIVES FY2020

STRATEGIC OBJECTIVES	TARGETS	5-YEAR ACHIEVEMENT (FY2014-FY2018)
Top 3 M-REIT	Measured by property value or market capitalisation	Ranked 2 nd by property value Ranked 4 th by market capitalisation ¹
Property Value	Above RM10 billion by FY2020	RM7.28 billion
Average Annual Total Return	10% to 15%	8.5% ²
DPU compounded annual growth rate (CAGR)	5%	3.4% ²

¹ Market driven unit price

² Lower than target due to loss of income arising from refurbishment of Sunway Putra in FY2013-FY2015 and Sunway Pyramid Hotel in FY2016-FY2017



For more details, please refer to 'A Conversation with the CEO'

SUNWAY REIT'S VALUE CREATION

COMPETITIVE ADVANTAGE FACILITATES SUCCESSFUL VALUE CREATION

1 Diversified
asset
portfolio

2 One of the lowest cost of
debt amongst M-REITs and
diversified sources of funding

OUR INPUTS

MANUFACTURED CAPITAL

Sunway REIT is a diversified REIT with a diversified portfolio in Malaysia. Sunway REIT owns 4 retail malls, 6 hotels, 4 offices, 1 medical centre and 1 industrial property.

FINANCIAL CAPITAL

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



For more information, please refer to Financial Review and Capital Management in Management and Discussion Analysis sections

INTELLECTUAL CAPITAL

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



For more information, please refer to the Profile of Board of Directors, Management Team & Key Personnel section

HUMAN CAPITAL

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

NATURAL CAPITAL

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



For more information, please refer to Sustainability Statement section

SOCIAL AND RELATIONSHIP CAPITAL

Sunway REIT engages and maintains strong relationships with key stakeholders, namely the Sponsor, Trustee, Property Manager, Facilities Management Team, Investment Communities, Media, Unitholders, Board of Directors, Business Partners and Authorities.

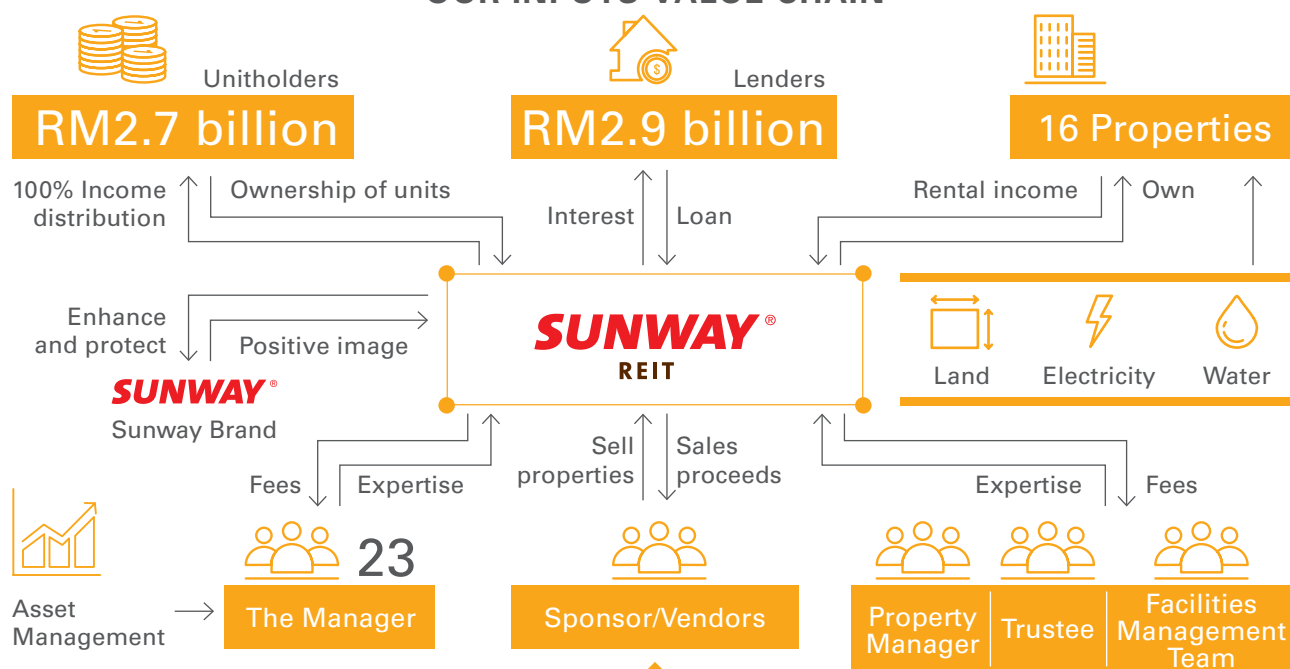


For more information, please refer to Message from the Chairman, Management Discussion and Analysis and Investor and Media Relations sections



For more information, please refer to Sustainability Statement section

OUR INPUTS VALUE CHAIN



GUIDED BY OUR CORE VALUES AND

- Integrity • Humility • Excellence • Responsible business practices • Continuous engagement with our key business
- Giving back to

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

3 Property Manager and Facilities Management Team from diverse backgrounds

4 Strong relationships with tenants

5 Strong brand and synergy with the Sponsor

ADDING VALUE

- 1** Manage an income generating assets portfolio via asset enhancement initiatives and asset management initiatives
- 2** Yield accretive acquisition and turnaround strategies to grow income and DPU
- 3** Proactive capital management to diversify sources of funding and to spread out the debt maturity profile
- 4** Ensure robust risk management to mitigate risk in a dynamic business environment and adopting high standards of corporate governance
- 5** Incorporate ESG sustainability considerations into our daily operations

FY2018 VALUE CREATED

- ECONOMIC**
 - Distribution per unit **9.57 sen**
 - Total return **4.8%**
 - Fair value gain **RM145 million**
- ENVIRONMENT**
 - Reduction in energy consumption **1.2%**
 - Reduction in CO₂e emission **1.2%**
- SOCIAL**
 - Training hours per employee **19 hours**
 - Employees retention **96%**

STAKEHOLDER'S OUTCOME

- UNITHOLDERS/INVESTMENT COMMUNITY**
We endeavour to deliver sustainable DPU over the long-term horizon and are committed to 100% income distribution. Our ability to generate sustainable unitholders return is demonstrated through our track record and further backed by a strong Sponsor.
- CUSTOMERS/TENANTS/HOTEL GUESTS**
We offer a strong value proposition with emphasis on long-term relationships, superior service and safety.
- ENVIRONMENT**
Through managing our environmental stewardship, we create positive impact to the environment.
- EMPLOYEES**
We develop a group of motivated employees by offering a holistic career development programme to unleash the full potential of the Manager's employees.
- GOVERNMENT, INDUSTRY AFFILIATIONS & COMMUNITIES**
We uphold the best practice for compliance structure and corporate governance in the operations of the business. This allows us to actively contribute to the overall industry development, capital market development and continuous engagement with the communities.
- BUSINESS PARTNERS**
Strong long-term relationships with business partners with high levels of integrity and fairness to all parties.

SUSTAINABILITY CORE FOCUS AREAS




stakeholders • Process and resource efficiency • Environmental protection through green initiatives
communities socially and economically

STAKEHOLDER ENGAGEMENT


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

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

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

STAKEHOLDERS	HOW WE ENGAGE	THEIR EXPECTATIONS	HOW WE ADDRESS THEIR EXPECTATIONS
<p>INVESTMENT COMMUNITY (UNITHOLDERS, ANALYSTS, FUND MANAGERS)</p> <p>Level of engagement</p> 	<p>Proactively engage with the investment community through multiple channels of communication as detailed below (but not limited to):</p> <ul style="list-style-type: none"> • Statutory announcements • Annual general meeting • Analyst briefings • Investor roadshows • Sunway REIT website • Retail investors seminars • One-on-one management meetings 	<ul style="list-style-type: none"> • Stable and sustainable distribution income • Solid operational and financial performance • Astute business strategies • Effective implementation of identified business strategies • Timely and transparent reporting • Strong corporate governance • Prudent risk management 	<ul style="list-style-type: none"> • Business strategies and outlook of the property market, with voluntary communication on earnings outlook, are regularly communicated to facilitate the investment community in making informed investment decisions • Immediate communication on material developments through analysts' briefings, media releases and announcements • Robust risk management framework with periodic evaluations to encompass the most updated risks/potential risks identified and its mitigating action plans <p> For more information, please refer to Investor and Media Relations section</p>
<p>MEDIA</p> <p>Level of engagement</p> 	<p>Regular engagement with the media community via the following medium (but not limited to):</p> <ul style="list-style-type: none"> • Media conferences • Media interviews • Media releases 	<ul style="list-style-type: none"> • Market and business performance outlook and strategies • Immediate notification of financial releases and material developments • Timely and transparent communication • Industry thought leader's opinions 	<ul style="list-style-type: none"> • Business strategies and outlook are regularly communicated via media interviews • Immediate communication for material developments during media conferences and media releases • Sharing of key opinion leader's views through interviews <p> For more information, please refer to Investor and Media Relations section</p>

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS	HOW WE ENGAGE	THEIR EXPECTATIONS	HOW WE ADDRESS THEIR EXPECTATIONS
<p>EXISTING AND POTENTIAL TENANTS</p> <p>Level of engagement</p> 	<p>Engage with existing and potential tenants through regular meetings, feedback sessions, tenants surveys and through networking events</p>	<ul style="list-style-type: none"> • Responsiveness of Facilities Management Team to tenants' requests and feedback • Tenant engagement and support • Safety and security of the premises and facilities • Efficient buildings • Business ethics and integrity 	<ul style="list-style-type: none"> • All requests and feedbacks are reviewed and attended to by the Facilities Management Team • Provide marketing support • Ensure operational health and safety practices and continuous endeavours in improving building efficiency through efficient energy, water and green practices • Adherence to best practices, highest standards of business integrity and commitment to integrity pact <p> For more information, please refer to Sustainability Statement section</p>
<p>BOARD OF DIRECTORS & EMPLOYEES</p> <p>Level of engagement</p> 	<p>Engagement through team meetings, team building activities, annual appraisals and surveys</p>	<ul style="list-style-type: none"> • Fair remuneration and professional human resource practices • Equal career development and progression opportunities • Knowledge and skills enhancement • Work-life balance • Safe, healthy and conducive workplace environment 	<ul style="list-style-type: none"> • Benchmarking with market remuneration packages and practices • Career needs and plans are deliberated during performance appraisal sessions with follow through on career development programmes tailored for employees • Training programmes, job rotation, special project assignments to provide opportunities for skills and knowledge enhancement • Flexible working hours and a culture that promotes transparent communication <p> For more information, please refer to Sustainability Statement section</p>

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS

REGULATORS AND INDUSTRY AFFILIATIONS

Level of engagement



HOW WE ENGAGE

Active engagement with regulators and relevant authorities that affect the REIT industry and capital market matters. Proactive participation and play an active role in industry affiliations

THEIR EXPECTATIONS

- Compliance with rules and regulations
- Keep abreast with policies, regulatory and governance matters
- Contribute to the betterment of the REIT industry and capital market

HOW WE ADDRESS THEIR EXPECTATIONS

- Adherence and compliance to all regulations governing M-REITs
- Active role in Malaysian REIT Managers Association (MRMA) and to spearhead initiatives through MRMA
- Investors education workshops



For more information, please refer to Sustainability Statement section

COMMUNITIES

Level of engagement



Community engagement via corporate social responsibility (CSR) activities

- Responsible corporate citizen which gives back to the community
- Creating mutually beneficial community through the economic, environment and social pillars

- Identify and implement meaningful CSR programmes for the community, such as Clean Air Project
- Improved infrastructure in the surrounding vicinities
- Green landscaping and mobility to reduce carbon footprint



For more information, please refer to Sustainability Statement section

SUPPLIERS AND CONTRACTORS

Level of engagement



Build a core team of reliable suppliers and contractors who deliver quality products and services at the best value through a transparent procurement process

- Fair treatment
- Safe working environment
- Professional and transparent procurement processes

- Professional procurement policies and practices
- Ensure safe environment for vendors and contractors to operate



For more information, please refer to Sustainability Statement section

MATERIAL FACTORS

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

MATERIAL FACTORS	RISKS	OPPORTUNITIES	SOLUTIONS
FINANCIAL PERFORMANCE – SUSTAINABLE DPU GROWTH	<p>Risk of the REIT delivering lower DPU arising from softer business performance from assets arising from:</p> <ul style="list-style-type: none"> • Moderation in macro-economic environment • Weak consumer spending • Subdued business sentiment • Oversupply in the property sub-sectors exerting pressure on occupancy and rental rates • Disruptive business trends such as online shopping 	<p>Acquisition opportunities may prevail in challenging property market condition</p>	<ul style="list-style-type: none"> • Capitalise on the business synergies between properties in Sunway City • Identify asset enhancement initiatives opportunities to maintain/improve the business performance of the properties • Yield accretive acquisitions to expand the income stream <p>For more information, please refer to Management Discussion and Analysis, A Conversation with the CEO and Detailed Market Report sections</p>
CAPITAL STRUCTURE – OPTIMISATION OF LEVERAGE RATIO AND DEBT PROFILE	<p>Risk of high leverage and inability to deleverage. Sunway REIT's leverage in FY2018 has increased to 38.6% (FY2017: 34.2%) following the acquisition of Sunway REIT industrial - Shah Alam 1 and Sunway Clio Property</p>	<ul style="list-style-type: none"> • Equity fund raising opportunities to deleverage to increase debt headroom for future acquisitions and asset enhancement initiatives • Capitalise on the prevailing low interest rate regime to secure attractive financing rates which in turn enhances yield 	<p>For more information, please refer to Management Discussion and Analysis section</p>

MATERIAL FACTORS

MATERIAL FACTORS

CUSTOMER SATISFACTION (TENANTS, SHOPPERS AND HOTEL GUESTS)

RISKS

Concerns on safety of the premise, customer service, business practices have bearings on business and reputational risks

OPPORTUNITIES

- Establish strong differentiating factors to appeal to customers to continue to support the business
- Brand equity – The Sunway Brand

SOLUTIONS

- Optimal operational efficiencies with regular maintenance of the premises
- Asset enhancement initiatives to upgrade aged properties
- Best of class customer service and marketing support



For more information, please refer to Management Discussion and Analysis section

CORPORATE GOVERNANCE

Integrity risk, reputational risk, regulatory risk

Benchmark against best practices to continuously enhance Sunway REIT's governance practices



For more information, please refer to Corporate Governance & Accountability section

ENVIRONMENTAL STEWARDSHIP

Environmental cost leading to negative impact to the planet. Being a major energy consumer, the properties are contributing to greenhouse gas (GHG) emission

Leverage on Sunway Group's sustainability initiatives to benefit Sunway REIT's properties, such as strive toward Sustainable Smart City status in Sunway City

- Incorporate environmental considerations when Sunway REIT undertakes asset enhancement initiatives on its properties
- Facilities Management Team and operation team continuously identify opportunities to improve operational efficiency in reducing carbon footprint



For more information, please refer to Investment Review and Operation Review



For more information, please refer to Sustainability Statement section

CORPORATE INFORMATION

MANAGER

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

MANAGER'S PRINCIPAL PLACE OF BUSINESS

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

MANAGER'S REGISTERED OFFICE

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

BOARD OF DIRECTORS OF THE MANAGER

Chairman, Independent Non-Executive Director
Tan Sri Ahmad Bin Mohd Don

Chief Executive Officer, Non-Independent Executive Director

Dato' Jeffrey Ng Tiong Lip

Senior Independent Non-Executive Director
Elvin A/L Berty Luke Fernandez

Independent Non-Executive Director
Tengku Nurul Azian Binti Tengku Shahrman

Non-Independent Non-Executive Directors
Ng Sing Hwa
Sarena Cheah Yean Tih, *s.m.s*

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

INVESTMENT APPRAISAL WORKING GROUP

Dato' Jeffrey Ng Tiong Lip (Chairman)
Sarena Cheah Yean Tih, *s.m.s* (Alternate: Clement Chen Kok Peng)
Irene Sin May Lin
Raymond Ng Meng Chun

RISK MANAGEMENT WORKING GROUP

Dato' Jeffrey Ng Tiong Lip (Chairman)
Sarena Cheah Yean Tih, *s.m.s* (Alternate: Wai Sow Fun)
Irene Sin May Lin
Samantha Khoo May Lin
Shereen Lee Pei Suan

SUSTAINABILITY WORKING GROUP

Dato' Jeffrey Ng Tiong Lip (Chairman)
Sarena Cheah Yean Tih, *s.m.s* (Alternate: Loo Hoey Theen)
Chan Hoi Choy (Alternate: Kevin Tan Gar Peng)
Cheng Jew Keng
Irene Sin May Lin
Crystal Teh Lay Ling

COMPANY SECRETARIES OF THE MANAGER

Tan Kim Aun (MAICSA 7002988)
Ong Wei Leng (MAICSA 7053539)

TRUSTEE

RHB Trustees Berhad (Company No. 573019-U)
Level 10, Tower One, RHB Centre,
Jalan Tun Razak, 50400 Kuala Lumpur
Tel No: (603) 9207 7777
Email: rhbt.reits@rhbgroup.com

PROPERTY MANAGER

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

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Public Bank Berhad

AUDITOR

Messrs BDO (AF 0206)
Level 8,
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel 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
Tel No: (603) 5639 8889
Fax No: (603) 5639 9507

STOCK EXCHANGE LISTING

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

WEBSITE

www.sunwayreit.com

INVESTOR RELATIONS

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

SALIENT FEATURES

NAME OF FUND	SUNWAY REIT
Type of Fund	Income and Growth
Category of Fund	Real Estate Investment Trust
Duration of Fund/ Termination Date	<p>The earlier of:</p> <ul style="list-style-type: none"> • 999 years falling on 19 May 3009 • 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
Investment Objective	To provide Unitholders with an exposure to a diverse portfolio of authorised investments that will provide stable cash distribution with the potential for sustainable growth in net asset value per unit
Investment Policy	<ul style="list-style-type: none"> • To invest in retail, hospitality, office and other real estate assets, subject to the Securities Commission's Guidelines on Listed Real Estate Investment Trusts • At least 95% of Sunway REIT's total asset value must be invested in real estate and/or single purpose companies at all times with the remainder 5% invested in cash deposit and money market instruments
Key Acquisition Criteria	<ul style="list-style-type: none"> • Retail and mixed-use assets • High growth cities and townships in Malaysia • Compatibility and synergistic to asset portfolio
Distribution Policy	<ul style="list-style-type: none"> • 100% distributable income since FP2011 to FY2018 and at least 90% for each subsequent financial year • Quarterly distribution
Revaluation Policy	Annually by an independent valuer
Gearing Policy	Up to 50% of total asset value of the Fund

SALIENT FEATURES

NAME OF FUND	SUNWAY REIT
Performance Benchmark	<ul style="list-style-type: none"> • FTSE Bursa Malaysia Mid 70 Index • Bursa Malaysia REIT Index • FTSE4Good Bursa Malaysia Index • FTSE EPRA/NAREIT Global REIT Index • FTSE EPRA/NAREIT Global Index • FTSE EPRA/NAREIT Asia ex Japan Index • FTSE EPRA/NAREIT Asia Pacific Index • FTSE EPRA/NAREIT Emerging REIT Index • MSCI Malaysia Small Cap Index
Manager's Fees	<ul style="list-style-type: none"> • Base Fee : 0.3% per annum of total asset value • Performance Fee : 3% per annum of net property income, but before deduction of fees payable to the Property Manager pursuant to the Property Management Agreement • Acquisition Fee : 1% of acquisition price • Divestment Fee : 0.5% of sale price
Trustee's Fee	0.015% per annum of the net asset value of Sunway REIT (effective CY2018)
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"> • RM0.88 - retail • RM0.90 - institutional



AWARDS AND RECOGNITION

Sunway REIT-owned Sunway Pyramid Shopping Mall clinched **The Edge Malaysia Property Development Excellence Award 2017** for excellence in suburban family mall.



Sunway REIT wins **Industry Excellence Award for Real Estate Investment Trusts (REITs) and Investment Funds category** at the **National Annual Corporate Report Awards (NACRA) 2017**. The award recognises endeavour in adopting the highest standards of disclosure, transparency, corporate governance and corporate reporting excellence.

AWARDS AND RECOGNITION



Sunway Putra Mall, emerged as the winner of its maiden (Best Shopping Centre) **Tourism Malaysia Award for the Year 2016/2017**. The mall boasts a net lettable area (NLA) of 600,000 sq ft and is part of the integrated Sunway Putra development, which consists of a 9-storey retail mall, a 5-star hotel, and an office tower acquired in 2011. The development was refurbished as one of the largest urban restoration projects at a cost of more than RM1 billion.



Sunway Putra Hotel won the **ASEAN MICE Venue Standard Award 2018-2020** at the ASEAN Tourism Forum (ATF). ATF is one of the most significant annual tourism promotional events attended by Tourism Ministers across ASEAN. The ASEAN MICE Venue Standards works as reference to develop and enhance the capacity and competitiveness of entrepreneurs in Meetings, Incentives, Conferences and Exhibitions (MICE) tourism in serving both organisers and visitors.



Sunway REIT was the silver winner in the REIT category for the Highest Growth in Profit After Tax Over Three Years at **The Edge Billion Ringgit Club Award 2017**.



AWARDS AND RECOGNITION

Sunway Putra Mall was the winner for the **FIABCI Malaysia Property Award 2017** under the retail category



Menara Sunway emerged as the Gold winner for **Malaysia's Best Managed Property Awards 2018** under the category of Above 10 Years Non-Strata Office.



Sunway REIT was the Gold winner for **The Asian Pacific Best of Breeds REIT Awards 2017 – Retail REIT (Malaysia)**.

INDICES REPRESENTATION



FTSE Bursa Malaysia Mid 70 Index
Bursa Malaysia REIT Index



FTSE4Good

FTSE4Good Bursa Malaysia Index



MSCI MALAYSIA SMALL CAP INDEX



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

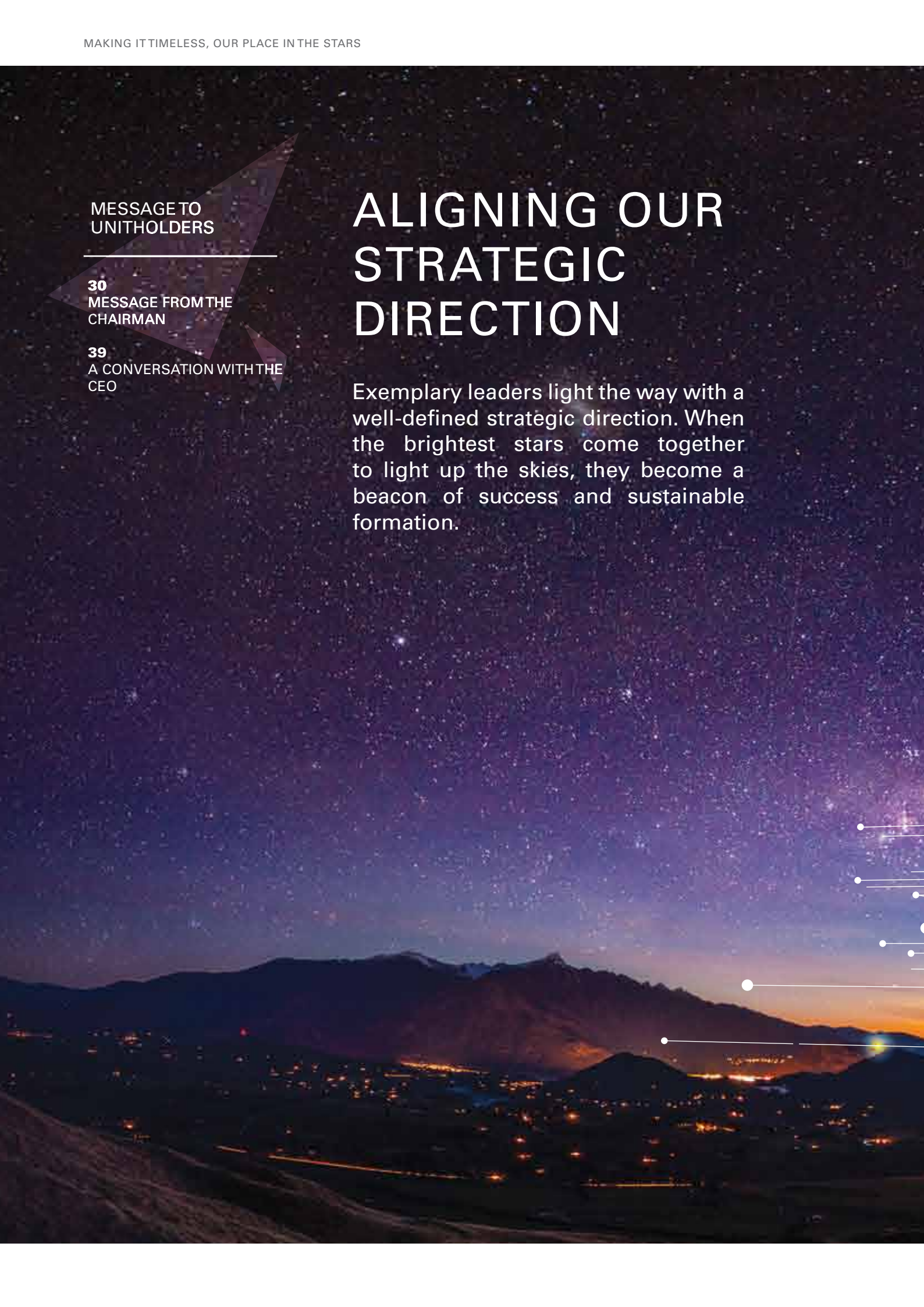
MESSAGE TO
UNITHOLDERS

30
MESSAGE FROM THE
CHAIRMAN

39
A CONVERSATION WITH THE
CEO

ALIGNING OUR STRATEGIC DIRECTION

Exemplary leaders light the way with a well-defined strategic direction. When the brightest stars come together to light up the skies, they become a beacon of success and sustainable formation.





MENARA SUNWAY

MESSAGE FROM THE CHAIRMAN



HIGHLIGHTS OF THE YEAR

REWARD TO UNITHOLDERS

9.57 sen

TOTAL DPU

PROPERTY VALUE

RM7.28 billion

ONE OF THE LARGEST

DIVERSIFIED REITs IN MALAYSIA

WOMEN ON THE BOARD

34%

TARGET ACHIEVED

Dear Valued Stakeholders,

On behalf of the Board of Directors of the Manager, it is an honour and pleasure to present Sunway REIT's Integrated Annual Report and audited financial statements for the financial year ended 30 June 2018 (FY2018). Sunway REIT has delivered a moderate growth in DPU in striving to deliver sustainable value creation to stakeholders.

VALUE CREATION OPTIMISATION

Synchronised global economic growth had supported the strength of the Malaysian economy in the first half of the financial year. While the global economy sustained its growth momentum, the domestic landscape was faced with heightened uncertainties arising from the General Elections in the second half of FY2018.

Underlying the achievement of Sunway REIT is our entrepreneurial values to adapt and innovate in the evolving property market dynamics. We believe in a forward looking business model to ensure Sunway REIT is future-proof. Coupled with prudent execution of our strategies, it is heartening that Sunway REIT is able to maintain its distribution policy of 100% distribution

payout for FY2018, a commitment to unitholders which we have adhered to since our IPO in 2010. For the financial year ended 30 June 2018, Sunway REIT rewards its unitholders with a higher DPU of 9.57 sen, representing a DPU growth of 4.1% from a year ago. Distribution yield was enriched to 5.4% in FY2018 (based on the unit price of RM1.77 as at 30 June 2018), from 5.2% in FY2017.

With the lingering concerns over rising interest rate, the unit price of Sunway REIT was largely contained throughout most part of the financial year. Sunway REIT ended the financial year with a total return of 4.8% on the back of largely stable unit price.

MESSAGE FROM THE CHAIRMAN

Benefitting from the acquisitions completed during the year, our property value increased by RM0.6 billion or 8.8% to RM7.28 billion in FY2018. The gain in property value was mainly attributed to the acquisitions amounting to RM0.4 billion and the remaining were contributed by fair value gain and capital expenditure. The net asset value (NAV) per unit increased correspondingly from RM1.4074 to RM1.4566.

PERFORMANCE OF M-REITS

Malaysia's Real Estate Investment Trusts (M-REITs) have traded in a cautious trend for most part of the financial year, a typical trading behavioural traits in an interest rate normalisation regime.

In a typical rising interest rate environment, M-REITs are susceptible to decompression in distribution yields as investors unwind their positions causing a sell down in units. The unit price correction of M-REITs was evident at its peak in March 2018 following the Overnight Policy Rate (OPR) hike in January 2018. The market capitalisation of M-REITs contracted by RM6.2 billion during the period between July 2017 to March 2018 to RM38.5 billion. In tandem with that, the average distribution yield of M-REITs decompressed by 90 bps from 5.5% in December 2017 to 6.4% in March 2018.

The M-REITs market unexpectedly reversed its trend since then, as evidenced by the recovery in market capitalisation and compression in distribution yield from April 2018 to June 2018. The market capitalisation has recovered by 12.0% to RM43.1 billion as at 30 June 2018. Likewise, the average distribution yield for M-REITs compressed, from 6.8% in March 2018 to 6.4% in June 2018. We believe that the reversal of the sentiment was mainly boosted by uncertainties in the equity market post General Election and expected slowdown in the speed of interest rate normalisation.

UNWAVERING COMMITMENT TO GOVERNANCE

Strong corporate governance is ingrained in the DNA of Sunway REIT by the Manager and the Trustee. Enveloping the business ethics of Sunway REIT, we adhere to high standards of corporate governance, accountability, transparency and integrity. We support this with prudent risk management framework and active Board oversight.

We have made further progress in this respect during the financial year. Sunway REIT has made considerable effort to continue to enhance inclusivity and diversity in the Board and management team. In line with the Government's target for listed entities to have at least 30% women representation at the Board level by 2020, the Manager of Sunway REIT has achieved that target in this financial year with 34% women representation.

As Sunway REIT grows and evolves, we are cognisant of the need to strike a balance between managing the needs of business growth and accepted risk levels. This year, we made setting up of the Risk Management Committee a high priority as we recognised the need for a Board committee to oversee, deliberate and to weigh the different types of risks within the risk management framework and policies of Sunway REIT as well as to assist the Board in making an informed investment decision.

CHARTING NEW GROWTH FRONTIERS

The time has come for the REIT industry in Malaysia to explore and chart new growth frontiers. We applaud the Securities Commission (SC) Malaysia and Bursa Malaysia Securities Berhad (Bursa Malaysia) for their progressive measures to liberalise the REIT industry through the New Guidelines on Real Estate Investment Trusts (New REITs Guidelines) and corresponding updates on the Main Market Listing Requirements (MMLR).

The liberalisation via expansion of the scope of permissible activities broaden the investment opportunities for REITs to take lead in the planning of future pipeline assets. While it is perceived to be an elevated risk, the risk is managed through enhanced corporate governance practices and transparency in disclosure to enable investors to make informed decision. This is further mitigated by the maximum permissible leverage ratio of 50%.

These regulatory enhancements address the long overdue regulatory gaps between M-REITs and other established regional REIT markets. The streamlining of post-listing requirements will definitely improve the efficacy and speed to market for M-REITs to capture the window of opportunities in the market such as equity fund raising exercise.



For more information, please refer to 'A Conversation with the CEO' section

MESSAGE FROM THE CHAIRMAN

VISIBILITY FOR INVESTORS

In October 2017, the launch of Bursa Malaysia REIT Index marked a significant milestone for the industry. The index is aimed to have a full representation of all 18 listed REITs in the country and to enhance the visibility of M-REITs as an investment asset class. The index serves as a performance benchmark to investors and it is the first step towards promoting the investibility of M-REITs.



Bursa Malaysia REIT Index launch

CONTRIBUTION TO THE INDUSTRY

In our sustainability agenda, towards we commit our time and resources to contribute to the growth of capital market through active participation in industry related associations such as the Malaysian REIT Managers Association (MRMA). Sunway REIT's Chief Executive Officer, Dato' Jeffrey Ng, through his leadership position in MRMA, is committed to proactively promote the REIT industry to grow in size and attract more REITs in the country.



For more details, please refer to Corporate Governance Overview Statement section

A STEP CLOSER TO SUSTAINABILITY

In my previous statement, I shared the aspiration of our Sponsor and Sunway REIT to transform Sunway City to a low carbon footprint and Smart City by 2020. This joint vision with the Sponsor forms a substantial part of our sustainability planning for the properties in our asset portfolio.

To continuously drive our efforts in green mobility and connectivity of the properties within Sunway City, The

Ecowalk, was completed and opened to the public in June 2018. The Ecowalk, is a 350-metre long elevated walkway which connects Sunway REIT's properties from Menara Sunway to Sunway Medical Centre. The Ecowalk is powered by our maiden use of photovoltaic panels and power savings LED which keep The Ecowalk illuminated at night. This forms part of the extended canopy walk and our commitment to foster an ecosystem in which our community can live, work, play and be healthy in a safe and connected environment.

We have actively engaged the Facilities Management Team and commissioned initiatives to improve the current waste management practices to preserve the environment and reduce the waste disposal cost. It is heartening to see that recycling activities from the business units have increased to 4.6% in this financial year and we expect these activities to gain more traction going forward as we continue to improve our current practices in this area. We are currently undertaking a pilot project on food composting to study the feasibility of establishing a food composting facility for our mall, hotels and office in Sunway City.



For more details, please refer to the Sustainability Statement section

MESSAGE FROM THE CHAIRMAN



WHAT LIES AHEAD OF US?

In the latest World Economic Outlook release, the International Monetary Fund (IMF) has maintained global growth projection at 3.9% for CY2018 and CY2019. The IMF, however, expects less synchronised growth trajectory in view that some major economies appear to have peaked. Global growth outlook is tilting toward downside bias in light of the weak outturn in the first quarter in several large economies, intensifying trade protectionism coupled with ongoing monetary policy normalisation in the advanced economies.

The Malaysian economy moderated in the first quarter of CY2018 to 5.4% (4Q CY2017: 5.9%), on the back of slower domestic demand, particularly government consumption and investments. The higher net external trade was a result of a decline in import. Bank Negara Malaysia (BNM) has maintained the CY2018 Malaysian economy growth projection at 5.5% - 6.0%, to be driven by both domestic and external demand underpinned by continued growth in wages, employment and business sentiment as well as healthy external trades.

BNM has maintained the headline inflation projection within the range of 2% to 3% in CY2018, benefitting from lower cost factors and strong domestic exchange rate. Risk to higher inflation lies in the direction of global oil prices. Headline inflation as measured by the Consumer Price Index (CPI) rose marginally by 0.8% in June 2018, the lowest in more than 3 years following the reduction in Goods and Services Tax (GST) rate effective 1 June 2018. For the first half CY2018, the CPI moderated to 1.6%. The CPI is likely to normalise above the 2% after the tax holiday and commencement of Sales and Service Tax (SST) in September 2018.

On 11 July 2018, the Monetary Policy Committee (MPC) maintained the OPR at 3.25%. BNM opined that the degree of monetary accommodativeness is consistent with the intended policy stance and will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation. Economists consensus surveyed by Bloomberg expects the OPR to remain unchanged for the remaining CY2018.

Despite the strength of the economy and level of accommodativeness in the monetary stance, we remain cautious as the property market is envisaged to remain challenging. Under the administration of the new Government, transitional uncertainties may arise in the near term including potential variations to policies affecting business.



For more details, please refer to 'A Conversation with the CEO' section

IN PURSUIT FOR EXCELLENCE

Central to our excellence, we are supported by a team of highly engaged and inspired individuals who strive to deliver values to our stakeholders. Our efforts were generously acknowledged across the diverse recognitions we have achieved in FY2018.

Our properties, which are highly resilient, were accorded several prestigious recognitions during the year. In its 25th anniversary of the highly coveted FIABCI Malaysia Property Award 2017, Sunway Putra Mall emerged as winner for the retail category. The award serves to honour Malaysia's best developments in all aspects, from architectural design to financial sustainability of the project.

MESSAGE FROM THE CHAIRMAN

The jeweled property of Sunway REIT, Sunway Pyramid Shopping Mall, clinched The Edge Malaysia Property Development Excellence Award 2017 for excellence in suburban family mall.

The list of recognition was also extended to our hotels. At the ASEAN Tourism Forum (ATF), which is one of the esteemed annual tourism events attended by Tourism Ministers across ASEAN, Sunway Putra Hotel was bestowed the ASEAN MICE Venue Standard Award 2018-2020.

The value creation of our properties is also attributed to our experienced Facilities Management Team. This is an unrivaled testament when Menara Sunway received the Gold award for The EdgeProp Malaysia's Best Managed Property Awards 2018 under the category of Non-Strata Office (above 10 years).

At the Trust level, the dedication of Sunway REIT to deliver superior financial performance and corporate reporting was pleasantly recognised for the sixth consecutive year for the National Annual Corporate Report Awards 2017 ("NACRA") under the category of Industry Excellence Awards for REITs and Closed-End Funds. On top of that, Sunway REIT was also the Gold winner for The Asia Pacific Best of Breeds REIT Awards 2017 (Retail REIT-Malaysia) and Silver Winner for Highest Growth in Profit After Tax over Three Years at The Edge Ringgit Club Award 2017.

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

IN APPRECIATION

Our achievements are results of unwavering support from all our stakeholders. On behalf of the Board, I would like to extend my deepest appreciation to all our stakeholders; unitholders, trustee, regulators, property manager, Facilities Management Team, business partners, tenants, bankers, fellow analysts and investment community and members of the press for their continuous support and trust in Sunway REIT.

To the management team of the Manager, a special gratitude to every team members for creating all the possibilities to deliver the value creation to our stakeholders. On behalf of the Board and management team, I wish to express my heartfelt appreciation to the outgoing Chief Financial Officer (CFO), Ms. Wai Sow Fun for her leadership, invaluable contributions and achievements during her tenure with us.

Last but not least, I would like to welcome our new CFO, Ms. Irene Sin and we wish her a successful career with Sunway REIT.

Tan Sri Ahmad Bin Mohd Don
Chairman



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



Chairman's training record and further corporate governance related information are available at <https://www.sunwayreit.com>

PERUTUSAN PENGGERUSI

SOROTAN TAHUNAN INI

GANJARAN KEPADA
PEMEGANG-PEMEGANG UNIT
9.57 sen
JUMLAH DPU

NILAI HARTANAH
RM7.28 bilion
SALAH SATU REIT KEPELBAGAIAN
YANG TERBESAR DI MALAYSIA

AHLI LEMBAGA WANITA
34%
SASARAN TERCAPAI

Pihak Berkepentingan yang dihormati,

Bagi pihak Lembaga Pengarah Pengurus, saya amat berbesar hati diberi peluang untuk membentangkan Laporan Tahunan Sunway REIT serta penyata kewangan yang telah diaudit bagi tahun kewangan berakhir 30 Jun 2018 (TK2018). Sunway REIT telah menyampaikan pertumbuhan yang sederhana dalam pengagihan seunit (DPU) di dalam usaha untuk menyampaikan penciptaan nilai mampan kepada pihak berkepentingan.

MENGOPTIMUMKAN PENCIPTAAN NILAI

Pertumbuhan ekonomi global yang serentak telah menyokong kekuatan ekonomi Malaysia pada separuh tahun pertama kewangan. Walaupun ekonomi global mengekalkan momentum pertumbuhannya, landskap tempatan menghadapi ketidakpastian yang semakin meningkat berikutan Pilihan Raya Umum pada separuh tahun kedua TK2018.

Nilai-nilai keusahawanan kami yang adaptif dan inovasi dalam ruang pasaran hartanah yang semakin dinamik adalah asas pencapaian Sunway REIT. Kami percaya model perniagaan yang berwawasan akan memastikan Sunway REIT sentiasa bersedia untuk menghadapi masa depan. Dengan pelaksanaan strategi kami yang berhemat, Sunway REIT mampu mengekalkan dasar pengagihan 100% pembayaran pengagihan untuk TK2018, satu komitmen kepada pemegang-pemegang unit yang telah kami patuhi sejak IPO pada tahun 2010. Untuk TK2018, Sunway REIT memberi ganjaran kepada pemegang-pemegang unitnya dengan DPU yang lebih tinggi iaitu 9.57 sen, mewakili pertumbuhan DPU sebanyak 4.1% berbanding setahun yang lalu. Hasil pengagihan telah dipertingkatkan kepada 5.4% bagi TK2018 (berdasarkan harga unit RM1.77 pada 30 Jun 2018), berbanding 5.2% bagi TK2017.

Walaupun terdapat kebimbangan yang berterusan terhadap kenaikan kadar faedah, harga unit Sunway REIT masih terkandung di sebahagian besar tahun kewangan. Sunway REIT mengakhiri tahun kewangan

dengan jumlah pulangan sebanyak 4.8% berlandaskan harga unit yang mantap.

Nilai hartanah Sunway REIT telah bertambah sebanyak RM0.6 bilion atau 0.8% kepada RM7.28 bilion bagi TK2018. Kenaikan nilai hartanah adalah disebabkan perolehan hartanah berjumlah RM0.4 bilion dan selebihnya disumbangkan oleh keuntungan nilai saksama dan perbelanjaan modal. Selaras dengan itu, nilai aset bersih (NAV) seunit meningkat daripada RM1.4074 kepada RM1.4566.

PRESTASI M-REITs

Amanah Pelaburan Hartanah Malaysia (M-REITs) telah dilabur dengan berhati-hati dalam sebahagian besar tahun kewangan. Ini merupakan ciri-ciri tingkah laku pelaburan yang biasa di dalam rejim normalisasi kadar faedah.

Dalam persekitaran kadar faedah yang semakin meningkat, M-REITs terdedah kepada penyahmampatan hasil pengagihan apabila pelabur-pelabur bertindak untuk menjual unit. Kemuncak pembetulan harga unit M-REITs berlaku pada bulan Mac 2018 berikutan kenaikan Kadar Dasar Semalaman (OPR) pada bulan Januari 2018. Pasaran modal M-REITs telah merosot sebanyak RM6.2 bilion di antara bulan Julai 2017 hingga bulan Mac 2018, kepada RM38.5 bilion. Sejajar dengan itu, hasil pengagihan purata M-REITs dinyahmampat sebanyak 90 bps daripada 5.5% pada bulan Disember 2017 kepada 6.4% pada bulan Mac 2018.

PERUTUSAN Pengerusi

Pasaran M-REITs telah membalikkan trend tersebut secara mengejut sejak itu, dengan pemulihan pasaran modal dan pemampatan hasil pengagihan dari bulan April 2018 hingga bulan Jun 2018. Pasaran modal telah pulih sebanyak 12.0% kepada RM43.1 bilion pada 30 Jun 2018. Hasil pengagihan purata M-REITs juga dimampatkan, daripada 6.8% pada bulan Mac 2018 kepada 6.4% pada bulan Jun 2018. Kami percaya bahawa sentiment pembalikan itu didorong terutamanya oleh ketidakpastian dalam pasaran ekuiti berikutan Pilihan Raya Umum dan jangkaan normalisasi kadar faedah yang akan mengambil masa.

Komitmen Tidak Berbelah-Bagi Kepada Tadbir Urus Korporat

Tadbir urus korporat telah dipupuk kukuh di dalam DNA Sunway REIT oleh Pengurus dan Pemegang Amanah. Menyelami etika perniagaan Sunway REIT, kami mematuhi piawaian tadbir urus korporat, akauntabiliti, ketelusan dan integriti yang tinggi. Kami menyokongnya melalui rangka kerja pengurusan risiko yang berhemat dan pengawasan Lembaga Pengarah yang aktif.

Sepanjang tahun kewangan, kami telah berjaya mencapai kemajuan lebih lanjut dalam hal ini. Sunway REIT telah berusaha keras untuk terus meningkatkan inklusiviti dan kepelbagaian Lembaga Pengarah dan pihak pengurusan. Selaras dengan sasaran kerajaan bagi entiti tersenarai supaya mempunyai perwakilan wanita sekurang-kurangnya sebanyak 30% di peringkat Lembaga Pengarah menjelang tahun 2020, Pengurus Sunway REIT telah mencapai sasaran itu pada tahun kewangan ini dengan perwakilan wanita sebanyak 34%.

Di dalam proses pertumbuhan dan perkembangan Sunway REIT, kami menyedari perlu adanya keseimbangan dalam pertumbuhan perniagaan dan batasan tahap risiko. Pada tahun ini, penubuhan Jawatankuasa Pengurusan Risiko menjadi keutamaan kami kerana kami mengakui perlu adanya satu jawatankuasa untuk mengawasi dengan bijaksana dan menimbang pelbagai jenis risiko melalui rangka kerja dan dasar pengurusan risiko Sunway REIT serta membantu Lembaga Pengarah dalam membuat keputusan pelaburan berdasarkan informasi yang diperolehi.

Meneroka Sempadan Pertumbuhan Baru

Masa telah tiba untuk industri REIT di Malaysia untuk meneroka dan mencatat sempadan pertumbuhan baru. Kami berterima kasih kepada Suruhanjaya Sekuriti (SC) Malaysia dan Bursa Malaysia Securities Berhad (Bursa Malaysia) kerana mengambil langkah-langkah progresif

untuk meliberalisasikan industri REIT menerusi Garis Panduan Baharu Amanah Pelaburan Hartanah (Garis Panduan REITs Baru) dan kemaskini maklumat Keperluan Penyenaraian Pasaran Utama (MMLR).

Liberalisasi melalui pengembangan skop aktiviti-aktiviti yang dibenarkan meluaskan peluang dan tahap pelaburan untuk REIT mula bertindak dalam perancangan aset masa depan. Walaupun dianggap berisiko tinggi, risiko ini terbatas dengan adanya penambahbaikan amalan tadbir urus korporat dan ketelusan dalam pendedahan untuk membolehkan pelabur-pelabur membuat keputusan berdasarkan informasi yang diperolehi. Risiko ini dikawal lagi oleh nisbah hutang maksimum yang dibenarkan sebanyak 50%.

Peningkatan pengawalseliaan ini menangani jurang pengawalseliaan yang lama tertangguh antara M-REITs dengan pasaran REIT serantau yang telah lama ditubuhkan.

Penyelarasan keperluan pasca penyenaraian pasti akan meningkatkan keberkesanan dan mempercepatkan M-REITs dalam mencapai peluang-peluang di pasaran seperti penjana dana ekuiti.



Untuk maklumat lanjut, sila rujuk kepada 'Bicara Bersama Ketua Pegawai Eksekutif'

Ketulusan Untuk Pelabur

Pada bulan Oktober 2017, pelancaran Indeks REIT Bursa Malaysia mencatatkan detik bersejarah bagi industri REIT. Indeks ini bertujuan untuk mewakili kesemua 18 REIT yang tersenarai di negara ini dan untuk M-REITs dilihat sebagai satu kelas aset pelaburan. Indeks ini berfungsi sebagai penanda aras prestasi kepada pelabur dan merupakan langkah pertama ke arah mempromosikan kepelaburan M-REITs.

Sumbangan Kepada Industri

Dalam agenda kemampanan kami, kami meluahkan masa dan sumber daya untuk menyumbang kepada pertumbuhan pasaran modal melalui penyertaan aktif dalam persatuan berkaitan industri REIT seperti Persatuan Pengurus REIT Malaysia (MRMA). Ketua Pegawai Eksekutif Sunway REIT, Dato' Jeffrey Ng, melalui kedudukan kepimpinannya di MRMA, komited untuk mempromosikan industri REIT secara proaktif untuk berkembang dalam saiz dan menarik lebih banyak REITs di negara ini.



Untuk maklumat lanjut, sila rujuk Kenyataan Gambaran Keseluruhan Tadbir Urus Korporat

PERUTUSAN PENGGERUSI

SELANGKAH LEBIH DEKAT KEPADA KEMAMPAHAN

Dalam kenyataan terdahulu, saya berkongsi aspirasi Penaja kami dan Sunway REIT untuk mengubah Sunway City dalam jejak karbon rendah dan bandar bestari menjelang tahun 2020. Visi bersama dengan pihak Penaja membentuk sebahagian besar perancangan kemampuan untuk hartanah dalam portfolio aset kami.

Untuk menggalakkan mobiliti hijau dan menghubungkan hartanah di Sunway City, pembinaan 'The Ecowalk' telah selesai dan dibuka kepada orang ramai pada bulan Jun 2018. 'The Ecowalk', adalah laluan pejalan kaki sepanjang 350-meter yang menghubungkan hartanah Sunway REIT dari Menara Sunway ke Sunway Medical Centre. 'The Ecowalk' dikuasakan oleh panel solar fotovoltaik buat pertama kalinya dan lampu penjimatan kuasa LED untuk memastikan 'The Ecowalk' sentiasa kekal diterangi pada waktu malam. Ini merupakan sebahagian daripada komitmen kami untuk membina ekosistem di mana komuniti kami boleh hidup, bekerja, bermain dan menjadi sihat dalam persekitaran yang selamat dan terhubung.

Kami telah melibatkan pihak pengurusan kemudahan secara aktif dalam melaksanakan inisiatif untuk menambahbaik amalan pengurusan sisa semasa untuk memelihara alam sekitar dan mengurangkan kos tapak pelupusan. Aktiviti kitar semula dari unit-unit perniagaan meningkat sebanyak 4.6% pada tahun kewangan ini dan kami menjangkakan aktiviti-aktiviti ini akan mendapat lebih banyak daya tarikan pada masa depan kerana kami akan terus menambahbaik amalan semasa di dalam bidang ini. Kami sedang melaksanakan projek perintis pengomposan makanan untuk mengkaji kemungkinan membuat kemudahan pengkomposan makanan untuk pusat membeli-belah, hotel dan bangunan pejabat kami di Sunway City.



Untuk maklumat lanjut, sila rujuk Kenyataan Kemampuan

APA YANG ADA DIHADAPAN KITA?

Dalam terbitan World Economic Outlook terkini, Tabung Kewangan Antarabangsa (IMF) mengekalkan unjuran pertumbuhan global pada 3.9% untuk tahun 2018 dan tahun 2019. IMF, bagaimanapun, menjangkakan trajektori pertumbuhan yang lemah memandangkan beberapa ekonomi utama telah memuncak. Tinjauan pertumbuhan global condong ke arah penurunan berat sebelah memandangkan kelembapan yang lemah pada suku pertama di beberapa ekonomi besar, memperhebatkan proteksionisme perdagangan ditambah dengan normalisasi dasar monetari yang berterusan dalam ekonomi maju.

Ekonomi Malaysia menyederhana pada suku tahun pertama 2018 hingga 5.4% (S4 2017: 5.9%), berikutan permintaan dalam negeri yang perlahan, khususnya penggunaan dan pelaburan kerajaan. Perdagangan luar bersih yang lebih tinggi adalah akibat pengurangan dalam import. Bank Negara Malaysia (BNM) mengekalkan unjuran pertumbuhan ekonomi Malaysia TK2018 pada 5.5% - 6.0%, yang akan dipacu oleh permintaan domestik dan luaran yang disokong oleh pertumbuhan gaji dan pekerjaan serta sentimen perniagaan yang berterusan serta perdagangan luaran yang sihat.

BNM telah mengekalkan unjuran inflasi dalam lingkungan 2% hingga 3% dalam tahun 2018, manfaat daripada faktor kos rendah dan kadar pertukaran domestik yang kukuh. Risiko terhadap kadar inflasi yang lebih tinggi terletak pada pergerakan harga minyak global. Inflasi utama seperti yang diukur oleh Indeks Harga Pengguna (CPI), meningkat sedikit sebanyak 0.8% pada bulan Jun 2018, terendah dalam tempoh lebih daripada 3 tahun berikutan pengurangan kadar Cukai Barang dan Perkhidmatan (GST) yang berkuatkuasa 1 Jun 2018. Bagi separuh tahun pertama 2018, CPI menguncup hingga 1.6%. CPI dijangka kembali stabil melebihi 2% selepas berakhirnya tempoh cuti cukai dan bermulanya Cukai Jualan dan Perkhidmatan (SST) pada bulan September 2018.

Pada 11 Julai 2018, Jawatankuasa Dasar Monetari (MPC), telah mengekalkan OPR pada kadar 3.25%. BNM berpendapat bahawa tahap daya tahan kewangan adalah selaras dengan dasar yang dimaksudkan dan akan terus memantau dan menilai baki risiko sekitar prospek pertumbuhan dan inflasi domestik. Konsensus ekonomi yang dikaji oleh Bloomberg menjangka OPR akan kekal untuk baki tahun 2018.

Walaupun kekuatan ekonomi dan pendirian monetari yang akomodatif, kami tetap cermat kerana pasaran hartanah yang dijangka akan kekal mencabar. Di bawah pentadbiran kerajaan baru, ketidakpastian peralihan mungkin timbul dalam jangka masa terdekat termasuk perubahan pada dasar-dasar yang mungkin mempengaruhi perniagaan.



Untuk maklumat lanjut, sila rujuk kepada 'Bicara Bersama Ketua Pegawai Eksekutif'

DALAM USAHA MENCAPAI KEUNGGULAN

Nadi kecemerlangan kami adalah sekumpulan individu berpengalaman dan bermotivasi yang berusaha sedaya upaya untuk memberikan nilai kepada para pemegang berkepentingan kami. Usaha kami dihargai melalui pelbagai pengiktirafan yang telah kami kecapai sepanjang TK2018.

PERUTUSAN PENGGERUSI

Hartanah kami, yang amat berdaya tahan telah menerima pengiktirafan berprestij sepanjang tahun. Sempena ulang tahun ke-25 Anugerah Harta Malaysia FIABCI 2017 yang terulung, Sunway Putra Mall muncul sebagai pemenang untuk kategori runcit. Anugerah ini merupakan penghargaan kepada pembangunan terbaik Malaysia dalam semua aspek, dari reka bentuk seni bina hingga ke kemampanan kewangan projek.

Sunway Pyramid Shopping Mall, hartanah utama Sunway REIT, meraih anugerah kecemerlangan 'The Edge Malaysia Property Development Excellence Award 2017' untuk kecemerlangan pusat membeli-belah pinggir bandar.

Pengiktirafan juga diberikan kepada hotel kami di Forum Pelancongan ASEAN (ATF), yang merupakan salah satu acara pelancongan tahunan berprestij yang dihadiri oleh Menteri Pelancongan dari negara-negara ASEAN, Sunway Putra Hotel telah dianugerahkan Anugerah Standard MICE ASEAN 2018-2020.

Penciptaan nilai hartanah kami juga disebabkan pihak pengurusan kemudahan yang amat berpengalaman. Ini terbukti apabila Menara Sunway menerima anugerah emas untuk 'The EdgeProp Malaysia's Best Managed Property Awards 2018' di bawah kategori Pejabat Bukan-Strata (melebihi 10 tahun).

Di peringkat Amanah, dedikasi Sunway REIT untuk menghasilkan prestasi kewangan dan laporan korporat yang unggul telah diiktiraf untuk enam tahun berturut-turut dengan Anugerah Laporan Korporat Tahunan Kebangsaan 2017 ("NACRA") di bawah kategori Anugerah Kecemerlangan Industri untuk REITs dan Dana-Dana Tertutup. Di samping itu, Sunway REIT juga merupakan pemenang emas bagi 'The Asia Pacific Best of Breeds REIT Awards 2017 (Retail REIT-Malaysia)' dan pemenang perak untuk 'Highest Growth in Profit After Tax over Three years' di 'The Edge Ringgit Club Award 2017'.

Kami ingin merakamkan ucapan terima kasih yang tulus ikhlas kepada badan pengawalselia, badan penganugerahan yang dihormati dan semua pihak berkepentingan untuk pengiktirafan mereka.

PENGHARGAAN

Pencapaian kami adalah hasil sokongan yang tidak berbelah bagi daripada semua pemegang berkepentingan. Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan saya kepada semua pihak yang berkepentingan; pemegang unit, pemegang amanah, pengawalselia, pengurus hartanah, pihak pengurusan kemudahan, rakan niaga, penyewa, pegawai bank, rakan penganalisis dan komuniti pelaburan serta warga media di atas sokongan dan kepercayaan yang berterusan pada Sunway REIT.

Kepada pihak pengurusan Pengurus, saya ucapkan terima kasih kerana berjaya mewujudkan serta menyampaikan penciptaan nilai kepada pemegang berkepentingan kami. Bagi pihak Lembaga Pengarah dan pihak pengurusan, saya ingin merakamkan setinggi-tinggi penghargaan saya kepada Ketua Pegawai Kewangan (CFO), Cik Wai Sow Fun atas kepimpinannya, pencapaian dan sumbangan yang tidak ternilai sepanjang beliau berkhidmat dengan kami.

Akhir kata, saya ingin mengalu-alukan kehadiran CFO baru kami, Cik Irene Sin dan mengambil kesempatan ini untuk mengucapkan selamat maju jaya dengan Sunway REIT.

Tan Sri Ahmad Bin Mohd Don
Pengerusi



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



Rekod latihan Pengerusi dan maklumat berkaitan tadbir urus korporat selanjutnya boleh didapati di <https://www.sunwayreit.com>

A CONVERSATION WITH THE CEO



TOTAL ACQUISITIONS

RM436 million

COMPLETED 2 ACQUISITIONS

FUTURE AEIs AND PROPERTY
DEVELOPMENT ACTIVITIES

RM404 million

**Cultivation of strong risk management
culture across business practices**

Q: HOW WAS THE FINANCIAL PERFORMANCE FOR SUNWAY REIT IN FY2018?

A: We are pleased to announce that Sunway REIT has delivered a decent set of financial performance in FY2018. The underlying strength of our properties was reflected in the resiliency in the financial performance, where the retail segment remained as the key growth driver. The earnings were further boosted by new income contribution from newly acquired properties, Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property.

Revenue increased by 7.2% year-on-year (y-o-y) to RM560.4 million and net property income (NPI) rose in tandem by 8.0% y-o-y to RM419.9 million. The topline growth was partially offset by higher interest cost during the financial year on the back of debt drawdown to fund acquisitions and capital expenditure. As a result, net realised income expanded by 4.2% to RM281.9 million with corresponding improvement in distribution per unit (DPU) of 4.1% y-o-y to 9.57 sen.

Q: PLEASE COMMENT ON SUNWAY REIT'S ACQUISITIONS IN FY2018.

A: Underlying the long-term growth of Sunway REIT, we have completed two acquisitions during this financial year with a combined value of RM436 million, namely Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property.

Sunway REIT Industrial - Shah Alam 1 is our maiden foray into the industrial sub-sector which forms part of the "Others" category in our asset portfolio. This property allows Sunway REIT to strengthen its income diversification base through a secured long-tenure tenancy and a stable income stream.

Sunway Clio Property is an integrated development, comprising Sunway Clio Hotel, a 401-room 4-star hotel and Sunway Clio Retail, measuring approximately 88,000 sq.ft. NLA which forms the extended retail haven of Sunway Pyramid Shopping Mall.

A CONVERSATION WITH THE CEO

The acquisition of Sunway Clio Property is highly synergistic to Sunway REIT's asset portfolio as it completes the holistic retail and hotel cluster offerings in Sunway City. With a combined room inventory in excess of 1,400 across 4-star to 5-star categories, we are able to capture and protect the market share within Sunway City amidst intense competition in the Klang Valley. To enhance hotel guests' and shoppers' experience, Sunway Clio Retail is designed as a food and beverage (F&B) and edutainment paradise for locals and tourists.

Q: IS SUNWAY REIT ON TRACK TO ACHIEVE ITS RM10 BILLION PROPERTY VALUE TARGET BY FY2020?

A: As shared by the Chairman, we have achieved a property value of RM7.28 billion in FY2018. Admittedly, it is increasingly challenging to acquire yield accretive properties with promising growth prospects in a challenging property market environment which has been suppressed by the financial and operational performance. In addition, newly completed assets require a longer incubation period before it generates satisfactory yield.

Notwithstanding the challenges in the property market, we are constantly on the lookout for potential acquisitions to strive towards the RM10 billion property value target. We are continuously engaging with our Sponsor on future pipeline assets as well as actively reviewing potential acquisitions with external vendors.

The dynamic and competitive business environment has led us to review and redefine Sunway REIT's building blocks. Planning ahead, the Board of Directors, management team, key personnel from the Facilities Management Team and independent researchers from the Business School Division of Monash University Malaysia have commissioned a strategic planning working group in the formulation of the strategic direction of Sunway REIT towards FY2025. During the engagement sessions, we challenged ourselves to evaluate the feasibility of expanding our capabilities and reach for potential further diversification into emerging sub-sectors and offshore investment amongst others. With the encouraging progress thus far, we are in the process of formalising the strategic direction in the next couple of months.

We look forward to share the formalised Strategic Objectives FY2025 and new targets in the next annual report.

Q: AS THE CHAIRMAN OF MRMA, COULD YOU PLEASE SHARE WITH US YOUR ASPIRATIONS FOR THE M-REITS INDUSTRY FOR 2019.

A: I am pleased to share that MRMA has made some landmark contributions since its formation in 2010 such as the launch of Bursa Malaysia REIT Index and the successful endorsement by SC in permitting REITs to participate in greenfield development activities. We have been promoting and participating in various platforms to grow the awareness level of M-REITs and I am happy to share that Malaysia will be the host for MRMA-APREA Malaysia REIT Conference in 2019, our first international event with the association of regional REITs' speakers and participants.

MRMA has placed great efforts in involving industry experts to share industry-related topics and trends for members' enhancement and is looking forward to attract new players to be listed and continue to grow the M-REIT space in the capital market.

Q: WHAT IS YOUR VIEW ON THE REVISED GUIDELINES ON REITS? HOW DOES SUNWAY REIT CAPITALISE ON THE LIBERALISATION OF THE GUIDELINES TO PROPEL FUTURE GROWTH?

A: The revised Guidelines on Listed REITs was indeed supportive to facilitate growth of M-REITs through the liberalisation in the list of permissible activities. One of the typical challenges which we have been constantly facing was the mismatch in acquisition yield expectations between vendors and buyers, thus making it difficult to seal a deal. The mismatch is now addressed through the undertaking of property development activities by the REIT. Thus, it provides us the flexibility to design and build a property in accordance with its own specifications and cost budget without a developer's profit element.

Sunway REIT has embarked on the expansion of the new wing of Sunway Carnival Shopping Mall, our maiden venture into property development activity, which will be discussed separately below.

In an evolving property market, where trends are influenced by the emergence of new businesses and digital age, space requirements are constantly changing to adopt and to adapt to these trends. Riding on the rapid growth of e-commerce and technology, we expect demand for warehouse space or data centers to rise accordingly where these trends may require built-to-suit facilities. Therefore, the liberalisation of the guidelines augurs well for us to venture into development activities.

A CONVERSATION WITH THE CEO

The relaxation to allow income support in real estate transactions is definitely encouraging especially under circumstances where the buyer requires assurance from vendor on the certainty of income over a certain duration in order to protect unitholders' interest. Sunway REIT's recent acquisition of Sunway Clio Property is a testament of strong commitment from the Sponsor as well as our confidence in the long-term prospects of the property as part of the asset portfolio within the integrated developments of Sunway City.

Q: WHAT ARE THE MAIN AEIs IN THE COMING FINANCIAL YEAR? HOW MUCH WILL THESE INVESTMENT COST?

A: We have been proactively undertaking AEIs totalling approximately RM728 million since IPO, highlighting us as one of the few M-REITs that have continuously invested and grown its assets base. Following from that strategy, we embarked on our maiden greenfield development last year with the expansion of Sunway Carnival Shopping Mall new wing. We are pleased to share that the progress of the construction works is well within our timeline. The groundbreaking ceremony was held in early March 2018 followed by the commencement of the construction works thereafter. The project is currently at the piling stage and the expansion of the new wing is scheduled to be completed in the first half of FY2021.

In view that the project is a greenfield project, we have the opportunity to incorporate sustainability features in the project such as rainwater harvesting, energy efficient chillers, photovoltaic solar panels and LED lightings amongst others. It is our plan to obtain green building certification for this project to demonstrate our commitment to sustainability.

In FY2019, the flagship Sunway Resort Hotel & Spa will embark on a refurbishment and transformation programme for a complete makeover of its Grand Ballroom and meeting rooms, introducing refreshed spaces to the market with advanced technology and upgraded amenities. As one of the leading players in the MICE segment, we have to continuously elevate our guests' experiences and stay relevant to the fast changing needs and tastes, especially as competition intensifies with new hotel openings in the Klang Valley.

The combined capital expenditure for the AEIs and property development activities are estimated at RM404 million where capex for the greenfield Sunway Carnival Shopping Mall project will be capitalised progressively over the construction tenure.



For more details, please refer to Management Discussion and Analysis – Investment Review sections



Sunway Carnival Shopping Mall Groundbreaking Ceremony

A CONVERSATION WITH THE CEO

Q: SUNWAY REIT'S GEARING RATIO IS APPROACHING THE GUIDED COMFORTABLE LEVEL THRESHOLD OF LOW 40s%. WHAT ARE YOUR THOUGHTS ON THIS?

A: The rise in the gearing ratio over time is supported by our active acquisitions and AEI activities. It is a conscious capital management strategy to fund acquisitions and AEI through debt financing to capitalise on the relatively lower cost of debt. By virtue of that, Sunway REIT is enjoying the lowest cost of debt amongst major M-REITs.

At the current gearing ratio level of 38.6%, we still have a debt headroom in the range of RM400 million – RM500 million before it reaches the gearing limit allowed under the loan covenant of 45%. As part of our proactive capital management strategy, we are exploring future funding alternatives to diversify the debt profiles to fund future acquisitions, capex and may include de-leveraging considerations.

Supporting funding requirements aside, it is crucial to incorporate risk management considerations such as refinancing risk, interest rate risk, high concentration risk and managing lumpiness of debt maturity amongst others into our capital management strategies.



For more details, please refer to Management Discussion and Analysis – Capital Management and Risk Management sections

Q: WAS THERE ANY SPECIAL INITIATIVE DURING THE YEAR?

A: Prudent risk management strategies are pivotal in the quest to sustain financial resiliency and operational performances. In a persistently challenging property market landscape with lingering uncertainties, we further fortified our risk management and governance framework, processes and strategies to protect ourselves to prevailing risk climate.

Solidifying the business risk resilience in a fast changing environment, we strengthened our risk management strategies into key activities, business processes, investment evaluation amongst others.

Vigilant risk assessment and monitoring processes track the identified risks to ensure that these risks are managed with limited downside risk. We also recognised the importance of cultivation of prudent risk management culture across the Manager, Facilities Management Team and Hotel Operator.

Q: WHAT SHOULD UNITHOLDERS EXPECT FOR FY2019?

A: The tremendous new supply of retail, hotel and office spaces in the market had led to fundamentally challenging oversupply situation. This is further exacerbated by lacklustre foreign direct investments (FDI) and tourism activities. These fundamental growth drivers of demand for properties requires strong impetus to turnaround.

In view of a global interest rate normalisation cycle, the Manager is cautious of the prospects and endeavours to maintain the DPU in FY2019. The retail segment is expected to grow modestly and the hotel segment is expected to grow moderately. However, the income growth will be partially offset by refurbishment activities at Sunway Resort Hotel & Spa in 1H FY2019 alongside the higher interest cost which was utilised to fund acquisitions made in FY2018 and to fund ongoing capex. That being said, we expect to see a gradual improvement in the overall occupancy of the office segment which is mainly attributable to the continued improvement of Sunway Putra Tower and Wisma Sunway which will support the income stability of the portfolio. Overall, we are confident that the acquisitions and AEIs are necessary to solidify the future growth in Sunway REIT.

Dato' Jeffrey Ng Tiong Lip
Chief Executive Officer

BICARA BERSAMA KETUA PEGAWAI EKSEKUTIF

JUMLAH PEROLEHAN

RM436 juta

2 PEROLEHAN

JUMLAH AEI MASA
DEPAN DAN AKTIVITI
PEMBANGUNAN HARTANAH
RM404 juta
**Memupuk budaya
pengurusan risiko
berhemah merentasi
entiti perniagaan**

S: BAGAIMANAKAH PRESTASI KEWANGAN SUNWAY REIT BAGI TK2018?

J: Dengan sukacitanya kami mengumumkan bahawa Sunway REIT telah menghasilkan prestasi kewangan yang baik untuk TK2018. Kekuatan asas hartanah kami dapat dilihat menerusi daya tahan dalam prestasi kewangan, di mana segmen runcit kekal sebagai pemacu pertumbuhan utama. Keuntungan terus dirangsang oleh sumbangan pendapatan baru dari hartanah yang baru diperolehi, Sunway REIT Industrial - Shah Alam 1 dan Sunway Clio Property.

Pendapatan meningkat sebanyak 7.2% tahun-ke-tahun (y-o-y) kepada RM560.4 juta dan pendapatan hartanah bersih (NPI) meningkat seiring sebanyak 8.0% tahun-ke-tahun (y-o-y) kepada RM419.9 juta. Pertumbuhan garis teratas sebahagiannya diimbangi oleh kos faedah yang lebih tinggi pada tahun kewangan disebabkan peningkatan hutang untuk membiayai perolehan dan perbelanjaan modal. Hasilnya, pendapatan bersih yang direalisasikan meningkat sebanyak 4.2% kepada RM281.9 juta dengan peningkatan yang sama dalam pengagihan se unit (DPU) sebanyak 4.1% tahun-ke-tahun (y-o-y) kepada 9.57 sen.

S: SILA KONGSI PANDANGAN ANDA BERKENAAN PEROLEHAN SUNWAY REIT PADA TK2018.

J: Sejajar dengan pertumbuhan jangka panjang Sunway REIT, kami telah menyempurnakan dua perolehan sepanjang tahun kewangan ini dengan nilai gabungan sebanyak RM436 juta, iaitu Sunway REIT Industrial - Shah Alam 1 dan Sunway Clio Property.

Sunway REIT Industrial - Shah Alam 1 adalah perolehan sulung kami dalam subsektor perindustrian dan kini tersenarai di bawah kategori "Lain-lain" dalam portfolio aset kami. Hartanah ini membolehkan Sunway REIT mengukuhkan asas pendapatannya melalui penyewaan pegangan jangka panjang dan aliran pendapatan yang stabil.

Sunway Clio Property adalah pembangunan bersepadu, yang terdiri daripada Sunway Clio Hotel, hotel bertaraf 4-bintang dengan 401 bilik dan Sunway Clio Retail, berukuran kira-kira 88,000 kaki persegi lanjutan dari Sunway Pyramid Shopping Mall.

Perolehan Sunway Clio Property sangat sinergistik kepada portfolio aset Sunway REIT kerana ia melengkapkan penawaran menyeluruh meliputi runcit dan hotel di Sunway City. Dengan inventori bilik melebihi 1,400 dalam kategori hotel bertaraf 4 hingga 5 bintang, kami dapat menerajui dan mengukuhkan kedudukan Sunway City menghadapi persaingan sengit di sekitar Lembah Klang. Untuk meningkatkan pengalaman para tetamu dan pengunjung, Sunway Clio Retail direka sebagai syurga makanan dan minuman (F&B) dan 'edutainment' untuk penduduk tempatan dan para pelancong.

S: MAMPUKAH SUNWAY REIT MENCAPAI SASARAN RM10 BILION UNTUK NILAI HARTANAH PADA TK2020?

J: Seperti yang dikongsi oleh Pengerusi, kami telah mencapai nilai hartanah sebanyak RM7.28 bilion dalam TK2018. Persekitaran pasaran hartanah semakin mencabar menyebabkan pemerolehan hartanah yang memberi hasil akretif dengan prospek pertumbuhan yang menjanjikan amat sukar dalam persekitaran pasaran hartanah disebabkan prestasi kewangan dan operasi. Di samping itu, aset yang baru siap memerlukan tempoh inkubasi yang lebih lama sebelum ia menjana pulangan yang memuaskan.

Meskipun menghadapi cabaran dalam pasaran hartanah, kami sentiasa mencari peluang untuk mendapatkan perolehan yang berpotensi untuk mencapai sasaran RM10 bilion untuk nilai hartanah. Kami sentiasa berusaha untuk mencari peluang perolehan yang berpontensi melalui aset dalam perancangan daripada penaja serta mengkaji potensi dengan pihak luar.

Persekitaran perniagaan yang dinamik dan berdaya saing telah mendorong kami untuk mengkaji semula dan mentakrifkan dasar Sunway REIT. Merancang untuk menghadapi masa hadapan, Lembaga Pengarah, pihak pengurusan, kakitangan utama dari pihak Pengurusan Kemudahan dan penyelidik bebas dari bahagian Sekolah Perniagaan Universiti Monash Malaysia telah menugaskan sekumpulan perancangan strategik untuk merumuskan arah strategik Sunway REIT menuju ke tahun 2025. Sepanjang sesi perbincangan, kami mencabar diri kami untuk menilai kebolehlaksanaan untuk memperluaskan keupayaan kami dan mencapai

BICARA BERSAMA KETUA PEGAWAI EKSEKUTIF

potensi kepelbagaian selanjutnya dalam subsektor yang sedang muncul dan pelaburan luar negara antara lain. Dengan kemajuan yang menggalakkan setakat ini, kami dalam proses penetapan arah strategik secara rasmi dalam beberapa bulan akan datang.

Kami berharap dapat berkongsi Objektif Strategik 2025 yang telah dirumuskan serta sasaran baru dalam laporan tahunan akan datang.

S: SEBAGAI PENERUS MRMA, BOLEHKAH ANDA BERKONGSI ASPIRASI ANDA UNTUK INDUSTRI M-REIT BAGI TAHUN 2019.

J: Saya dengan sukacitanya ingin berkongsi bahawa MRMA telah memberi sumbangan penting sejak penubuhannya pada tahun 2010, seperti pelancaran Indeks REIT Bursa Malaysia dan mendapat pengesahan SC bagi membenarkan REIT mengambil bahagian dalam aktiviti pembangunan lapangan hijau. Kami telah mempromosi and mengambil bahagian dalam pelbagai platform untuk meningkatkan tahap kesedaran M-REITs. Sebagai aktiviti antarabangsa pertama kami bersama penceramah dan peserta persatuan REIT serantau, saya berbesar hati untuk berkongsi bahawa Malaysia akan menjadi tuan rumah Persidangan REIT MRMA-APREA Malaysia pada tahun 2019.

MRMA telah berusaha keras untuk melibatkan pakar-pakar industri untuk berkongsi topik dan trend yang berkaitan dengan industri demi penambahbaikan ahli dan berharap dapat menarik minat para pemain baru untuk disenaraikan dan seterusnya mengembangkan ruang M-REIT di dalam pasaran modal.

S: APAKAH PANDANGAN ANDA TENTANG SEMAK SEMULA GARIS PANDUAN REIT? ADAKAH SUNWAY REIT AKAN MENGAMBIL KESEMPATAN LIBERALISASI GARIS PANDUAN UNTUK MENJANA PERTUMBUHAN MASA DEPAN?

J: Penyemakan semula Garis Panduan REIT tersenarai memang menyokong pertumbuhan M-REITs melalui liberalisasi dalam senarai aktiviti yang dibenarkan. Salah satu cabaran yang sering kita hadapi ialah ketidakserasian dalam jangkaan hasil pemerolehan antara penjual dan pembeli, sehingga menjadikannya sukar untuk mencapai kata sepakat. Ketidakserasian ini ditangani melalui pengusahaan aktiviti pembangunan hartanah oleh REIT. Oleh itu, merekabentuk dan membangunkan hartanah mengikut spesifikasi dan belanjawan kami tanpa elemen keuntungan pemaju mampu dilaksanakan.

Sunway REIT telah memulakan pembinaan sayap baru Sunway Carnival Shopping Mall, usaha sulung

kami dalam aktiviti pembangunan hartanah yang akan dibincangkan secara berasingan di bawah.

Dalam pasaran hartanah yang berkembang, di mana trend dipengaruhi oleh kemunculan perniagaan baru dan zaman digital, keperluan ruang sentiasa berubah dan perlu diambil kira dan menyesuaikan bekalan dengan trend ini. Mengambil kesempatan pertumbuhan pesat e-dagang dan teknologi, kami menjangkakan permintaan untuk ruang gudang atau pusat data akan meningkat dengan pantas selaras dengan trend yang akan memerlukan kemudahan yang sesuai. Oleh itu, liberalisasi garis panduan itu adalah amat baik bagi kita untuk menceburi aktiviti pembangunan.

Kelonggaran untuk membenarkan sokongan pendapatan dalam urus niaga hartanah sememangnya menggalakkan terutamanya dalam keadaan di mana pembeli memerlukan jaminan daripada penjual tentang kepastian nilai pendapatan dalam tempoh tertentu untuk melindungi kepentingan pemegang unit. Perolehan terbaru Sunway REIT iaitu Sunway Clio Property merupakan bukti komitmen yang kuat dari Penaja serta keyakinan kami terhadap prospek jangka panjang harta itu sebagai sebahagian daripada portfolio aset dalam perkembangan bersepadu Sunway City.

S: APAKAH INISIATIF PENINGKATAN ASET (AEI) UTAMA PADA TAHUN KEWANGAN MENDATANG? BERAPAKAH JUMLAH KOS PELABURAN?

J: Semenjak IPO, kami telah menjalankan AEI berjumlah RM728 juta. Ini menunjukkan bahawa kami merupakan salah satu M-REITs yang melabur berterusan untuk meningkatkan aras aset kami.

Kami memulakan pembangunan lapangan hijau pertama kami tahun lepas dengan pengembangan Sunway Carnival Shopping Mall. Dengan sukacitanya kami berkongsi bahawa tahap kerja pembinaan berjalan dengan lancar mengikut jadual yang ditetapkan. Upacara pecah tanah telah berlangsung pada awal bulan Mac 2018 diikuti dengan permulaan kerja-kerja pembinaan selepas itu. Projek ini kini berada di peringkat cerucuk dan pengembangan sayap baru dijadualkan siap pada separuh pertama TK2021.

Memandangkan projek itu adalah projek lapangan hijau, kami mempunyai peluang untuk memasukkan ciri-ciri kelestarian dalam projek seperti penuaian air hujan, penyejuk tenaga cekap, panel solar fotovoltaik, lampu LED antara lain. Ini selari dengan perancangan kami untuk mendapatkan pensijilan bangunan hijau untuk projek ini bagi menunjukkan komitmen kami terhadap kemampanan.

BICARA BERSAMA KETUA PEGAWAI EKSEKUTIF

Pada TK2019, Sunway Resort Hotel & Spa telah memulakan program pengubahsuaian dan transformasi untuk membuat perubahan sepenuhnya pada Grand Ballroom dan bilik mesyuarat, memperkenalkan ruang yang baru ke pasaran dengan teknologi canggih dan kemudahan yang dinaiktaraf. Sebagai salah satu pemain utama dalam segmen MICE, kami perlu terus meningkatkan pengalaman para tetamu dan kekal relevan dengan keperluan dan citarasa yang sentiasa berubah, terutamanya disebabkan persaingan yang semakin sengit berikutan pembukaan hotel baru di Lembah Klang.

Perbelanjaan modal gabungan untuk AEI dan aktiviti pembangunan hartanah dianggarkan sebanyak RM404 juta di mana projek lapangan hijau Sunway Carnival Shopping Mall akan dipermodalkan secara progresif sepanjang tempoh pembinaan.



Untuk maklumat lanjut, sila rujuk bahagian Perbincangan Pengurusan dan Analisis – Analisa Pelaburan

S: NISBAH 'GEARING' SUNWAY REIT MENGHAMPIRI TAHAP SELESA IAITU SEBANYAK PARAS RENDAH 40%. APAKAH PENDAPAT ANDA?

J: Peningkatan nisbah 'gearing' dari masa ke masa disokong oleh perolehan aktif dan aktiviti AEI kami. Ia adalah strategi pengurusan modal yang diambil untuk membiayai perolehan dan AEI melalui pembiayaan hutang untuk memanfaatkan kos hutang yang agak rendah. Oleh kerana itu, Sunway REIT menikmati kos hutang terendah di kalangan M-REITs utama.

Pada nisbah 'gearing' semasa sebanyak 38.6%, kami masih mempunyai ruang tunggakan hutang dalam lingkungan RM400 juta - RM500 juta sebelum ia mencapai had 'gearing' yang dibenarkan di bawah perjanjian pinjaman sebanyak 45%. Strategi pengurusan modal proaktif kami termasuk meneroka pendanaan alternatif masa depan untuk mempelbagaikan profil hutang untuk membiayai perolehan masa depan, AEI dan termasuk pertimbangan pengurangan hutang.

Selain daripada menyokong keperluan pendanaan, adalah penting untuk kami mengambilkira risiko pengurusan seperti risiko pembiayaan semula, risiko kadar faedah, risiko tumpuan yang tinggi dan menguruskan 'lumpiness' kematangan hutang antara lain ke dalam strategi pengurusan modal kami.



Untuk maklumat lanjut, sila rujuk bahagian Perbincangan Pengurusan dan Analisis – Bahagian Pengurusan Modal dan Pengurusan Risiko

S: APAKAH INISIATIF KHUSUS TAHUN INI?

J: Strategi pengurusan risiko yang prihatin adalah penting dalam usaha mengekalkan daya tahan kewangan dan pencapaian operasi. Dalam landskap pasaran hartanah yang mencabar dengan ketidakpastian yang berterusan, kami mempertingkatkan lagi rangka kerja pengurusan risiko dan tadbir urus, proses dan strategi untuk melindungi syarikat dari risiko yang sedia ada.

Dalam menguatkan daya tahan risiko perniagaan dalam persekitaran yang sentiasa berubah, kami mengukuhkan strategi pengurusan risiko kami ke dalam aktiviti utama, proses perniagaan, penilaian pelaburan antara lain. Proses penilaian dan pemantauan risiko yang cermat akan dapat memastikan risiko-risiko diterhadkan. Kami juga menyedari betapa pentingnya memupuk budaya pengurusan risiko berhemah secara menyeluruh meliputi Pengurus REIT, Pihak Pengurusan Kemudahan dan Pengendali Hotel.

S: APA MENANTI UNTUK PEMEGANG-PEMEGANG UNIT BAGI TK2019?

J: Bekalan baru ruang runcit, hotel dan pejabat di pasaran telah menyebabkan bekalan melebihi permintaan yang lebih mencabar. Keadaan ini diburukkan lagi dengan penurunan pelaburan langsung asing (FDI) dan kegiatan pelancongan. Pemacu pertumbuhan asas permintaan untuk hartanah memerlukan dorongan kuat supaya proses pemulihan boleh berlaku.

Memandangkan kitaran penggenapan kadar faedah global, Pengurus berhati-hati terhadap prospek dan usaha untuk mengekalkan DPU dalam TK2019. Segmen runcit dijangka berkembang dengan kadar yang lebih perlahan berbanding dengan segmen hotel yang dijangka berkembang dengan kadar sederhana. Walau bagaimanapun, sebahagian pertumbuhan pendapatan akan diimbangi dengan aktiviti pengubahsuaian di Sunway Resort Hotel & Spa di 1H TK2019 dengan kos faedah yang lebih tinggi. Kami menjangkakan penghunian segmen pejabat akan meningkat secara beransur-ansur pada keseluruhannya disebabkan oleh penambahbaikan berterusan Sunway Putra Tower dan Wisma Sunway yang mana akan terus menyokong kestabilan pendapatan portfolio. Secara ringkas, kami yakin bahawa perolehan dan AEI diperlukan untuk memantapkan pertumbuhan masa depan Sunway REIT.

Dato' Jeffrey Ng Tiong Lip
Ketua Pegawai Eksekutif

TRUST STRUCTURE & LEADERSHIP

48
TRUST STRUCTURE

49
ORGANISATION STRUCTURE

50
BOARD OF DIRECTORS

58
MANAGEMENT TEAM & KEY
PERSONNEL

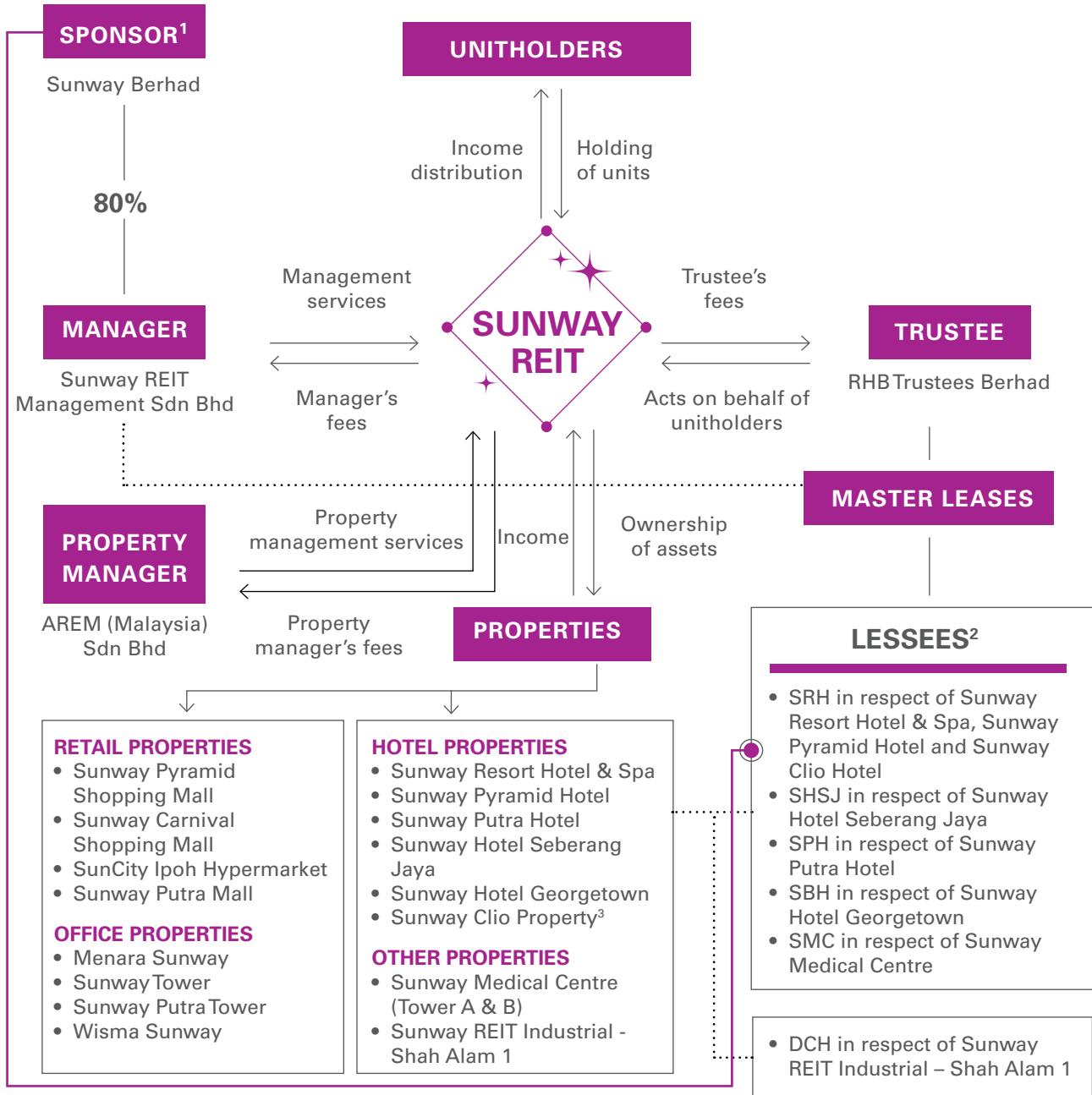
SHINE BRIGHTER, TOGETHER

Like a group of stars harmonising to form the big picture, our team of talented managers go above and beyond to strengthen the bonds that hold REIT value chain together.





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

¹ Sunway Berhad has 40.9% investment in Sunway REIT as at 30 June 2018

² Sunway Resort Hotel Sdn Bhd (SRH) is the lessee for Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Hotel

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

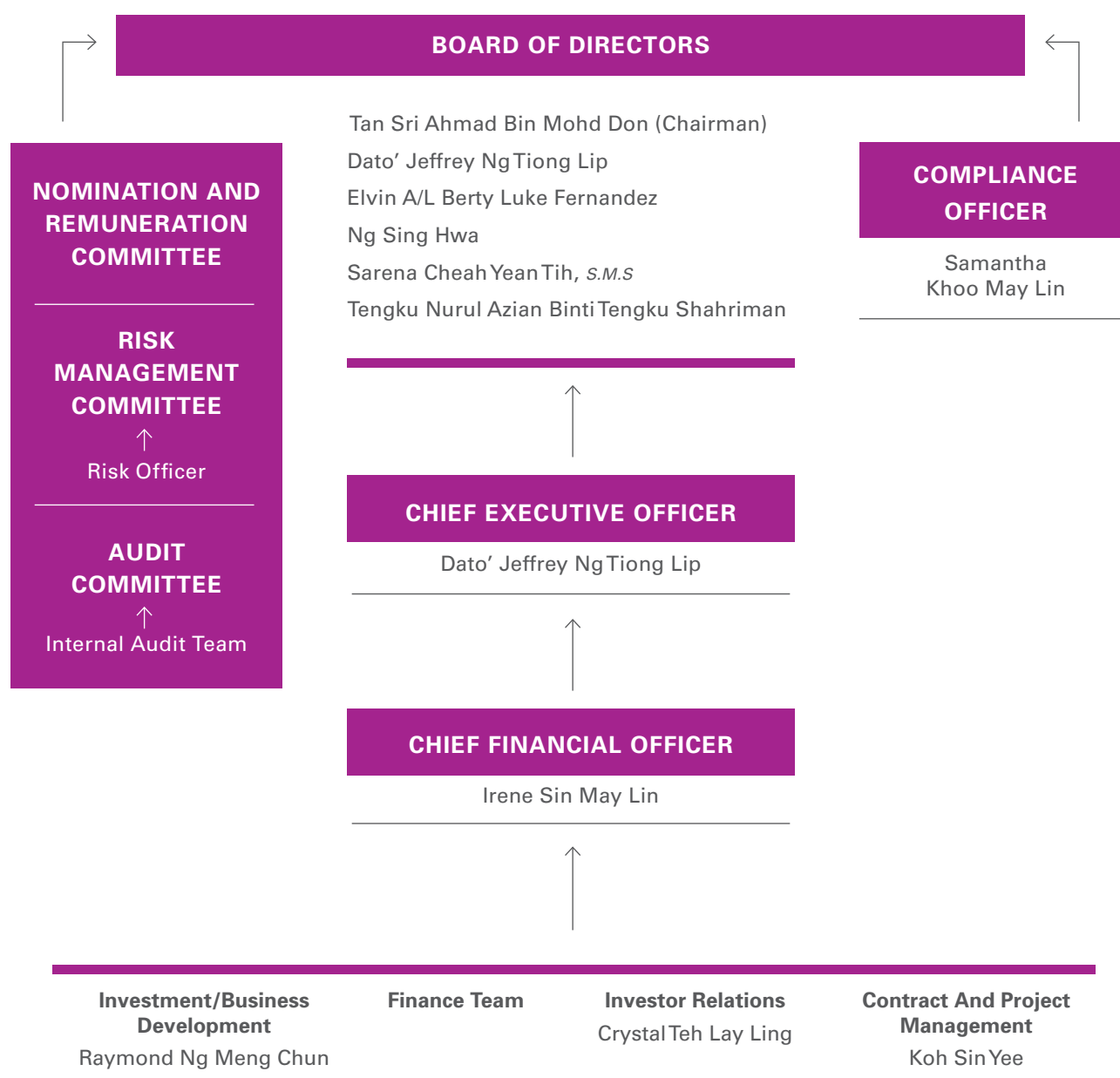
Sunway Medical Centre Sdn Bhd (SMC) is the lessee for Sunway Medical Centre

DCH Contract Manufacturing Sdn Bhd (formerly known as IDS Manufacturing Sdn Bhd) is the lessee for Sunway REIT Industrial – Shah Alam 1

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

³ Sunway Clio Property comprise of a hotel and a retail component

ORGANISATION STRUCTURE



BOARD OF DIRECTORS





BOARD OF DIRECTORS



AC

NRC

RMC

TAN SRI AHMAD BIN MOHD DON
Chairman, Independent Non-Executive Director
Malaysian, Age 70, Male

DATE OF APPOINTMENT

25 August 2010

LENGTH OF SERVICE (AS AT 20 JULY 2018)

7 years 10 months

BOARD MEETING ATTENDANCE IN FY2018

6/6

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Summa cum Laude in Economics and Business, Aberystwyth University, United Kingdom
- Fellow, Institute of Chartered Accountants, England and Wales
- Member, Malaysian Institute of Certified Public Accountants

WORKING EXPERIENCE AND OCCUPATION

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.

PRESENT DIRECTORSHIP(S)

Listed entities:

- Alliance Bank Malaysia Berhad
- Hap Seng Plantations Holdings Berhad
- United Malacca Berhad

Other public company:

- Zurich Insurance Malaysia Berhad

BOARD COMMITTEE

AC

Audit Committee

NRC

Nomination and Remuneration Committee

RMC

Risk Management Committee

©

Chairman

BOARD OF DIRECTORS



DATO' JEFFREY NG TIONG LIP
Chief Executive Officer
Non-Independent Executive Director
Malaysian, Age 61, Male

DATE OF APPOINTMENT

24 March 2010

LENGTH OF SERVICE (AS AT 20 JULY 2018)

8 years 3 months

BOARD MEETING ATTENDANCE IN FY2018

6/6

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Bachelor of Economics, Monash University, Melbourne
- Capital Markets Services Representative's Licence (CMSRL) holder
- Chairman, Malaysian REIT Managers Association (MRMA)
- Chairman, REHDA Institute
- Fellow, Institute of Chartered Accountants, Australia & New Zealand
- Fellow, Malaysian Institute of Directors
- Member, Malaysian Institute of Certified Public Accountants
- Panel Member, Appeal Board under the Federal Territory (Planning) Act 1982

WORKING EXPERIENCE AND OCCUPATION

Dato' Jeffrey Ng has more than 35 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 (now known as Sunway City Sdn Bhd), a company formerly listed on Bursa Malaysia Securities Berhad. He has held various positions in the past, such as the President of Real Estate and Housing Development Association (REHDA), Past Chairman of REHDA Wilayah Persekutuan (Kuala Lumpur) Branch, Director of Construction Industry Development Board (CIDB), Vice President and Secretary-General of FIABCI Malaysian Chapter (International Real Estate Federation), Vice President of Malaysian Association of Hotel Owners (MAHO) Chapter, Chairman of Young Presidents Organisation (YPO) Malaysian Chapter and Vice Chairman of Malaysia Australia Business Council (MABC).

In 1999, he was conferred a fellowship by Malaysian Institute of Directors and accorded the 'Entrepreneur of the Year' by MABC in 2003. 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.

PRESENT DIRECTORSHIP(S)

Listed entity:

Nil

Other public companies:

- SunREIT Capital Berhad
- SunREIT Unrated Bond Berhad
- Sunway Lagoon Club Berhad
- United Overseas Bank (Malaysia) Berhad

BOARD OF DIRECTORS



AC ©

NRC

RMC

ELVIN A/L BERTLY LUKE FERNANDEZ
Senior Independent
Non-Executive Director
Malaysian, Age 68, Male

DATE OF APPOINTMENT

24 March 2010

LENGTH OF SERVICE (AS AT 20 JULY 2018)

8 years 3 months

BOARD MEETING ATTENDANCE IN FY2018

6/6

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Graduated from the Royal Institution of Surveyors Malaysia (RISM)
- Fellow, Royal Institution of Chartered Surveyors, United Kingdom (RICS)
- Honorary Member, China Appraisal Society (CAS)
- Honorary Member, Indian Institution of Valuers
- Honorary Member, Indonesian Society of Appraisers (MAPPI)
- Honorary Member, Institute of Philippine Real Estate Appraisers (IPREA)
- Honorary Member, National Association of Romanian Valuers (ANEVAR)
- Honorary Member, Practising Valuers Association, India (PVAI)
- Member and Qualified Business Valuation Instructor, International Association of Certified Valuation Specialists (IACVS)
- Member, Investigating Tribunal Panel, Malaysian Bar Council
- Member, Malaysian Institute of Estate Agents (MIEA)
- Member, Malaysian Institute of Professional Property Managers (MIPPM)
- National Committee Member of FIABCI Malaysian Chapter (FIABCI is the French acronym for "Federation Internationale des Administrateurs de Bien-Conselis Immobiliers", which means "The International Real Estate Federation")
- President, Business Valuers Association Malaysia (BVAM)
- Secretary General, ASEAN Valuers Association (AVA)
- Executive Committee Member of the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (PEPS) and Chairman of the Valuation & Property Consultancy Committee of PEPS

WORKING EXPERIENCE AND OCCUPATION

- Managing Director of Khong & Jaafar Group of Companies since 2000
- 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)
- A past Secretary-General of the ASEAN Valuers Association (2010/2014)
- Former Adjunct Professor of University Malaya - Faculty of Built Environment (2013/2014)
- Appointed as a member of the RICS Malaysia Board on 1 June 2014 until 31 May 2016
- Former Director of Malaysian Property Incorporated
- In May 2008, he was appointed as a consultant for the establishment of a Real Estate Investment Trust Framework (Valuation Aspects) by the Securities Commission of Pakistan
- In 2013, he was invited by the China Appraisal Society to advise them as well as the Ministry of Finance of the People's Republic of China on their proposed valuation law. Only four International experts from around the world were called to be on the Advisory Committee

AWARDS RECEIVED

- "Property Consultant of the Year 2005" by the Board of Valuers, Appraisers & Estate Agents Malaysia on 12 January 2006
- "Professional Excellence" Award in the "Engineering, Construction & Property" category by the Malaysian Professional Centre or Balai Ikhtisas Malaysia on 21 May 2011
- "Valuer of the Year 2013" Award by the Valuation Division of the Royal Institution of Surveyors Malaysia on 10 January 2014
- Presented with a Honorary Membership of the International Association of Consultants, Valuators and Analysts (IACVA) now known as the International Association of Certified Valuation Specialists (IACVS) in recognition of his contributions to the global valuation profession on 12 December 2015
- "Million Dollar Roof Top" Award by the Malaysian Institute of Estate Agents (MIEA) on 1 October 2016
- RISM Excellence Award 2017 "Malaysian Surveyor of the Year" on 20 May 2017

PRESENT DIRECTORSHIP(S)

Listed entity:

Nil

Other public company:

Nil

BOARD OF DIRECTORS



RMC ©

AC

NG SING HWA
Non-Independent Non-Executive Director
Malaysian, Age 72, Male

DATE OF APPOINTMENT

18 November 2013

LENGTH OF SERVICE (AS AT 20 JULY 2018)

4 years 8 months

BOARD MEETING ATTENDANCE IN FY2018

6/6

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Qualified Chartered Accountant
- Completed the Program for Management Development, Harvard University Graduate School of Business Administration, Boston
- Member, Malaysian Institute of Accountants
- Member, Malaysian Institute of Certified Public Accountants
- President, Harvard Business School Alumni Club of Malaysia 1980/81

WORKING EXPERIENCE AND OCCUPATION

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 plantation. He resigned from Bertam Alliance Berhad as Director and Executive Chairman on 1 March 2012 following the disposal of his substantial shareholding in the company.

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

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

PRESENT DIRECTORSHIP(S)

Listed entity:

Nil

Other public company:

Nil

BOARD OF DIRECTORS



NRC

SARENA CHEAH YEAP TI H, *S.M.S.*
 Non-Independent Non-Executive Director
 Malaysian, Age 43, Female

DATE OF APPOINTMENT

25 August 2010

LENGTH OF SERVICE (AS AT 20 JULY 2018)

7 years 10 months

BOARD MEETING ATTENDANCE IN FY2018

6/6

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Bachelor of Commerce (Accounting and Finance), University of Western Australia
- Masters in Business Administration, Melbourne Business School
- Member, Association of Chartered Certified Accountants (ACCA)
- Capital Markets Services Representative's Licence (CMRSL) holder

WORKING EXPERIENCE AND OCCUPATION

Ms Sarena Cheah started her career with the Sunway Group since 1995 and served under various roles in the Corporate Finance, Internal Audit and Business Development departments. In 2006, she was made General Manager for 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, she was appointed as Joint Managing Director of Property Development Division, Malaysia/Singapore and subsequently took on her current position as Managing Director of Property Development Division of Sunway in May 2015. She has led Sunway's property arm to multiple achievements including being ranked as Malaysia's Top Property Developer by The Edge Top Property Developer Awards since 2014.

PRESENT DIRECTORSHIP(S)

Listed entity:

- Sunway Berhad

Other public companies:

- SunREIT Capital Berhad
- SunREIT Unrated Bond Berhad
- Institute of Corporate Directors' Malaysia
- Yayasan Raja Muda Selangor

BOARD OF DIRECTORS



NRC ©

AC

RMC

TENGKU NURUL AZIAN BINTI TENGKU SHAHRIMAN
Independent Non-Executive Director
Malaysian, Age 55, Female

DATE OF APPOINTMENT

11 March 2016

LENGTH OF SERVICE (AS AT 20 JULY 2018)

2 years 4 months

BOARD MEETING ATTENDANCE IN FY2018

6/6

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Law degree, School of Oriental & African Studies, University of London
- Barrister of Law, Honourable Society of the Inner Temple, London
- Former Advocate and Solicitor, High Court in Malaya

WORKING EXPERIENCE AND OCCUPATION

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

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

PRESENT DIRECTORSHIP(S)

Listed entity:

- Dutch Lady Milk Industries Berhad

Other public company:

Nil

Notes:

Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling AO who is the Executive Chairman and major shareholder of Sunway Berhad and major unitholder of Sunway REIT, is the father of Sarena Cheah Yean Tih, s.m.s.

Save as disclosed above, none of the Directors have:

- any family relationship with any Director of Sunway REIT Management Sdn Bhd and/or major unitholder of Sunway REIT;
- any conflict of interest with Sunway REIT;
- any conviction for offences within the past 5 years (other than traffic offences, if any); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 30 June 2018.

MANAGEMENT TEAM & KEY PERSONNEL





MANAGEMENT TEAM & KEY PERSONNEL



DATO' JEFFREY NG TIONG LIP
Chief Executive Officer & Non-Independent
Executive Director
Malaysian, Age 61, Male



IRENE SIN MAY LIN
Chief Financial Officer
Malaysian, Age 43, Female



For more information, please refer to Board of Directors section

DATE OF APPOINTMENT
7 May 2018

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Bachelor of Business (Accounting), University of Technology, Sydney
- Fellow, CPA Australia
- Chartered Accountant, Malaysian Institute of Accountants

WORKING EXPERIENCE AND OCCUPATION

Ms Irene Sin has experience in financial accounting and reporting, strategic planning, investment evaluation and project management accounting across a variety of industries including property investment, property management, leisure and hospitality where she held various financial positions. She started her career in 1996 at PricewaterhouseCoopers in its Assurance Division before expanded her experience to the corporate sector. Ms Irene Sin joined Sunway City Berhad (now known as Sunway City Sdn Bhd) in 2010 and prior to her appointment as Chief Financial Officer of the Manager, she was the General Manager - Finance, Property Investment Division of Sunway Property.

PRESENT DIRECTORSHIP(S)

Listed entity:
Nil

Other public company:
Sunway Lagoon Club Berhad

MANAGEMENT TEAM & KEY PERSONNEL



KOH SIN YEE
Assistant General Manager, Contract & Project Management
Malaysian, Age 37, Female

DATE OF APPOINTMENT

1 November 2017

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Bachelor of Science in Building Contract Management, Liverpool John Moores University
- Graduate member of The Royal Institution of Surveyors Malaysia (RISM)

WORKING EXPERIENCE AND OCCUPATION

Ms Koh Sin Yee started her career in 2004 with a consultancy firm prior to joining Sunway City Berhad in 2009. At Sunway City Berhad (now known as Sunway City Sdn Bhd), she has gained comprehensive knowledge and experience in Quantity Surveying, Contract Management and Project Management across a variety of industries including property investment, property development, leisure and hospitality where she held various positions. Her last role was Head of Department for Supply Chain & Contract Management, Property Investment Division of Sunway Property before assuming her current position as Assistant General Manager of the Manager.

PRESENT DIRECTORSHIP(S)

Listed entity:

Nil

Other public company:

Nil



RAYMOND NG MENG CHUN
Senior Manager, Business Development
Malaysian, Age 35, Male

DATE OF APPOINTMENT

10 July 2017

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Bachelor of Engineering (Hons) Electronics Majoring in Telecommunications, Multimedia University, Malaysia
- Master of Science in Biomedical Engineering, University of Oxford, United Kingdom
- Chartered Financial Analyst (CFA) Charterholder

WORKING EXPERIENCE AND OCCUPATION

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

PRESENT DIRECTORSHIP(S)

Listed entity:

Nil

Other public company:

Nil

MANAGEMENT TEAM & KEY PERSONNEL



CRYSTAL TEH LAY LING
Senior Manager, Investor Relations
Malaysian, Age 42, Female

DATE OF APPOINTMENT

2 January 2015

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Bachelor of Science (Hons) Banking and Finance, University of London

WORKING EXPERIENCE AND OCCUPATION

Prior to joining the Manager, Ms Crystal Teh was attached to Westports Holdings Berhad. She was instrumental in the formation of the investor relations functions of Sunway REIT. She started her career as Investment Analyst in Kuala Lumpur City Asset Management Sdn Bhd in 2000, followed by TA Asset Management Sdn Bhd in 2004 where she managed unit trust funds and high net worth clients. She has collectively 10 years of experience in equity research and fund management prior to embarking her career into investor relations.

PRESENT DIRECTORSHIP(S)

Listed entity:

Nil

Other public company:

Nil



SAMANTHA KHOO MAY LIN
Compliance Officer
Malaysian, Age 40, Female

DATE OF APPOINTMENT

23 October 2012

ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIP(S)

- Bachelor of Laws and Bachelor of Commerce, Monash University, Melbourne, Australia

WORKING EXPERIENCE AND OCCUPATION

Ms Samantha Khoo joined the Sunway Group on 16 May 2012 and was subsequently appointed as the compliance officer on 23 October 2012. She started her career at Presgrave & Matthews, a prominent law firm in Penang, specialising in property and real estate, banking and finance and general corporate advisory. She then further expanded her experience in the property, real estate and corporate practice areas in a boutique law firm in Kuala Lumpur, after which she joined ZICO Law (then Zaid Ibrahim & Co) and specialised in equity capital markets and mergers and acquisitions. She was part of the advisory team involved in the listing of Sunway REIT in 2010, amongst other notable transactions. Prior to joining the Sunway Group, she was the legal counsel of a bio-pharmaceutical company with predominantly European operations.

PRESENT DIRECTORSHIP(S)

Listed entity:

Nil

Other public company:

Nil

Notes:

None of the Senior Management Members have:

- any family relationship with any Director of Sunway REIT Management Sdn Bhd and/or major unitholder of Sunway REIT;
- any conflict of interest with Sunway REIT;
- any conviction for offences within the past 5 years (other than traffic offences, if any); and
- any public sanctions or penalties imposed by the relevant regulated bodies during the financial year ended 30 June 2018.



COFFEE
ESPRESSO 5
AMERICAN/ 6.5
LONG BLACK 5.5
MACCHIATO 7
LATTE/FLAT WHITE 8 10
CASSINO 8 10
MACHA LATTE 11

TEA - 6
EARL GREY
ENGLISH BREAKFAST
ORANGE
PEPPERMINT
KIWI BERRY
JASMINE
TEA

MACHA
FLAVOURED
LATTE
CHOCOLATE
MACHA LATTE 11

ASHWORTH
VANILLA
MACHA
CARAMEL
OREO
CARAMEL 12

ICE BAL
ORIGINAL
MACHA
CARAMEL
OREO
CARAMEL 12

MANAGEMENT DISCUSSION & ANALYSIS

66
KEY REFLECTIONS
FROM THE CFO

68
FINANCIAL HIGHLIGHTS

75
VALUE ADDED STATEMENT

76
TRADING PERFORMANCE

80
FINANCIAL REVIEW

88
INVESTMENT REVIEW

93
OPERATIONS REVIEW

103
CAPITAL MANAGEMENT

106
RISK MANAGEMENT

111
INVESTOR AND MEDIA
RELATIONS

122
MARKET REPORT SUMMARY

125
DETAILED MARKET REPORT

THE SHAPE OF SUCCESS

When the stars move to take on different shapes, it represents the constant and consistent moves toward the right investments through yield accretive acquisitions that drive sustainable DPU growth.



SUNWAY CARNIVAL SHOPPING MALL

KEY REFLECTIONS FROM THE CFO



MAINTAIN

100%

DISTRIBUTION PAYOUT SINCE IPO

ONE OF THE LOWEST AVERAGE
COST OF DEBT AT

3.98%

AGAINST OTHER M-REITs

**Optimise capital structure with effective
capital management strategies**

We delivered a set of record financial results in FY2018 amidst a backdrop of uncertainty where geopolitical developments and domestic political landscape hit the headlines creating volatility across the markets. Despite such challenges and coupled with the rising interest rate environment, we were committed in delivering our results with the combined efforts of the teams in the organisation, thus achieving healthy financial results than the previous financial year.

Sunway REIT delivered a steady revenue growth of 7.2% to hit new high of RM560.4 million, backed by the stable performance from our retail segment, which recorded gross revenue of RM416.5 million as well as new revenue stream from our recent acquisitions of Sunway REIT Industrial – Shah Alam 1 and Sunway Clio Property.



Gross Revenue

RM560
million

7.2% ↑

This performance came on the back of careful cost and asset quality management, which brought about an improved bottom-line result, whereby our net property income recorded at RM419.9 million, an 8.0% increase from the previous financial year.

The property value of our total investment portfolio stood at RM7.28 billion as at 30 June 2018, with a RM145 million net fair value gain and included the recent acquisition of Sunway REIT Industrial – Shah Alam 1 and Sunway Clio Property which were acquired in August 2017 and February 2018 respectively, in line with Sunway REIT's vision to enhance and diversify its existing portfolio base.



Net Property Income

RM420
million

8.0% ↑

For this financial year, we maintained a prudent stance in managing our capital, whilst balancing an optimal gearing ratio that complies with regulatory requirement as well as evaluating equity financing opportunities, when the need arises. Sunway REIT recorded an increase in gearing ratio to 38.6%, which resulted from the drawdown of borrowings for the new acquisitions. However, despite a higher gearing ratio, Sunway REIT managed to keep the average cost of funding low, being one of the lowest among its peer group, at 3.98%. This was done with a focus on shorter term borrowing tenure and a balanced portfolio of floating and fixed rate profile in view of the steeper yield curve due to interest rate hike expectations. Refinancing risk is moderated by Sunway REIT's proven ability to access various forms of capital supported by our financial institutions.



Property Value

RM7.28
billion

RM0.6 billion ↑

All in all, we are committed to delivering long-term value to our unitholders, ensuring the sustainable growth of Sunway REIT. During this financial year, we proposed to distribute approximately 100% of our income. Distribution per unit (DPU) stands at 9.57 sen, a 4.1% growth from the previous financial year resulting in an annual distribution yield of 5.4% as at 30 June 2018.



Distribution Per Unit

9.57
sen

4.1% ↑

LOOKING FORWARD

With the continued focus on asset quality improvement, cost discipline and capital management, we are optimistic about achieving our targets and objectives. That said, the uncertainty of external developments could present risks to our growth trajectory. Therefore, we shall remain resilient amidst the challenging environment, underpinned by our strong fundamentals to weather any new headwinds.



For more information, please refer to Financial Review/Business Review section



For more information, please refer to Strategic Objectives section

FINANCIAL HIGHLIGHTS

Ringgit Malaysia (RM)

STATEMENT OF COMPREHENSIVE INCOME - KEY DATA & FINANCIAL RATIOS	FY2018 RM'000	FY2017 RM'000	FY2016 RM'000	FY2015 RM'000	FY2014 RM'000
Gross revenue	560,406	522,868	507,013	453,454	427,788
Net property income	419,930	388,817	373,851	340,826	320,977
Income available for distribution (realised)	282,394	271,099	270,588	256,577	245,017
Earnings per unit (realised) (sen)	9.57	9.19	8.92	8.25	7.93
Distribution per unit (DPU) (sen)	9.57 ¹	9.19	9.18	8.73	8.36
Distribution yield (%)	5.4	5.2	5.5	5.7	5.8
Management expense ratio (%)	0.89	0.85	0.88	0.80	0.78

STATEMENT OF FINANCIAL POSITION - KEY DATA & FINANCIAL RATIOS	As at 30 June 2018 RM'000	As at 30 June 2017 ² RM'000	As at 30 June 2016 RM'000	As at 30 June 2015 RM'000	As at 30 June 2014 RM'000
Investment properties	7,280,225	6,689,200	6,433,000	6,324,000	5,520,000
Other non-current assets	13,591	9,063	8,698	5,268	3,039
Current assets	230,042	145,170	95,561	100,750	83,452
TOTAL ASSET VALUE	7,523,858	6,843,433	6,537,259	6,430,018	5,606,491
Non-current liabilities	(384,165)	(72,149)	(1,487,491)	(1,461,544)	(1,060,279)
Current liabilities	(2,786,457)	(2,559,564)	(998,538)	(986,214)	(858,141)
TOTAL LIABILITIES	(3,170,622)	(2,631,713)	(2,486,029)	(2,447,758)	(1,918,420)
Net Asset Value (NAV)	4,353,236	4,211,720	4,051,230	3,982,260	3,688,071
TOTAL UNITHOLDERS' FUNDS	4,353,236	4,211,720	4,051,230	3,982,260	3,688,071
NAV (before income distribution)	4,353,236	4,211,720	4,051,230	3,982,260	3,688,071
NAV (after income distribution)	4,289,917	4,144,867	3,988,819	3,922,036	3,628,618
NAV per unit (before income distribution)(RM)	1.4781	1.4301	1.3761	1.3555	1.2593
NAV per unit (after income distribution)(RM)	1.4566	1.4074	1.3549	1.3350	1.2390
Lowest NAV per unit during the period (RM)	1.4074	1.3547	1.3349	1.2337	1.1787
Highest NAV per unit during the period (RM)	1.4566	1.4074	1.3549	1.3350	1.2390
Unit Price as at 30 June (RM)	1.77	1.78	1.66	1.54	1.44
Premium to NAV (%)	21.5	26.5	22.5	15.4	16.2

¹ Comprising income distributed for the period from 1 July 2017 to 31 March 2018 of 7.42 sen and proposed final income distribution of 2.15 sen

²



For more details, please refer to Financial Statements Note 38 for reclassification of comparatives

FINANCIAL HIGHLIGHTS

United States Dollar (USD)*

STATEMENT OF COMPREHENSIVE INCOME - KEY DATA & FINANCIAL RATIOS	FY2018 USD'000	FY2017 USD'000	FY2016 USD'000	FY2015 USD'000	FY2014 USD'000
Gross revenue	134,527	125,606	129,895	129,790	134,219
Net property income	100,805	93,404	95,779	97,553	100,707
Income available for distribution (realised)	67,789	65,125	69,324	73,439	76,874
Earnings per unit (realised) (cent)	2.30	2.21	2.29	2.36	2.49
Distribution per unit (DPU) (cent)	2.30 ¹	2.21	2.35	2.50	2.62
Distribution yield (%)	5.4	5.2	5.5	5.7	5.8
Management expense ratio (%)	0.89	0.85	0.88	0.80	0.78

STATEMENT OF FINANCIAL POSITION - KEY DATA & FINANCIAL RATIOS	As at 30 June 2018 USD'000	As at 30 June 2017 USD'000	As at 30 June 2016 USD'000	As at 30 June 2015 USD'000	As at 30 June 2014 USD'000
Investment properties	1,803,152	1,557,802	1,595,684	1,675,232	1,718,288
Other non-current assets	3,366	2,111	2,158	1,395	946
Current assets	56,976	33,808	23,704	26,689	25,977
TOTAL ASSET VALUE	1,863,494	1,593,721	1,621,546	1,703,316	1,745,211
Non-current liabilities	(95,149)	(16,802)	(368,967)	(387,164)	(330,048)
Current liabilities	(690,144)	(596,079)	(247,684)	(261,249)	(267,126)
TOTAL LIABILITIES	(785,293)	(612,881)	(616,651)	(648,413)	(597,174)
Net Asset Value (NAV)	1,078,201	980,839	1,004,895	1,054,903	1,148,037
TOTAL UNITHOLDERS' FUNDS	1,078,201	980,839	1,004,895	1,054,903	1,148,037
NAV (before income distribution)	1,078,201	980,838	1,004,894	1,054,903	1,148,038
NAV (after income distribution)	1,062,518	965,269	989,413	1,038,950	1,129,531
NAV per unit (before income distribution)(USD)	0.3661	0.3330	0.3413	0.3591	0.3920
NAV per unit (after income distribution)(USD)	0.3608	0.3278	0.3361	0.3537	0.3857
Lowest NAV per unit during the period (USD)	0.3486	0.3155	0.3311	0.3268	0.3669
Highest NAV per unit during the period (USD)	0.3608	0.3278	0.3361	0.3537	0.3857
Unit Price as at 30 June (USD)	0.44	0.41	0.41	0.41	0.45
Premium to NAV (%)	21.5	26.5	22.5	15.4	16.2

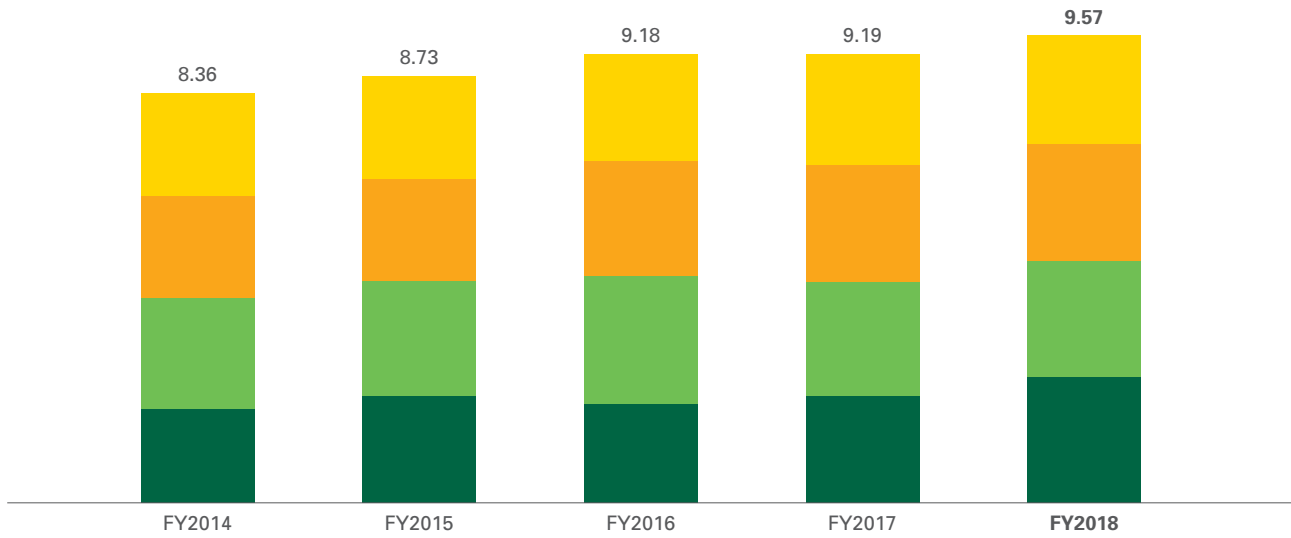
* The figures above are translated based on the foreign exchange rates applicable for the respective financial years

¹ Comprising income distributed for the period from 1 July 2017 to 31 March 2018 of 1.78 cents and proposed final income distribution of 0.52 cents

FINANCIAL HIGHLIGHTS

DISTRIBUTION PER UNIT (SEN)

1Q 2Q 3Q 4Q



	SINCE IPO				5-YEAR
DPU CAGR	5.5%				3.4%
Total DPU (sen)	67.41				45.03
	FY2014	FY2015	FY2016	FY2017	FY2018
1Q	2.00	2.28	2.12	2.27	2.67
2Q	2.23	2.27	2.57	2.28	2.38
3Q	2.10	2.13	2.37	2.37	2.37
4Q	2.03	2.05	2.12	2.27	2.15
Total DPU	8.36	8.73	9.18	9.19	9.57
ANNUAL DPU GROWTH	0.7% ¹	4.4%	5.2%	0.1% ²	4.1%

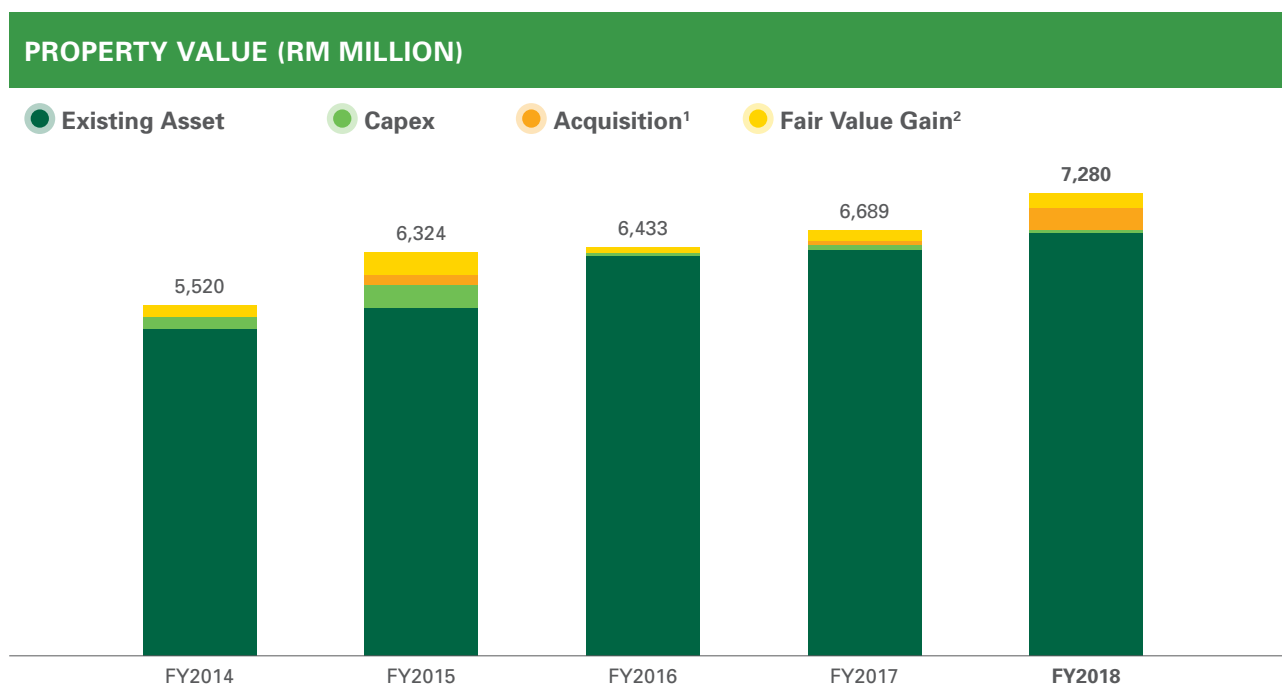
¹ DPU grew marginally for FY2014 at 0.7% due to loss of income contribution from Sunway Putra Mall which was closed for a major refurbishment from May 2013 to February 2015 and the adverse impact the refurbishment had on the performance of the adjoining Sunway Putra Hotel

² DPU was flattish for FY2017 due to the resiliency of the retail properties which mitigated the adverse impact from the closure of Sunway Pyramid Hotel for refurbishment and the cessation of Manager's fees in units



For more details, please refer to Financial Review section

FINANCIAL HIGHLIGHTS



	SINCE IPO					5-YEAR
Property value growth, contributed by:	>100%					40%
- Acquisition growth	41%					11%
- Capex	22%					13%
- Fair value gain	47%					16%
	FY2014	FY2015	FY2016	FY2017	FY2018	
Existing Asset	5,184	5,520	6,324	6,433	6,689	
Capex	157	361	46	87	10	
Acquisition¹	-	136	-	17	436	
Fair Value Gain²	179	307	63	152	145	
PROPERTY VALUE	5,520	6,324	6,433	6,689	7,280	

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

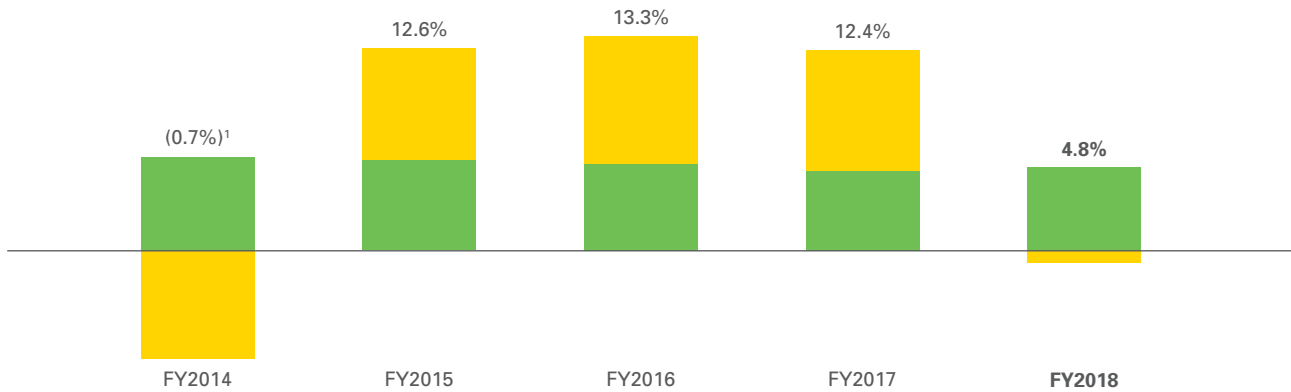
² Fair Value Gain - net of capex incurred

FINANCIAL HIGHLIGHTS

DISTRIBUTION YIELD & ANNUAL TOTAL RETURN (%)

● Distribution Yield

● Price Movement



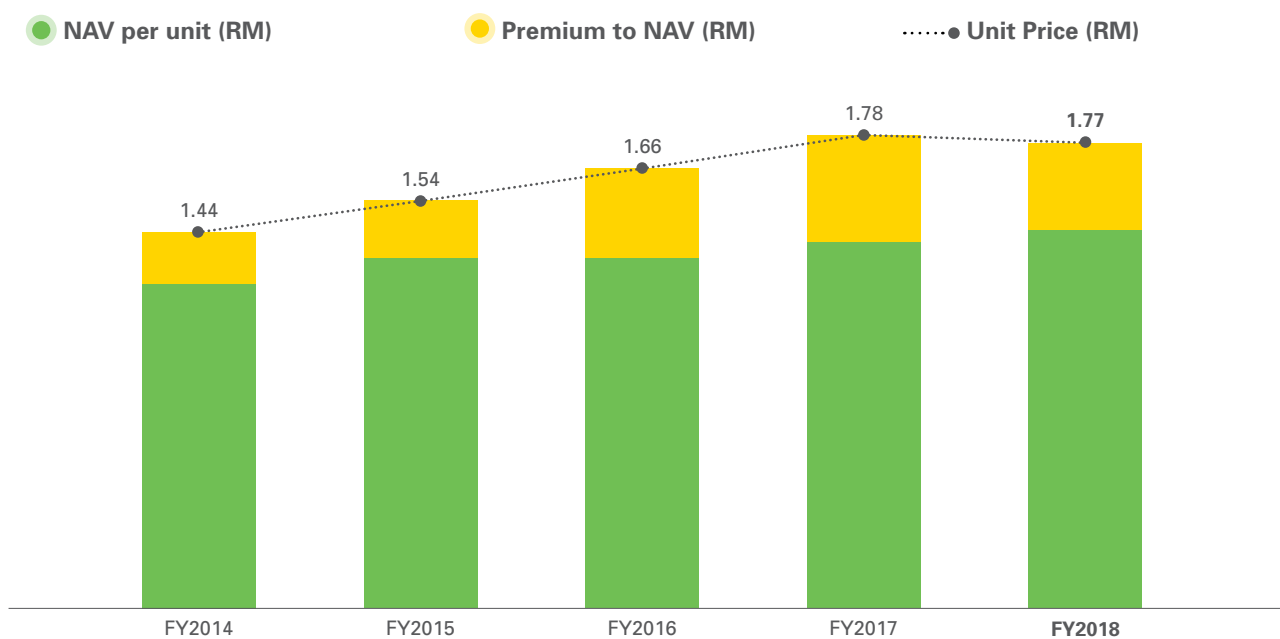
	SINCE IPO				5-YEAR
Price Movement	96.7%				14.9%
Average Annual Total Return	14.8%				8.5%
	FY2014	FY2015	FY2016	FY2017	FY2018
Distribution Yield	5.8%	5.7%	5.5%	5.2%	5.4%
Price Movement	(6.5%) ¹	6.9%	7.8%	7.2%	(0.6%) ²
ANNUAL TOTAL RETURN	(0.7%)	12.6%	13.3%	12.4%	4.8%

¹The 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

²The subdued unit price performance was due to lingering concerns over rising interest rate and in tandem with the FBM KLCI performance

FINANCIAL HIGHLIGHTS

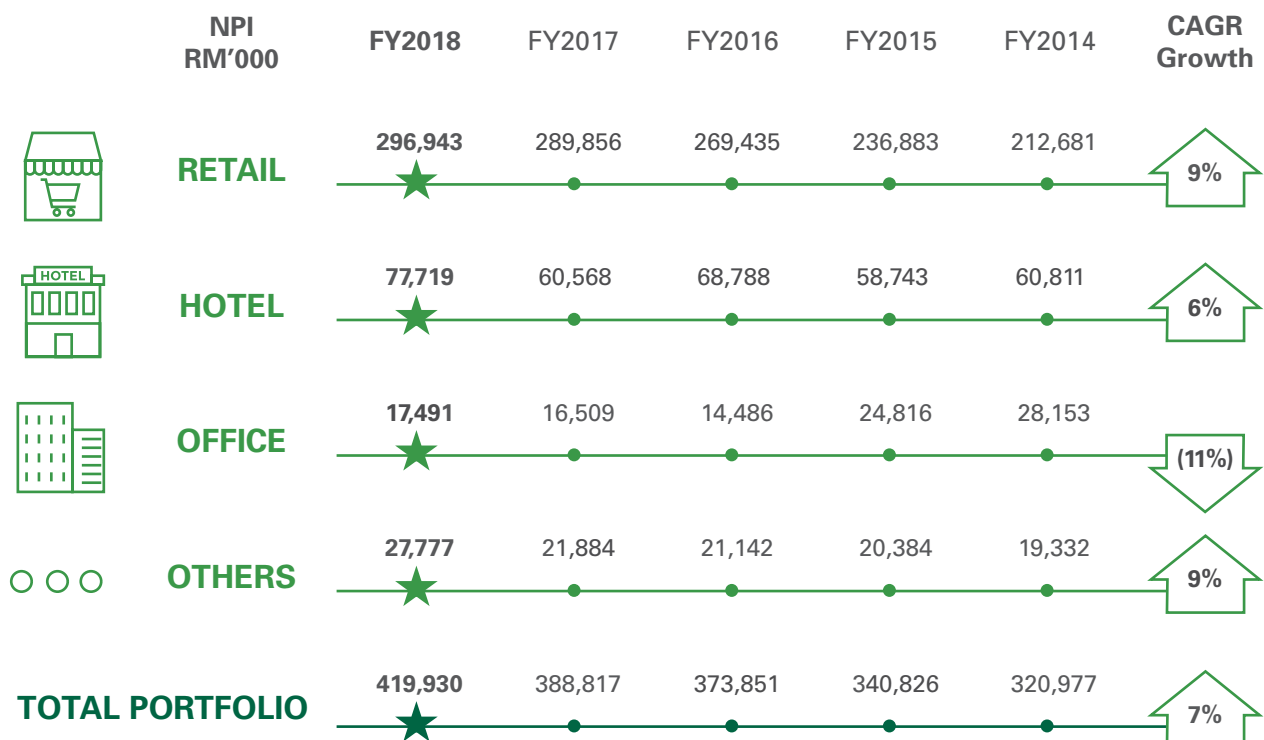
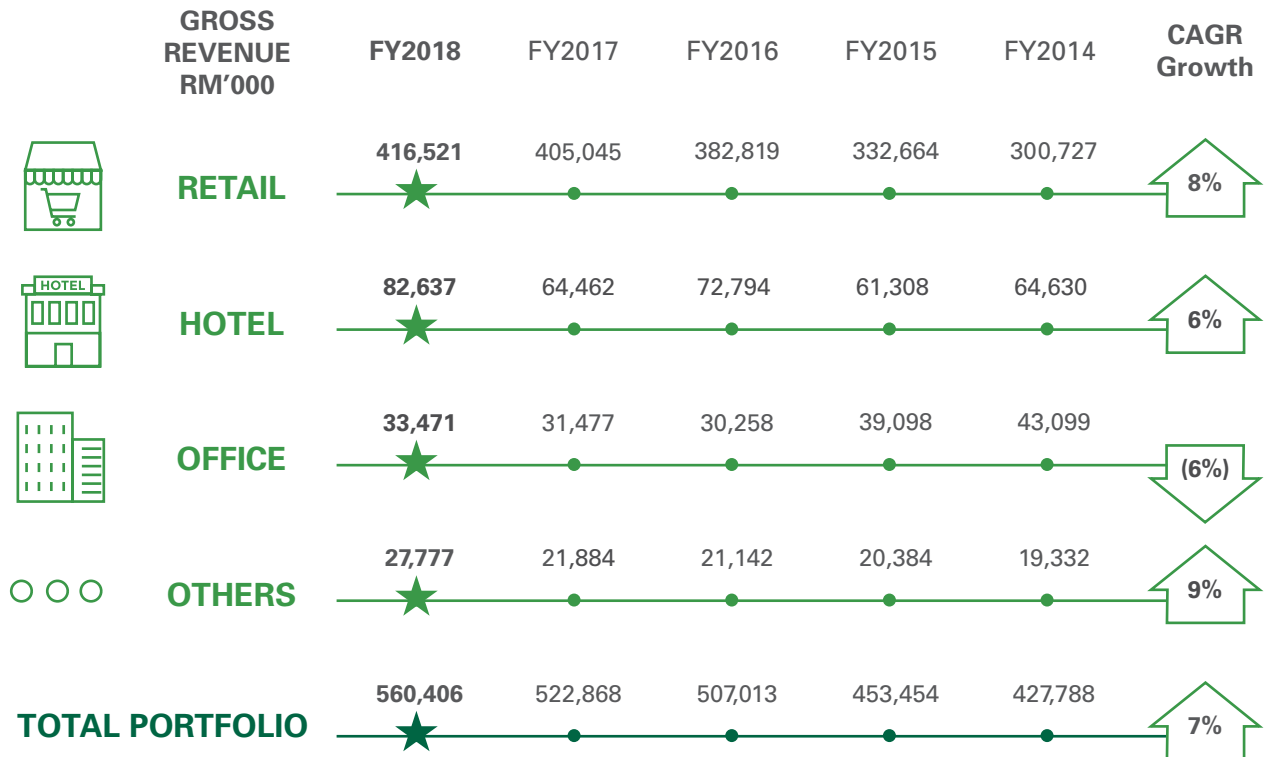
UNIT PRICE (RM) / NAV PER UNIT (RM) / PREMIUM TO NAV (RM/%)



	SINCE IPO				5-YEAR
CAGR for NAV per unit				5%	4%
	FY2014	FY2015	FY2016	FY2017	FY2018
NAV per unit (RM)	1.2390	1.3350	1.3549	1.4074	1.4566
Premium to NAV (%)	16.2%	15.4%	22.5%	26.5%	21.5%
Premium to NAV (RM)	0.2010	0.2050	0.3051	0.3726	0.3134
Unit price as at 30 June (RM)	1.44	1.54	1.66	1.78	1.77

FINANCIAL HIGHLIGHTS

SEGMENTAL PERFORMANCE



VALUE ADDED STATEMENT

	FY2018 RM'000	FY2017 RM'000	FY2016 RM'000	FY2015 RM'000	FY2014 RM'000
VALUE ADDED					
Total turnover	560,406	522,868	507,013	453,454	427,788
Purchases of goods and services	(140,476)	(134,051)	(133,162)	(112,628)	(106,811)
Interest & other income	148,085	158,198	71,822	295,119	181,859
Total Value Added	568,015	547,015	445,673	635,945	502,836
RECONCILIATION					
Total comprehensive income for the year	426,894	424,804	327,381	535,913	412,868
Add:					
Finance costs	105,646	89,295	86,242	70,751	63,031
Manager's fees	34,463	31,650	30,802	28,121	25,834
Trustee's fees	1,012	1,266	1,248	1,160	1,103
Total Value Added	568,015	547,015	445,673	635,945	502,836
VALUE DISTRIBUTED					
TRUST EXPENSES					
Manager's fees	34,463	31,650	30,802	28,121	25,834
Trustee's fees	1,012	1,266	1,248	1,160	1,103
PROVIDERS OF CAPITAL					
Finance costs	105,646	89,295	86,242	70,751	63,031
Income distribution ¹	281,844	270,652	270,075	256,163	244,533
REINVESTMENT AND GROWTH					
Undistributed income ²	145,050	154,152	57,306	279,750	168,335
Total Value Distributed	568,015	547,015	445,673	635,945	502,836

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

² Mainly comprises unrealised income.

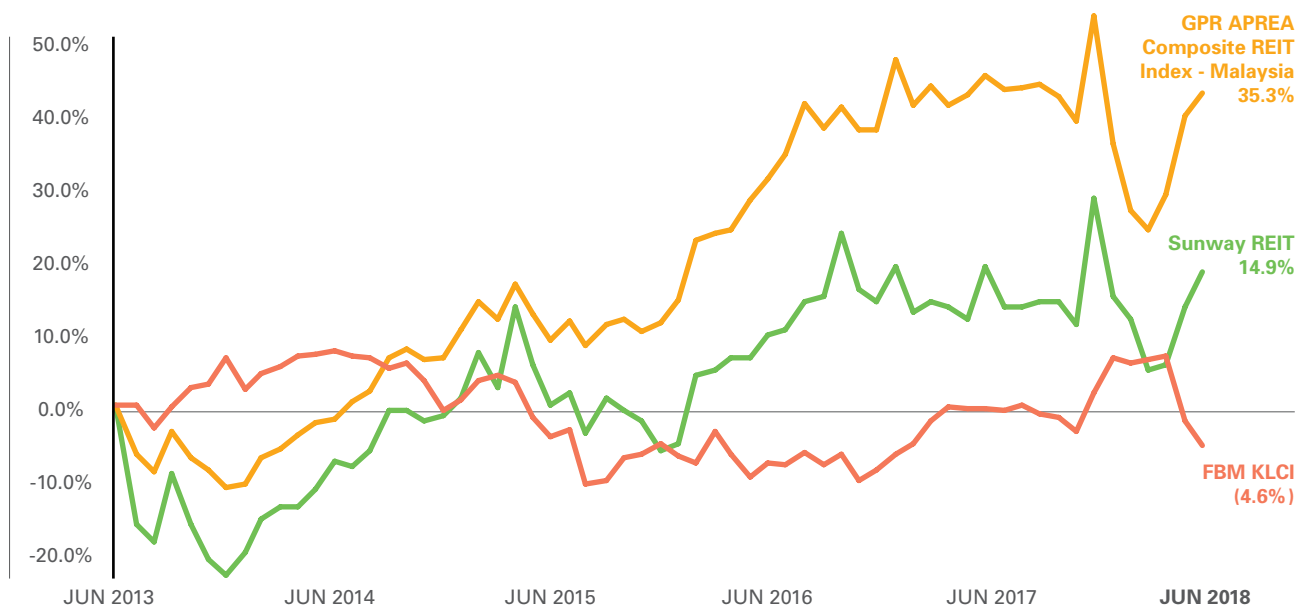
TRADING PERFORMANCE (5-YEAR)

TRADING PERFORMANCE OF SUNWAY REIT

TRADING SUMMARY	FY2018	FY2017	FY2016	FY2015	FY2014
Closing Unit Price (RM)	1.77	1.78	1.66	1.54	1.44
52-Week Highest Traded Price (RM)	1.90	1.84	1.69	1.76	1.56
52-Week Lowest Traded Price (RM)	1.48	1.63	1.43	1.39	1.22
Price Movement (%)	(0.6)	7.2	7.8	6.9	(6.5)
Annual Total Return (%)	4.8	12.4	13.3	12.6	(0.7)
Number of Units in Circulation (unit '000)	2,945,078	2,945,078	2,943,918	2,937,777	2,928,715
Market Capitalisation (RM '000)	5,212,788	5,242,239	4,886,905	4,524,176	4,217,349
Free Float (%)	59.1	62.7	62.7	63.9	65.4
Free Float (unit '000)	1,741,130	1,845,386	1,845,248	1,877,240	1,915,380

Source: Sunway REIT, Bloomberg

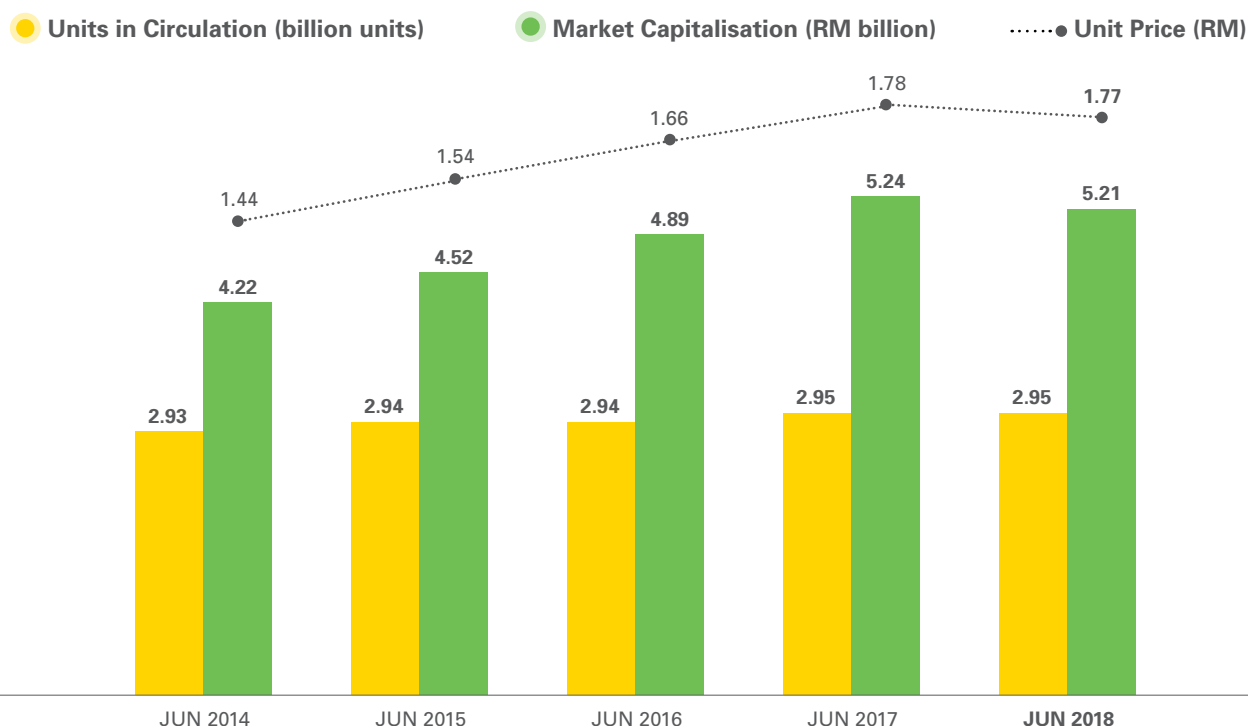
UNIT PRICE PERFORMANCE OF SUNWAY REIT VERSUS FTSE BURSA MALAYSIA KLCI INDEX AND GPR APREA COMPOSITE REIT INDEX - MALAYSIA



Source: Sunway REIT, Bloomberg

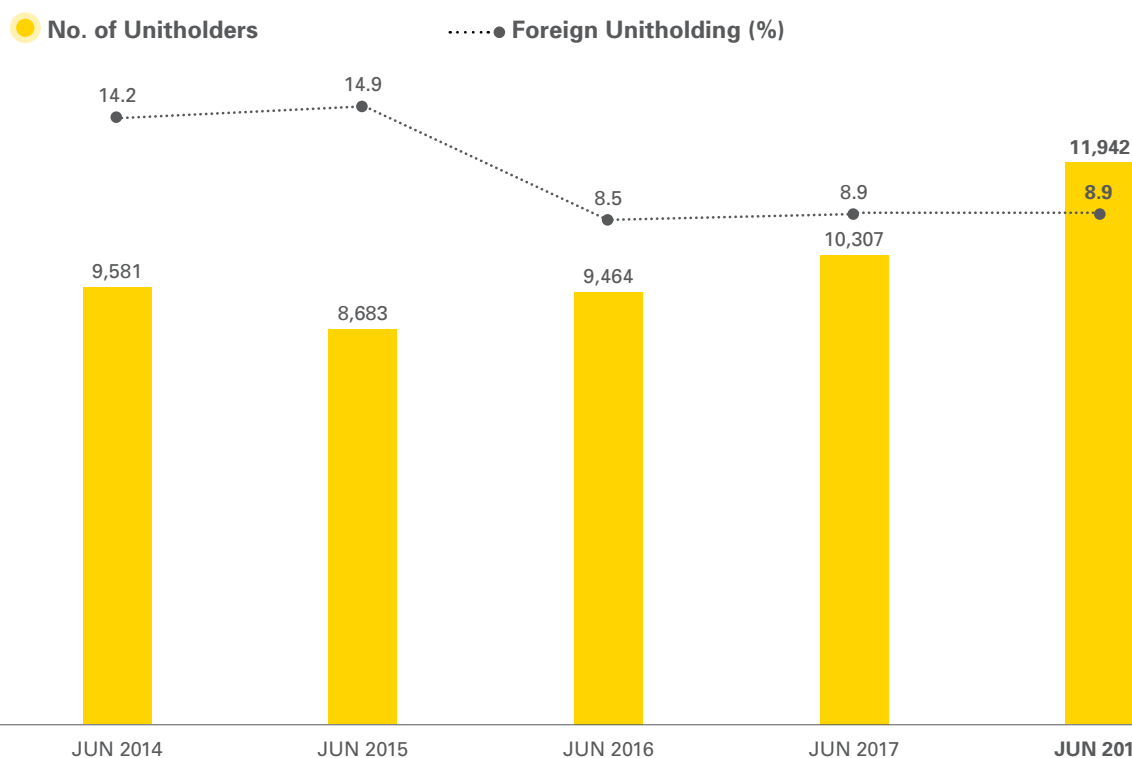
TRADING PERFORMANCE (5-YEAR)

MARKET CAPITALISATION, UNIT PRICE AND UNITS IN CIRCULATION



Source: Sunway REIT, Bloomberg

UNITHOLDERS' STATISTICS



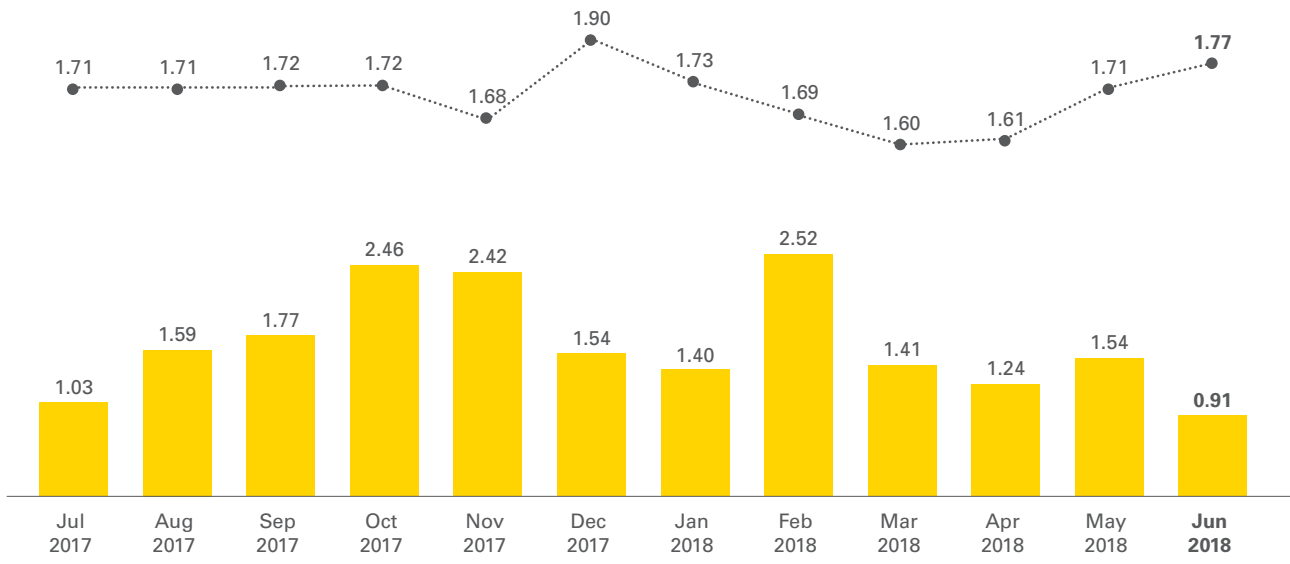
Source: Sunway REIT

TRADING PERFORMANCE (1-YEAR)

SUNWAY REIT'S MONTHLY TRADING PERFORMANCE

● Average Daily Trading Volume (million units)

.....● Month-End Closing Unit Price (RM)



Source: Sunway REIT, Bloomberg

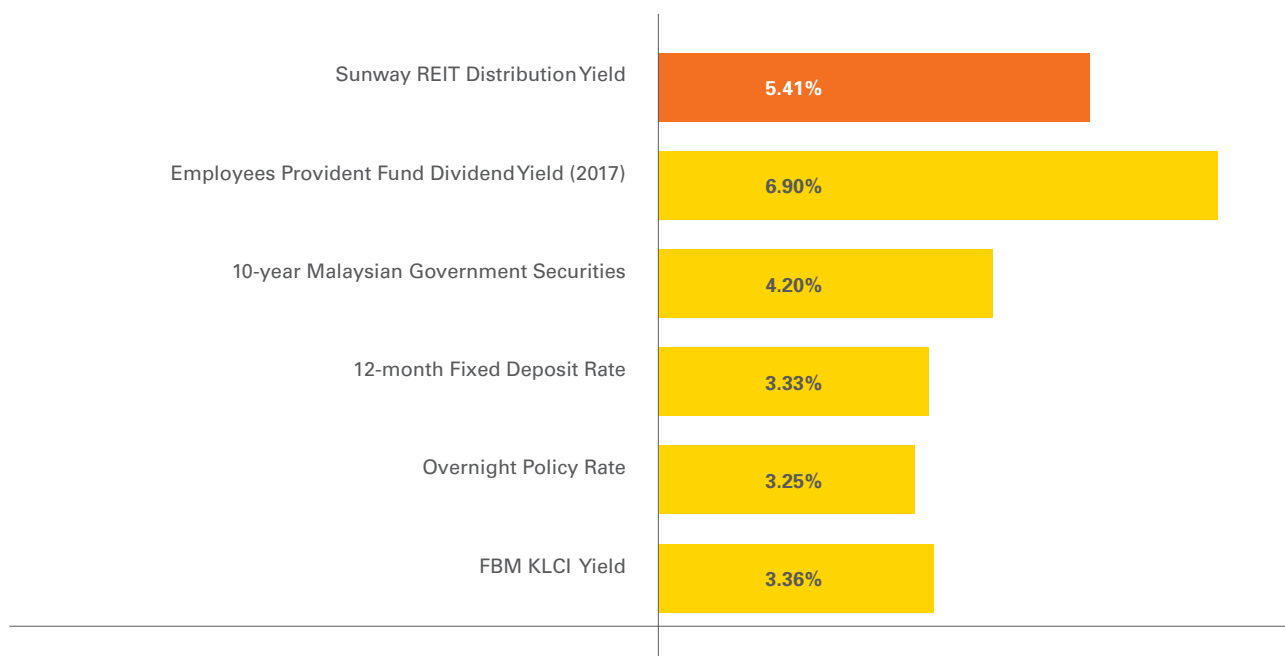
ANNUAL UNIT PRICE PERFORMANCE OF SUNWAY REIT VERSUS FTSE BURSA MALAYSIA KLCI INDEX AND GPR APREA COMPOSITE REIT INDEX - MALAYSIA



Source: Sunway REIT, Bloomberg

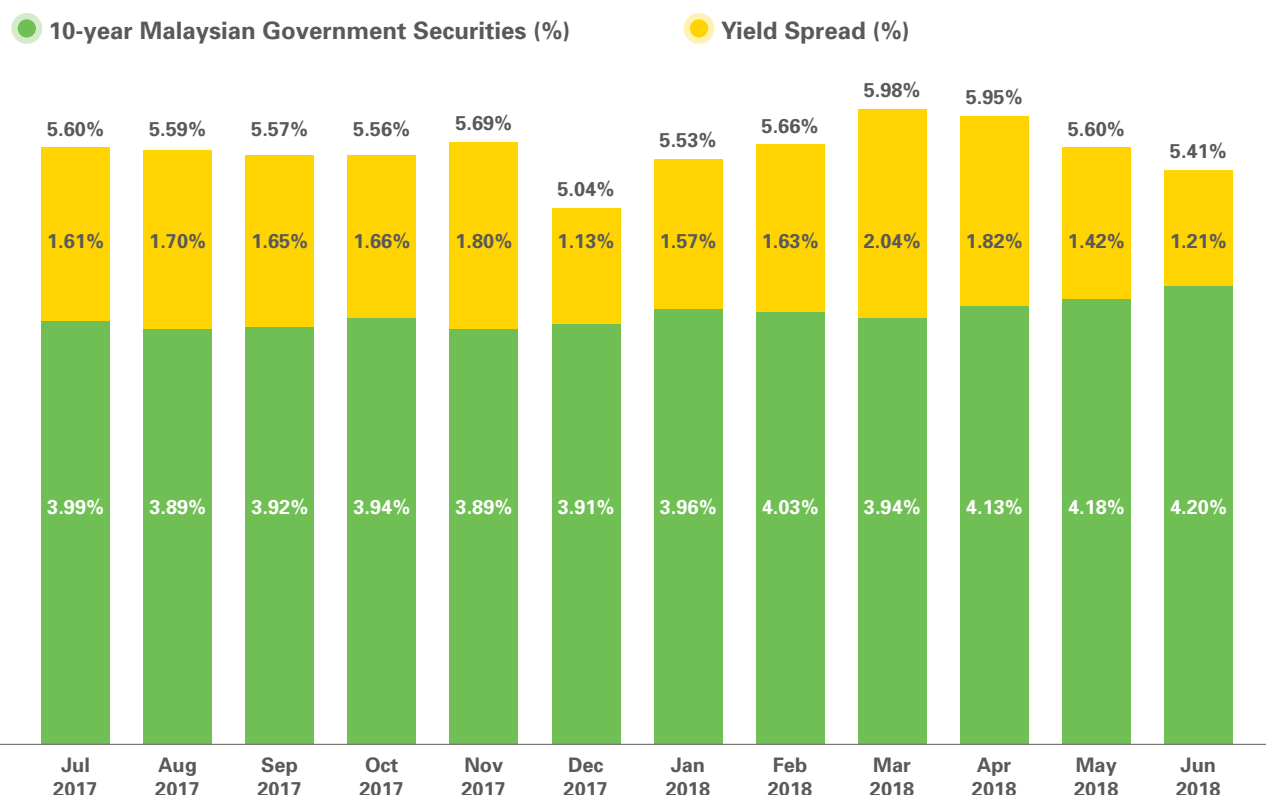
TRADING PERFORMANCE (1-YEAR)

COMPARATIVE YIELDS AS AT 30 JUNE 2018



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

SUNWAY REIT MONTHLY YIELD COMPARISON



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

FINANCIAL REVIEW

	FY2018 RM'000	FY2017 RM'000	GROWTH %
Gross Revenue	560,406	522,868	7.2%
Net Property Income	419,930	388,817	8.0%
Profit for the year (realised)	281,947	270,586	4.2%
Income available for distribution (realised)	282,394	271,099	4.2%
EPU (sen) (realised)	9.57	9.19	4.1%
DPU (sen)	9.57	9.19	4.1%

	GROSS REVENUE			NET PROPERTY INCOME		
	FY2018 RM'000	FY2017 RM'000	CHANGE %	FY2018 RM'000	FY2017 RM'000	CHANGE %
Sunway Pyramid Shopping Mall	314,273	303,460	3.6%	237,947	229,620	3.6%
Sunway Carnival Shopping Mall	46,821	46,143	1.5%	29,081	29,361	(1.0%)
SunCity Ipoh Hypermarket	4,386	4,916	(10.8%)	4,075	4,607	(11.5%)
Sunway Putra Mall	51,041	50,526	1.0%	25,840	26,268	(1.6%)
TOTAL FOR RETAIL SEGMENT	416,521	405,045	2.8%	296,943	289,856	2.4%
Sunway Resort Hotel & Spa	37,155	40,066	(7.3%)	35,501	38,401	(7.6%)
Sunway Pyramid Hotel	16,087	4,435	>100.0%	15,649	3,979	>100.0%
Sunway Clio Property	5,663	-	N/A	4,619	-	N/A
Sunway Hotel Seberang Jaya	3,109	3,432	(9.4%)	2,919	3,226	(9.5%)
Sunway Putra Hotel	14,928	11,543	29.3%	13,523	10,183	32.8%
Sunway Hotel Georgetown	5,695	4,986	14.2%	5,508	4,779	15.3%
TOTAL FOR HOTEL SEGMENT	82,637	64,462	28.2%	77,719	60,568	28.3%
Menara Sunway	16,716	16,470	1.5%	10,688	11,236	(4.9%)
Sunway Tower	3,322	3,339	(0.5%)	(399)	(593)	32.7%
Sunway Putra Tower	7,792	5,097	52.9%	4,253	1,981	>100.0%
Wisma Sunway	5,641	6,571	(14.2%)	2,949	3,885	(24.1%)
TOTAL FOR OFFICE SEGMENT	33,471	31,477	6.3%	17,491	16,509	5.9%
Sunway Medical Centre	22,650	21,884	3.5%	22,650	21,884	3.5%
Sunway REIT Industrial - Shah Alam 1	5,127	-	N/A	5,127	-	N/A
TOTAL FOR OTHERS SEGMENT	27,777	21,884	26.9%	27,777	21,884	26.9%
TOTAL PORTFOLIO	560,406	522,868	7.2%	419,930	388,817	8.0%

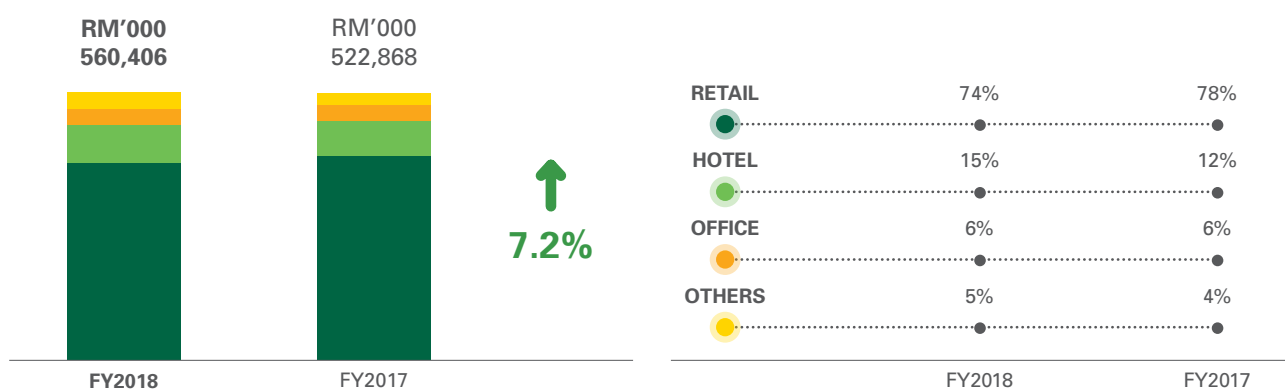
N/A - Not applicable

FINANCIAL REVIEW

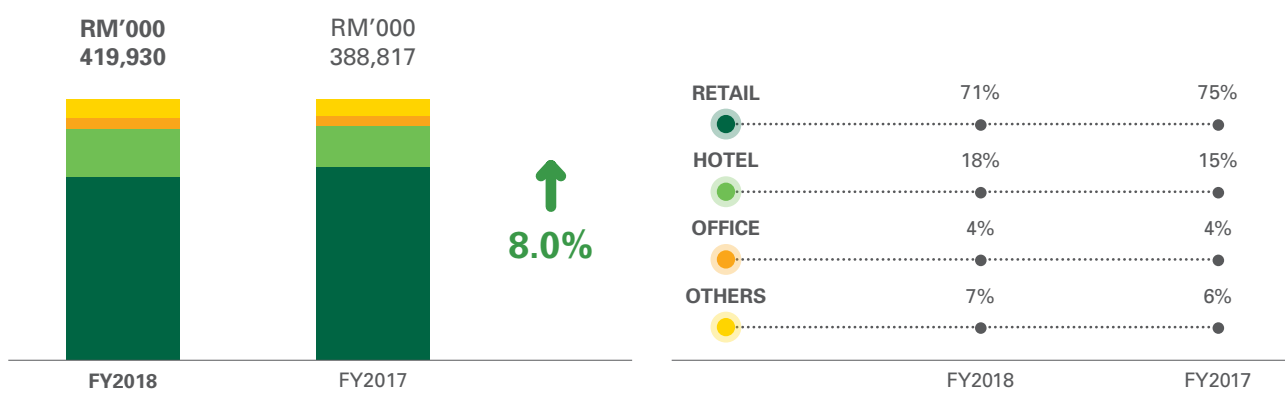
BUSINESS REVIEW

Sunway REIT achieved a revenue of RM560.4 million in FY2018, a noticeable growth of 7.2% against RM522.9 million achieved in FY2017. Net property income (NPI) grew by 8.0% to RM419.9 million from RM388.8 million in FY2017. Despite the volatile economic situation in the current year, Sunway REIT achieved an improvement in the overall performance attributed by the resumption of income from Sunway Pyramid Hotel and new contribution from Sunway REIT Industrial - Shah Alam 1 from 1Q FY2018 and Sunway Clio Property from 3Q FY2018.

REVENUE CONTRIBUTION BY SEGMENT

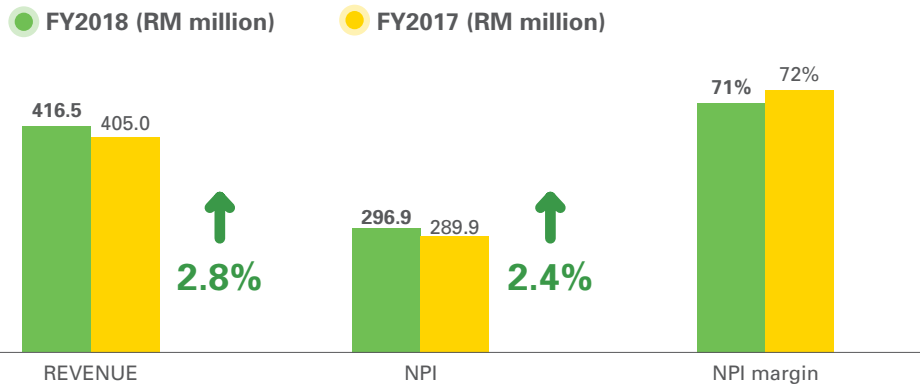


NPI CONTRIBUTION BY SEGMENT



FINANCIAL REVIEW

RETAIL SEGMENT



The retail segment, as key contributor, contributed 74% (FY2017: 78%) and 71% (FY2017: 75%) in terms of Sunway REIT's total revenue and NPI. Revenue from the retail segment recorded a year-on-year (y-o-y) growth of 2.8% from RM405.0 million to RM416.5 million while NPI grew 2.4% to RM296.9 million (FY2017: RM289.9 million).



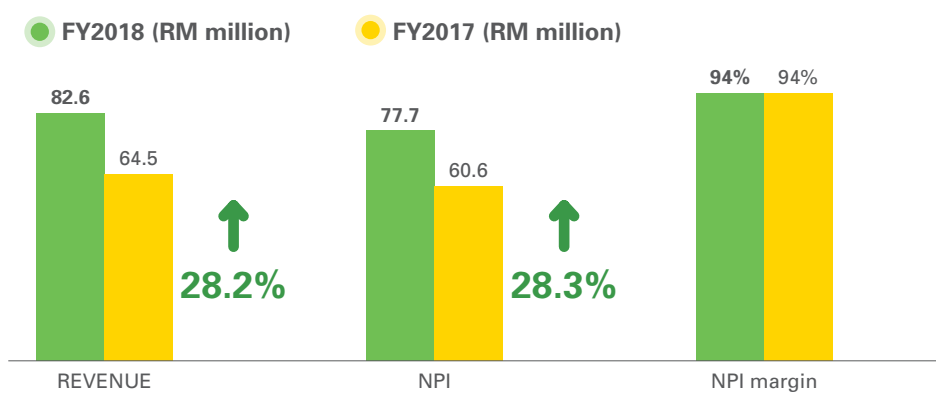
Sunway Pyramid Shopping Mall maintained its position as the major contributor to Sunway REIT with revenue and NPI contribution to the total portfolio of 56.1% (RM314.3 million) and 56.7% (RM237.9 million) respectively. The slight shift in the percentage of total revenue from the previous financial year was due to the addition of Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property as new revenue and NPI contributor. Sunway Pyramid Shopping Mall showed resilient growth in its revenue which recorded a 3.6% increase from the previous financial year. Average occupancy remained strong at 98.9% (FY2017: 98.0%).

Sunway Carnival Shopping Mall achieved a revenue growth of 1.5% from RM46.1 million in FY2017 to RM46.8 million. However, NPI slipped marginally by 1.0% to RM29.1 million (FY2017: RM29.4 million) due to higher maintenance cost and advertising and promotional expenses. The average occupancy also experienced a slight decrease to 97.3% from 97.6% recorded in FY2017.

Sunway Putra Mall recorded a marginal higher revenue of RM51.0 million (FY2017: RM50.5 million) but experienced a decrease in NPI of RM25.8 million (FY2017: RM26.3 million). The increase in average occupancy rate to 90.7% from 86.3% from the previous financial year was a result of effective tenant mix strategy with attractive rental packages offered. The slight decline in NPI was a result of lower vacancy allowance for assessment received (with the improved occupancy) and higher non-recurring maintenance expense to enhance shoppers' comfort.

FINANCIAL REVIEW

HOTEL SEGMENT



The hotel segment's contribution to Sunway REIT's total revenue and NPI improved to 15% and 18% respectively due to Sunway Clio Property being part of the hotel portfolio contributor as well as the completion of refurbishment activities at Sunway Pyramid Hotel.

Revenue from the segment increased by 28.2% to RM82.6 million (FY2017: RM64.5 million) while NPI also experienced a growth of 28.3% to RM77.7 million (FY2017: RM60.6 million) despite the challenging environment from the global and domestic fronts.

Sunway Resort Hotel & Spa's lease rental and NPI declined by 7.3% and 7.6% respectively to RM37.2 million and RM35.5 million. Average occupancy rate was also kept under pressure as the rate eased from 82% to 74% in FY2018. The overall weaker performance was a result of a drop in the leisure segment coupled with the soft Middle Eastern market business.

Sunway Pyramid Hotel recorded a significant increase in lease rental and NPI from the previous financial year as the hotel saw the completion of its refurbishing activities since June 2017. The lease rental of the hotel was at RM16.1 million (FY2017: RM 4.4 million) while the NPI was at RM15.7 million (FY2017: RM4.0 million). The hotel also saw an improvement in the average occupancy rate to 71% (FY2017: 57%) due to the improved corporate segment of the hotel.

Sunway Clio Property was acquired on 9 February 2018 and recorded a revenue and NPI of RM5.7 million and RM4.6 million respectively. In the coming years, Sunway REIT expects to benefit in terms of higher lease rental and NPI from this new acquisition. The average occupancy rate of Sunway Clio Hotel was at 71%.

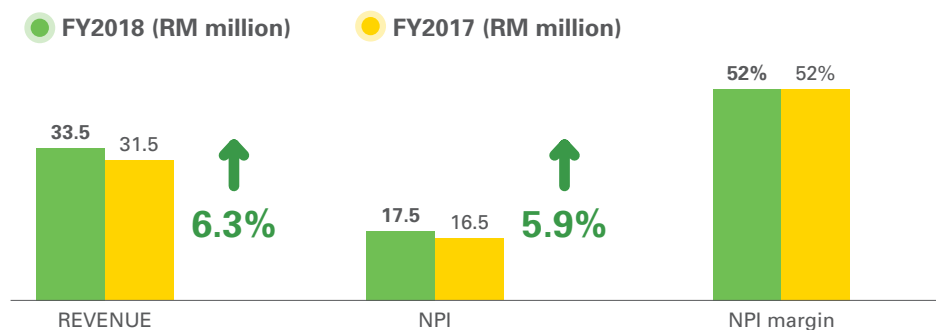
Sunway Hotel Seberang Jaya achieved a higher average occupancy rate of 76% compared to 71% in FY2017. The improvement in the average occupancy rate was mainly due to tactical strategies employed during the year to improve the revenue per available room (RevPAR) in view of the soft corporate demand and increased competition from newer hotels. Despite recording an improved RevPAR, the cessation of tenancy of Sunway Carnival Convention Centre impacted the hotel F&B revenue. Consequently, lease rental and NPI for the year was RM3.1 million (FY2017: RM3.4 million) and RM2.9 million (FY2017: RM3.2 million) respectively, both representing a decrease from the previous financial year.

Sunway Putra Hotel recorded a 29.3% growth in lease rental (from RM11.5 million to RM14.9 million) and a 32.8% increase in NPI (from RM10.2 million to RM13.5 million) as the business continues to progress positively post refurbishment in 2016. The improvement in lease rental and NPI was mainly attributed to both higher average occupancy rate of 73% (FY2017: 68%) and higher average daily rate (ADR) with a one-off contribution from the SEA Games and ASEAN PARA Games in 1Q FY2018.

Sunway Hotel Georgetown showed continuous growth in its lease rental and NPI, recording a 14.2% (from RM5.0 million to RM5.7 million) and 15.3% (from RM4.8 million to RM5.5 million) growth respectively. Average occupancy rate reached the 90% mark as it recorded a 92% average occupancy rate as compared to 88% in FY2017 mainly due to improvement in the leisure segment.

FINANCIAL REVIEW

OFFICE SEGMENT



The office segment's contribution to the total portfolio revenue and NPI was consistent at 6% and 4% respectively. Revenue and NPI improved by 6.3% and 5.9% respectively followed by an improvement in average occupancy rate for the segment.

Total revenue for the office segment improved to RM33.5 million (FY2017: RM31.5 million) while the NPI increased to RM17.5 million from RM16.5 million in FY2017.

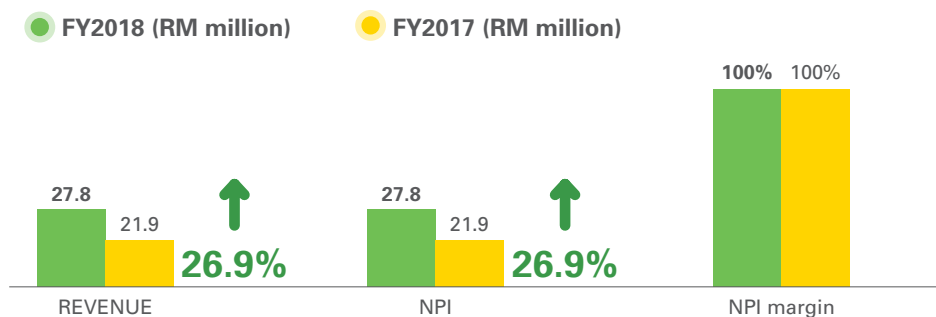
Menara Sunway continues to enjoy improved occupancy rate of 93.8% from 92.1% in FY2017. Revenue increased marginally by 1.5% to RM16.7 million (FY2017: RM16.5 million) while NPI decreased by 4.9% (from RM11.2 million to RM10.7 million) due to higher maintenance expenses from repainting work incurred during the year.

Sunway Tower's performance remained subdued with average occupancy rate of 21.0% (FY2017: 20.7%) due to the challenging oversupply of office space in Kuala Lumpur. Despite a marginal decrease in revenue by 0.5%, the property managed to record a lower net property loss of RM0.4 million as compared to RM0.6 million in the previous financial year with better cost management.

Sunway Putra Tower delivered good results as the property achieved a 52.9% increase in revenue to RM7.8 million (FY2017: RM5.1 million) on the back of stronger average occupancy rate of 56.0% (FY2017: 36.6%). NPI also improved during the financial year with an increase to RM4.3 million from RM2.0 million in FY2017. As at 30 June 2018, the occupancy was at 78.2%.

Wisma Sunway saw a drop in average occupancy rate during the year from 86.9% to 78.3% due to the downsizing and non-renewal of tenants. Consequently, revenue and NPI both declined by RM0.9 million in FY2018. Nevertheless, additional rental space is expected to increase in the next financial year, hence, Wisma Sunway would enjoy close to a 100% average occupancy rate.

OTHERS SEGMENT



This segment comprises Sunway Medical Centre and the newly acquired Sunway REIT Industrial – Shah Alam 1 which are based on a triple net basis master lease with fixed rental. Sunway Medical

Centre's master lease has a fixed annual increase of 3.5% where it contributed RM22.7 million in revenue and NPI in FY2018. Sunway REIT Industrial – Shah Alam 1, on the other hand, contributed RM5.1 million in revenue and NPI.

FINANCIAL REVIEW

PROFIT FOR THE YEAR

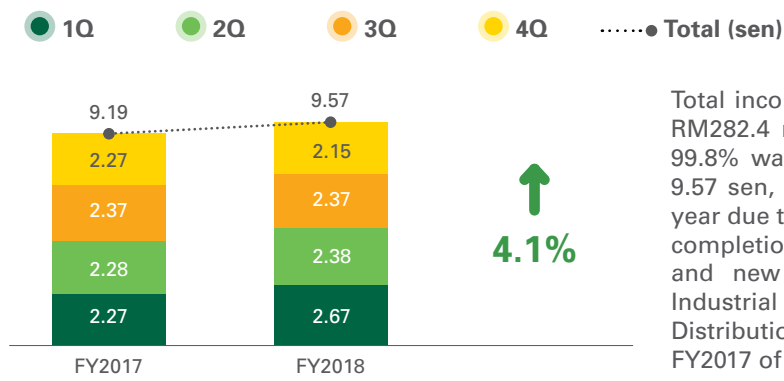
Sunway REIT closed the year with a profit of RM427.7 million, a slight increase of 0.8% from the previous financial year (FY2017: RM424.5 million). Profit for the year comprised realised profit of RM281.9 million (FY2017: RM270.6 million) and unrealised profit of RM145.7 million (FY2017: RM153.9 million).

Realised profit was moderately higher by 4.2% or RM11.4 million contributed by a higher net property income (NPI) of RM31.1 million but partially offset by higher finance costs of RM16.4 million. The higher finance costs were mainly attributable to the drawdown for the

acquisition of two new properties in the financial year, Sunway REIT Industrial – Shah Alam 1 and Sunway Clio Property.

The unrealised profit of RM145.7 million mainly comprised fair value gain after accounting for capital expenditure incurred. The slight decline in unrealised profit compared to the previous financial year was mainly attributable to a conservative valuation on Sunway REIT's overall investment properties portfolio amidst the global economic uncertainties and softer local sentiment.

DISTRIBUTION PER UNIT (DPU)



Total income available for distribution for FY2018 was RM282.4 million (FY2017: RM271.1 million), of which 99.8% was distributed. DPU for FY2018 increased to 9.57 sen, a 4.1% increase from the previous financial year due to higher earnings per unit contributed by the completion of Sunway Pyramid Hotel refurbishment and new income contribution from Sunway REIT Industrial – Shah Alam 1 and Sunway Clio Property. Distribution yield was at 5.4%, an improvement from FY2017 of 5.2%.

STATEMENT OF FINANCIAL POSITION

Sunway REIT's total asset value (TAV) increased to RM7.52 billion as of 30 June 2018 compared to RM6.84 billion in the previous financial year. The increase was mainly attributed to the acquisition of two new investment properties being Sunway REIT Industrial – Shah Alam 1 and Sunway Clio Property as well as revaluation gain of RM144.7 million.

Total borrowings also recorded an increase of RM2.9 billion from RM2.3 billion due to the drawdown which funded the acquisitions of Sunway REIT Industrial – Shah Alam 1 and Sunway Clio Property as well as current year capital expenditure incurred. Total unitholders' funds was at RM4.4 billion an increase of 3.4% from FY2017 attributable to the fair value gain recorded for the financial year.

Sunway REIT's net asset value (NAV) increased to RM4.4 billion, representing a 3.4% increase from the previous financial year of RM4.2 billion. This was mainly contributed by a higher increase in the value of investment properties through the new acquisitions and fair value gain compared to the increase in liabilities of Sunway REIT.

Total Asset Value

RM7.52
billion

9.9% ↑

FINANCIAL REVIEW

STATEMENT OF CASH FLOWS

Operating Activities

Net cash generated from operating activities was RM379.9 million in FY2018, higher by RM20.9 million than FY2017 mainly attributable to the higher net property income.

Investing Activities

Sunway REIT experienced a significant increase in investing activities, mainly relating to the acquisitions of Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property as well as an investment in money market instruments for RM130 million.

Financing Activities

Sunway REIT increased its net drawdown of borrowings to fund the acquisitions of Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property. Interest payout during the financial year amounted to RM106.1 million and distribution paid out of RM285.4 million.

Hence, as at 30 June 2018, cash and cash equivalents was at RM57.6 million, representing a RM42.9 million decrease from the previous financial year of RM100.5 million.

PERFORMANCE BENCHMARK	FY2018	FY2017	COMMENTARY
i. Management expense ratio (%)	0.89%	0.85%	Management expense ratio of 0.89% (FY2017: 0.85%) has accounted for expenses incurred in relation to the acquisitions, and is comparable to the top five M-REITs (in terms of market capitalisation) which ranges from 0.60% - 0.94%.
ii. Total return (%)	4.8%	12.4%	Total return for the financial year was 4.8% (FY2017: 12.4%) due to lower closing price change of -0.6% (30 June 2018: RM1.77 and 30 June 2017: RM1.78) compared to the previous year's higher closing price change of 7.2% (30 June 2017: RM1.78 and 30 June 2016: RM1.66) despite a better distribution yield of 5.4% (FY2017: 5.2%).
iii. Average annual total return (5 years) (%)	8.5%	11.3%	The 5-year average annual return was 8.5% (FY2017: 11.3%). The 5-year average annual total return for FY2018 was lower due to the low total return % recorded in the current year and negative return achieved in FY2014.
iv. Average annual total return (3 years) (%)	10.2%	12.8%	The average annual total return for the last 3 years was 10.2% (FY2017: 12.8%). The 3-year average annual return for FY2018 was lower due to the low total return recorded in the current year as a result of the lower closing price as at 30 June 2018.
v. Distribution yield (%)	5.4%	5.2%	Distribution yield has increased from 5.2% in FY2017 to 5.4% as a result of a 4.1% increase in DPU and lower closing price of RM1.77 compared to RM1.78 in FY2017.
vi. NAV per Unit (after income distribution) (RM)	1.4566	1.4074	NAV per unit was RM1.4566 (FY2017: RM1.4074), an increase of 3.5% arising from revaluation of the properties.
vii. Unit Price (as at the end of the financial year) (RM)	1.77	1.78	The unit price of Sunway REIT decreased marginally by 0.6% in FY2018 on the back of low demand for Sunway REIT's units and higher volatility in a monetary policy tightening environment. On 25 January 2018, Bank Negara Malaysia (BNM) raised the overnight policy rate (OPR) by 25 bps from 3.00% to 3.25%.

- i. The ratio of expenses incurred in operating Sunway REIT of RM38.4 million (FY2017: RM35.2 million) to the NAV of Sunway REIT of RM4,289.9 million (after income distribution) (FY2017: RM4,144.9 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 9.57 sen (FY2017: DPU of 9.19 sen) divided by its closing price as at 30 June 2018 of RM1.77 (30 June 2017: RM1.78).
- 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.
- vii. Unit price is determined based on the unit price as at 30 June 2018 for FY2018 and 30 June 2017 for FY2017.

ii., iii., iv.



For more information, please refer to Financial Highlights, Distribution Yield & Total Return sections

FINANCIAL REVIEW

FAIR VALUE OF INVESTMENT PROPERTIES

The fair value of Sunway REIT's investment properties increased to RM7.27 billion as at 30 June 2018 from RM6.69 billion in the previous year. The increase of RM581.0 million was attributable to capex of RM0.2 million, acquisitions of RM436.1 million and net fair value (after accounting for capex) of RM144.7 million.

The portfolio property yield improved to 6.01% mainly attributable to the full year contribution from Sunway Pyramid Hotel following completion of its refurbishment in June 2017.

Fair Value Gain

RM 145
million

	Fair Value @ 30.6.2018	Fair Value @ 30.6.2017/ Acquisition Cost ¹	Change In Value	Property Yield FY2018	Property Yield FY2017
	RM million	RM million	RM million	%	%
RETAIL					
Sunway Pyramid Shopping Mall	3,580	3,450	130	6.65%	6.66%
Sunway Carnival Shopping Mall	415 ²	415	-	7.31%	7.38%
SunCity Ipoh Hypermarket	61	61	-	6.68%	7.55%
Sunway Putra Mall	595	595	-	4.34%	4.41%
	4,651	4,521	130	6.41%	6.44%
HOTEL					
Sunway Resort Hotel & Spa	530	530	-	6.70%	7.25%
Sunway Pyramid Hotel	360	360	-	4.35%	1.11%
Sunway Hotel Seberang Jaya	63	63	-	4.63%	5.12%
Sunway Putra Hotel	345	335	10	3.92%	3.04%
Sunway Hotel Georgetown	75	72	3	7.34%	6.64%
	1,373	1,360	13	5.32%	4.45%
OFFICE					
Menara Sunway	169	169	-	6.32%	6.65%
Sunway Tower	123	128	(5)	(0.32%)	(0.46%)
Sunway Putra Tower	123	113	10	3.46%	1.75%
Wisma Sunway	59	62	(3)	5.00%	6.27%
	474	472	2	3.69%	3.50%
OTHERS					
Sunway Medical Centre	340	336	4	6.66%	6.51%
	340	336	4	6.66%	6.51%
SUB-TOTAL	6,838	6,689	149	6.00%	5.81%
ACQUISITIONS COMPLETED IN THE FINANCIAL YEAR					
Sunway Clio Property	340	344	(4)	6.32% ³	N/A
Sunway REIT Industrial - Shah Alam 1	92	92	-	6.09% ⁴	N/A
	432	436	(4)	5.98%	N/A
TOTAL PORTFOLIO	7,270	7,125	145	6.01%	5.81%
Less : Capital Expenditure			*		
FAIR VALUE GAIN			145		

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

² Including land for the expansion of Sunway Carnival Shopping Mall which is reclassified as part of investment property under construction for FY2018

³ Property yield is computed based on NPI undertaking of RM20.2 million and annualised podium car park income from completion of acquisition to 30 June 2018

⁴ Annualised property yield is computed based on NPI from completion of acquisition date to 30 June 2018

* Net capital expenditure of RM0.2 million after reversal of over accruals from previous years

N/A - Not applicable

INVESTMENT REVIEW

INVESTMENT OBJECTIVES

To provide unitholders with an exposure to a diverse portfolio of authorised investments that will provide stable cash distributions with the potential of sustainable growth in our net asset value per unit.



For more information, please refer to Salient Features section

STRATEGIC INVESTMENT

Sunway REIT focuses on creating synergies and embarking on value-adding acquisitions where the overall portfolio performance will be accretive to our unitholders in the long-term. We are continuously seeking opportunities to diversify into different sub-segments of the property market to enhance the portfolio of properties as part of our acquisition strategy. Our recent acquisition of an industrial-based property is a testament to our new diversification strategy.

We embrace a highly selective and prudent approach with stringent investment criteria in the evaluation and appraisal process to ensure that the investment is able to withstand through the test of challenges and grows over the medium to long-term horizon. The process entails the assessment on yield growth, income sustainability, value creation and synergistic benefits to our existing and future portfolio.

SUSTAINABLE ASSET ENHANCEMENT & DEVELOPMENT INITIATIVES

To stay ahead of consumer trends and constant changing demands, Sunway REIT actively embarks on enhancement initiatives as one of its asset management strategies. Creative asset planning allows for optimisation of space efficiency as well as maximisation of space usage into potential new lettable areas. Existing assets are also rejuvenated to generate fresh excitement and positive outlook, whilst elevating customer experience by harnessing digital technology innovation and other enhanced features.

The relaxed ruling in the amendments to the Listed REIT Guidelines on property development activity augurs well to Sunway REIT's growth strategy. Sunway REIT ensures that asset enhancement initiatives, including property development activities are carried out with the best interest of stakeholders in mind, in which the returns from such initiatives are carefully considered and are deemed beneficial.



For more information, please refer to 'A Conversation with the CEO' section



INVESTMENT REVIEW

ACQUISITION GROWTH

TRACK RECORD SINCE IPO

No. of
properties
acquired¹

8

Total Acquisition Cost²

**RM1.4
billion**

ACQUISITIONS COMPLETED IN THE FINANCIAL YEAR

No. of
acquisitions

2

Total Acquisition Cost²

**RM436
million**

¹Including acquisition during the financial year

²Including incidental costs on acquisition ie acquisition fee, legal fee and valuation fee

ACQUISITIONS COMPLETED IN THE FINANCIAL YEAR

Sunway REIT Industrial - Shah Alam 1



DESCRIPTION

Property description	Factory with office and warehouse
Location	Section 23, Bandar Shah Alam, Selangor Darul Ehsan
Acquisition price	RM91.5 million
Land area	673,684 sq.ft.
Vendor	Champion Edge Sdn. Bhd.
Date of SPA	11 January 2017
Completion date	1 August 2017
Funding	100% debt



For more information, please refer to Property Details: Others section

INVESTMENT REVIEW

Sunway Clio Property



DESCRIPTION

Property description	Mixed-use development comprising <ul style="list-style-type: none"> • 4-star hotel with 401-room • Retail space with NLA of approximately 88,000 sq.ft. • 732 car park bays
----------------------	--

Location	Bandar Sunway, Selangor Darul Ehsan
----------	-------------------------------------

Acquisition price	RM340.0 million
-------------------	-----------------

Land area	77,403 sq.ft.
-----------	---------------

Vendor	Sunway Forum Hotel Sdn Bhd subsidiary of Sunway Berhad
--------	---

Date of SPA	3 August 2017
-------------	---------------

Completion date	9 February 2018
-----------------	-----------------

Guaranteed NPI ¹	RM20.23 million per annum for 4 years
-----------------------------	---------------------------------------

Funding	100% debt
---------	-----------

¹ Excluding the Podium Car Park comprising 374 bays



For more information, please refer to Property Details: Hotel section

INVESTMENT REVIEW

ORGANIC GROWTH

ASSET ENHANCEMENT INITIATIVES & PROPERTY DEVELOPMENT ACTIVITIES

AEIs completed since IPO*

RM728
million

Property Development Activities

RM353
million

Future AEIs

RM51
million

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

PROPERTY DEVELOPMENT ACTIVITIES

Expansion of Sunway Carnival Shopping Mall



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

Sunway REIT has embarked on the expansion of Sunway Carnival Shopping Mall with nine-storey of retail space and seven levels of car park since 3Q FY2018 (Phase 1). This will increase the mall's total NLA to approximately 830,000 sq.ft. by 2020. The new expansion with its appealing architectural design will position the mall for international and regional retailers which will then enhance tenancy mix and transform the retail scene in Penang. Upon the completion of the expansion, the existing wing will be rejuvenated to synchronise the overall concept of the mall (Phase 2).

PHASE 1	DESCRIPTION
Estimated total development cost	RM353 million
Target completion	2Q FY2021
NLA	Approximately 350,000 sq.ft. of additional new space
Project objectives	<ul style="list-style-type: none"> • Enhance the depth and breadth of the tenancy mix so as to meet discerning lifestyle demand by shoppers • Meet larger retail space requirement sought after by international and regional retailers • Stay ahead of competition with new offering
Sustainability features	<ul style="list-style-type: none"> • Rainwater harvest system • Electric car charger • Volatile organic compound (VOC) free paint • LED lighting • High efficient chiller • Low-E glass to reduce heat penetration for façade facing East and West directions
Current progress of the construction work	<ul style="list-style-type: none"> • Commenced piling work

INVESTMENT REVIEW

PLANNED ASSET ENHANCEMENT INITIATIVES

Sunway Resort Hotel & Spa Grand Ballroom & Meeting Rooms Refurbishment



Artist impression on Grand Ballroom & Meeting Rooms refurbishment

In continuation to providing a refreshing experience for guests and staying relevant to the changing consumer needs, Sunway Resort Hotel & Spa has commenced the refurbishment of the grand ballroom and meeting rooms in July 2018 and shall re-open to the market towards end of 2Q FY2019.

DESCRIPTION

Estimated total renovation cost RM50.5 million

Target completion 2Q FY2019

Location Grand Ballroom Level 15, Meeting Rooms at Level 10 and Level 12

AEI objectives The renovation will see an unprecedented level of meticulous care and detailing; ensuring design coherence to the grand ballroom, grand foyers, public spaces and three floors of meeting venues, injecting a modern attitude, grandeur and sophistication.

These new facilities and spaces will greet delegates and guests to convenient improvements, complemented by enhanced facilities and technology upgrades bringing the hotel's function spaces to a brand new level of creativity and forward-looking service standards.

OPERATIONS REVIEW

KEY OPERATION FOCUS

RETAIL SEGMENT



NO. OF ASSETS

4

(FY2017 : 4)



TOTAL NLA (SQ. FT.)¹

Approx.

3 million

(FY2017 : Approx. 3 million)



OCCUPANCY AS AT 30 JUNE

97.2%

(FY2017 : 96.5%)



SEGMENT CONTRIBUTION
BY PROPERTY VALUE

64%

(FY2017 : 68%)



SEGMENT CONTRIBUTION
BY REVENUE

74%

(FY2017 : 78%)



SEGMENT CONTRIBUTION
BY NPI

71%

(FY2017 : 75%)



KEY MILESTONES

- On-going of Sunway Carnival Shopping Mall Phase 1 expansion project



For more information, please refer to Property Development Activities section

- Sunway Putra Mall was the winner for the FIABCI Malaysia Property Award 2017 under the retail category

- Sunway Pyramid Shopping Mall (Sunway Pyramid) clinched The Edge Malaysia Property Development Excellence Award 2017 for excellence in suburban family mall



For more information, please refer to Awards & Recognition section

- Sunway Pyramid celebrated its 20th anniversary in year 2017



¹ Include Sunway Pyramid Convention Centre and Sunway Carnival Convention Centre

OPERATIONS REVIEW

RETAIL SEGMENT

CHALLENGES

- The sprouting of new retail malls continues to exert pressure on tenants' performance due to dilution of their business as well as pressure on occupancy and rental rates.



For more information, please refer to Detailed Market Report section

- Consumers remained cautious with their spending due to higher cost of living caused by the weaker ringgit as well as global and domestic uncertainties.
- Growing threat from e-commerce shopping, where the digital platform provides a wider outreach with a lower operation cost.

The above challenges result in moderate rental reversion rate for FY2018.

PROSPECTS

- The Malaysian consumer's optimism about the country's economic outlook, coupled with the reduction of Goods and Services tax (GST) to 0% on 1 June is likely to spur consumer spending.
- Retail Group Malaysia (RGM) expects the retail sector to grow at 5.3% in CY2018, marginally lower than the Gross Domestic Product (GDP) growth forecast of 5.5% – 6.0% by Bank Negara Malaysia (BNM).
- 1st tier malls in prime locations will continue to command high footfall, supported by a good tenant mix, to provide variations of excitements and experiences.
- The Manager expects a moderate increase in rental reversion in the coming year in view of the Sales and Services Tax (SST) implication as well as the uncertainties of new Government policies to come.
- Hence, the Manager expects the retail segment to grow moderately in the coming financial year.

STRATEGIES

- The Facilities Management Team will continue to leverage on the integrated township of Sunway City and the excellent infrastructure (the bus rapid transit (BRT) system which is linked to the light rail transit (LRT) system at USJ 7) and connectivity to encourage higher footfall and drive business synergies to Sunway Pyramid.
- Curation of the Sunway Pyramid brand over the last 20 years through various brand awareness and enhancement exercises to become a strong household name.
- Organise relevant and interesting events, marketing and promotion activities during festive periods, school holidays and in between weeks to encourage visitorship and spending.
- Continuously revamp tenancy mix to remain relevant by securing popular and renowned brands and introduce first in Malaysia or flagship retail stores i.e. Etude House opened its first flagship retail in Malaysia with Sunway Pyramid.
- Introduce the first mobile application in Malaysia that enhance shoppers experience and convenience where the digital shopping management system has a Car Park Locator and a NavTrail feature which serve as an incredible mall navigation tool.
- 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.
- Under the 'Safe Shopping Campaign' Sunway Pyramid features security escorts for the ladies, smart chip patrols, car park buggy service, bicycle patrols in the car park, and strategic CCTV cameras to ensure safety measures are in place.
- Continuously enhance facilities for convenience and safety of shoppers from all walks of life such as creating the first ever Grab Lounge in the region with dedicated waiting space for drop-off and pick up, electric or hybrid car charging station, family washroom, emergency contact tattoo, child wristband, double-stroller, phone charging station, well-trained concierge and etc.

OPERATIONS REVIEW

HOTEL SEGMENT



NO. OF ASSETS

6

(FY2017 : 5)



NO. OF ROOMS

2,509

(FY2017 : 2,108)



AVERAGE OCCUPANCY

74.2%
(FY2017 : 72.9%¹)SEGMENT CONTRIBUTION
BY PROPERTY VALUE
24%

(FY2017 : 20%)

SEGMENT CONTRIBUTION
BY REVENUE
15%

(FY2017 : 12%)

SEGMENT CONTRIBUTION
BY NPI
18%

(FY2017 : 15%)



KEY MILESTONES

Sunway Putra Hotel was bestowed the ASEAN MICE Venue Standard Award 2018-2020



For more information, please refer to Awards & Recognition section

Sunway Hotel Georgetown achieved occupancy exceeding 90% from the pro-active online leisure market management, an excellent mark from the acquisition base year of 70% in FY2015

CHALLENGES

- The hotel industry continued to face challenges amidst growing supply, weak corporate demand and rising costs.



For more information, please refer to Detailed Market Report section

- AirBnB has become a disruptor in the hospitality scene as certain segments of travellers are shifting away from the traditional hotel bookings into the no-frill AirBnB accommodations.
- Tourism Tax was enforced on 1 September 2017 whereby Malaysians and permanent residents are exempted from paying the tax, while foreign tourists are charged a flat rate of RM10 per room per night for all hotel classifications. The implementation of this new tourism tax is an added cost which may adversely affect the hotels' financial performance if the tax cannot be absorbed by guests.
- The minimum wage in Peninsular Malaysia was raised to RM1,000. The newly elected Government has pledged to set the minimum wage further up to RM1,500 which may put further pressure on the staff costs and operating expenses.
- Shortage of service staff impacts service level as well as pushing up staff costs, with the potential revision of the minimum wage order to come.
- The weaker Ringgit Malaysia did not translate into a boost in tourist arrivals in CY2017 where Malaysia experienced a 3% drop in tourist arrivals to 25.9 million arrivals.

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

OPERATIONS REVIEW

HOTEL SEGMENT

PROSPECTS

In view of the increasing supply of new entrants and a declining trend of tourist arrivals, the Manager expects the contribution from the hotel segment to be impacted with the challenging market environment coupled with the income disruption due to the refurbishment of the Grand Ballroom and meeting rooms in the coming financial year. Nevertheless, the rejuvenation would potentially capture new markets in the future.

STRATEGIES

- The hotel operators shall continue to deploy effective yield management to optimise the revenue per available room by strengthening the segmentation by applying predictive analytics to anticipate seasonal demands for the hotel and further optimise room rates during high demand periods.
- Maximise the strength and connectivity within the integrated development of Sunway City to target

STRATEGIES (cont'd)

leisure based travelers to the cluster hotels in the township.

- Refurbish older properties such as Sunway Resort Hotel & Spa to maintain competitiveness and relevance as well as to enhance guest experience.
- Penetrate new markets and focus on primary and secondary cities in China, Japan, India, Indonesia, Middle East and Central Asia.
- Improve operating efficiency to better manage operating expenses, for example a change to LED lighting and menu re-engineering.
- Focus on direct booking by offering attractive member rates and direct booking benefits when guests books via www.sunwayhotels.com.
- Supplement traditional internet booking engine such as Tripadvisor, Agoda, Booking.com and Expedia.com with Sunway hotels' own booking portal to broaden the hotel group's online marketing channels.
- Strengthen and target domestic markets with tactical offerings and programmes.
- Actively participate in sales trips, trade shows and road shows with the intent to sustain and grow key geographic markets.



OPERATIONS REVIEW

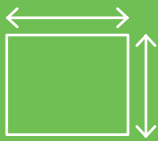
OFFICE SEGMENT



NO. OF ASSETS

4

(FY2017 : 4)

TOTAL NLA (SQ. FT.)¹

Approx.

1 million

(FY2017 : Approx. 1 million)



OCCUPANCY AS AT 30 JUNE

68.2%

(FY2017 : 58.2%)

SEGMENT CONTRIBUTION
BY PROPERTY VALUE
7%

(FY2017 : 7%)

SEGMENT CONTRIBUTION
BY REVENUE
6%

(FY2017 : 6%)

SEGMENT CONTRIBUTION
BY NPI
4%

(FY2017 : 4%)



KEY MILESTONES

Successfully increased the occupancy rate for Sunway Putra Tower from 42.4% as at 30 June 2017 to 78.2% as at 30 June 2018, despite weak office demand in the market.

Menara Sunway emerged as GOLD winner for The EdgeProp Malaysia's Best Managed Property Award 2018 under the category of Above 10 years Non-Strata Office.



For more information, please refer to Awards & Recognition section

CHALLENGES

The growing mismatch between supply and demand with no catalyst to boost demand in the near term continues to exert pressure on the overall rental and occupancy levels.



For more information, please refer to Detailed Market Report section

PROSPECTS

The Manager expects contribution from the office segment to gradually improve in the coming financial year as the Facilities Management Team continues to secure new tenants. In view of the challenging market condition which results in a tenants' market, the Facilities Management Team is cautious on the timing to secure replacement tenants for the vacant space and potentially at lower effective rent.

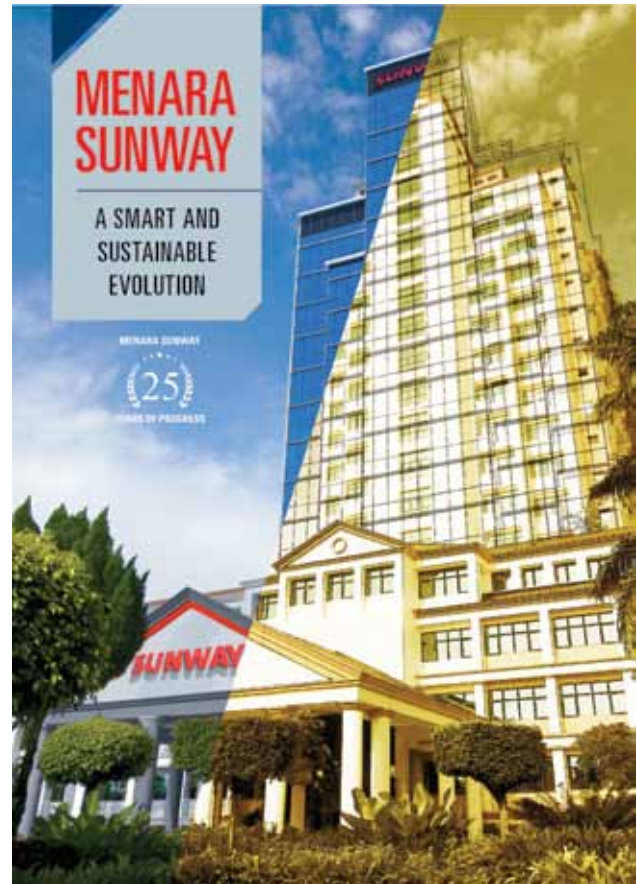
¹ Include Sunway Pyramid Convention Centre and Sunway Carnival Convention Centre

OPERATIONS REVIEW

OFFICE SEGMENT

STRATEGIES

- With the rising demand for co-working workspace and with technology related spaces catering to the growing new millennial workforce, the Facilities Management Team is to ride on this growing demand trend to reconfigure the vacant office space to meet such requirements.
- The Facilities Management Team shall focus on improving the tenancy mix of the office building and reduce tenant concentration risk where possible, while reviewing the potential conversion of vacant space into different mixed-use.
- In view of the current challenging environment, the Facilities Management Team's priority is to improve the occupancy rate of the office portfolio and constantly review competitiveness of the rental structure to attract and retain tenancies.
- Improve office facilities through technological advancements to create smart and sustainable building, leveraging on technologies and sustainable features such as rain water harvesting, The Ecowalk with solar panel and replacement of the normal light to LED light to provide a brighter and cost effective solution.
- Embark on a culture of conducting constant preventive maintenance and conducting periodic predictive maintenance on critical equipment via Computerised Maintenance Management System (CMMS).
- Emphasise on safety and security features through buggy services, installation of CCTV on critical spots, armed auxiliary police and visitor management service.



OPERATIONS REVIEW

KEY OPERATING INFORMATION

RENTAL RENEWALS

Rental rate increase

1.6¹%

Sunway REIT recorded a lower average rental reversion of 1.6¹% (FY2017: 3.9¹%) for the portfolio's 1,186,791 sq. ft. (FY2017: 1,555,569 sq.ft.) new/renewed tenancies during the financial year. The reversion rate was affected by rental reduction for the renewals at Wisma Sunway, Sunway Putra Mall and Sunway Tower due to the prevailing market condition particularly for the office segment. Excluding the aforesaid rental reduction, the rental reversion for the portfolio was at 4.7%.

The retail segment renewed or secured new tenants for 1,083,033 sq.ft. (FY2017: 1,495,464 sq.ft.) with a renewal rate of 96.3% (FY2017: 99.1%) of total space due for renewal. The office segment managed to renew 103,758 sq.ft. (FY2017: 60,105 sq.ft.) or 88.2% (FY2017: 83.2%) of total space due for renewal.

¹Increase for 3 years including step up rent

LEASE EXPIRY PROFILE AND LEASE STRUCTURE

Weighted Average
Lease Expiry

1.99 years

The weighted average lease expiry (WALE) as at year end was about 9% higher at 1.99 years (FY2017: 1.81 years) with the inclusion of the Sunway Clio Property master lease

of 17 years with renewal term automatically extended for one further term of 5 years.

These master leases represent 49% of the total space of the portfolio. The expiry of the master leases are as follows:

and the industrial property master lease, offsetting the long term hotel and hospital master leases that reduce over the years.

The portfolio has 13.4%, 39.8% and 41.6% of NLA expiring in FY2019, FY2020 and after FY2021 respectively. The majority of the tenancies are three-year tenancies with renewal option for another three-year term, subject to renewal at market rates. Certain anchor tenants or major tenants have the option to renew their tenancies for four terms of three years each. Included in the tenancies expiring in FY2019 are monthly tenancies occupying 1.6% (FY2017: 1.0%) 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, while the industrial property master lease is for a term

PROPERTY	EXPIRY OF FIRST TERM
Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Hotel Seberang Jaya	July 2020
Sunway Putra Hotel	September 2021
Sunway Medical Centre	December 2022
Sunway Hotel Georgetown	January 2025
Sunway Clio Hotel	February 2028
Sunway REIT Industrial – Shah Alam 1	December 2034

WALE

(No. of Years)



Retail

1.42 years



Hotel

3.65 years



Office

1.48 years



Others

6.70 years

OPERATIONS REVIEW

TOP 10 TENANTS

11.8%

of total gross revenue

Sunway REIT has a diverse tenant mix of approximately 1,246 tenancies (FY2017: 1,292), 5 hotel master leases, one hospital master lease and an industrial property master lease. As at 30 June 2018, the exposure to tenant-concentration risk remains low, as the top 10¹ largest tenants contribute only approximately 11.8% (FY 2017: 12.1%) of total gross revenue.

TOP 10 TENANTS BY TOTAL GROSS REVENUE

TENANT	TRADE	TENANCY EXPIRY DATE ¹	% OF TOTAL GROSS REVENUE ²
Parkson Corporation Sdn Bhd	Department Store	18 July 2019, 31 August 2019	2.0
TGV Cinemas Sdn Bhd	Cinema	14 September 2018, 22 July 2021	1.5
Aeon Co. (M) Bhd	Department Store	29 September 2019	1.5
GCH Retail (M) Sdn Bhd	Hypermarket/ Supermarket	21 January 2021	1.3
Padini Dot Com Sdn Bhd	Fashion	6 September 2019	1.2
Jabatan Kerja Raya	Government Agency	28 February 2021	1.0
Sunway Resort Hotel Sdn Bhd	Convention Centre	31 December 2020	0.9
JD Sports Fashion Sdn Bhd	Fashion	8 November 2018, 30 September 2019, 4 January 2021	0.8
Cotton On (Malaysia) Sdn Bhd	Fashion	3 January 2019, 19 March 2019, 20 January 2020	0.8
Sunway Management Sdn Bhd	Management Services	31 December 2019	0.8

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

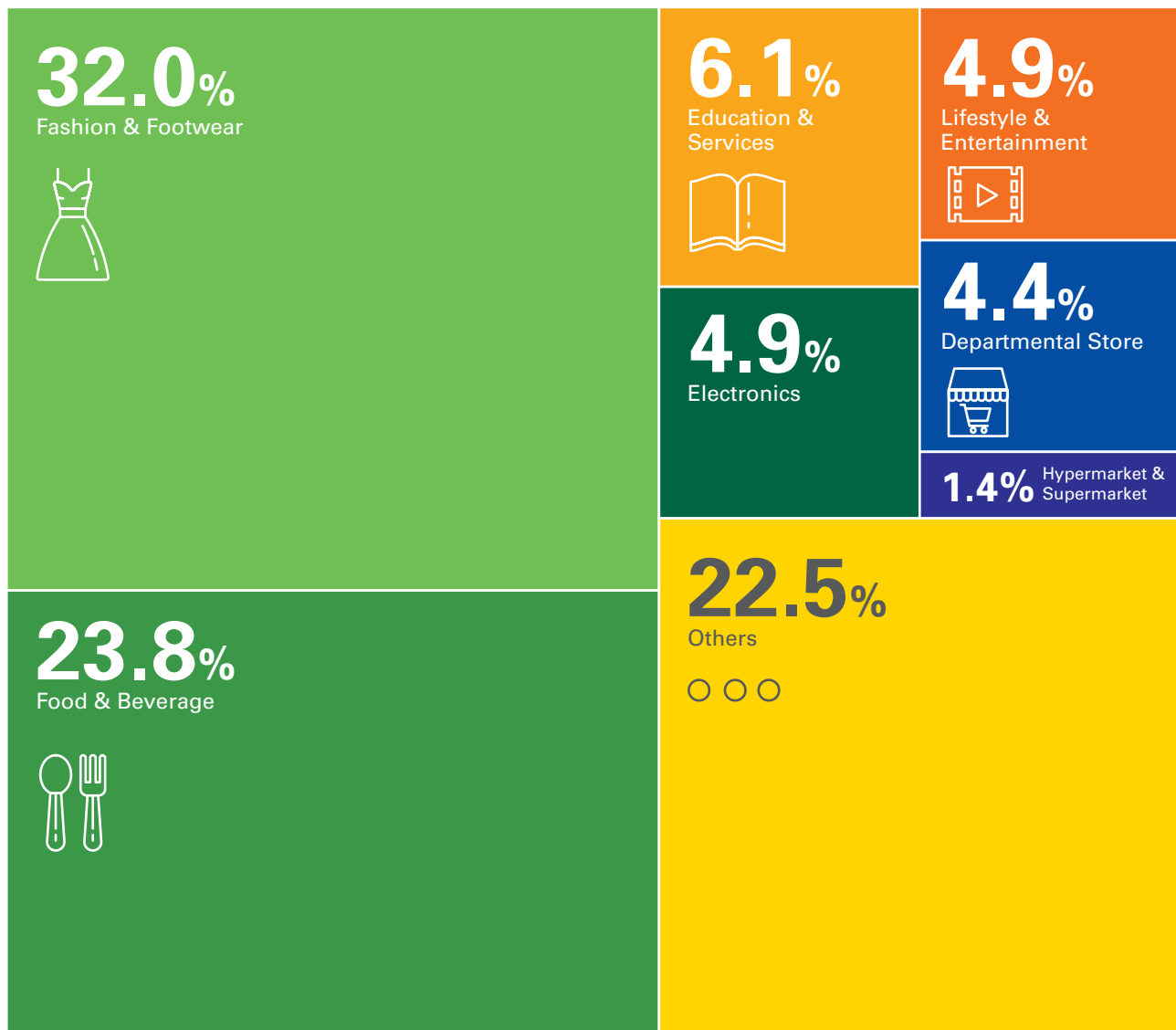
² Based on total gross rental for the month of June 2018, excluding hotel master leases, hospital master lease and industrial property lease rental income and carpark tenancies

OPERATIONS REVIEW

TRADE SECTOR ANALYSIS

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

TRADE SECTOR ANALYSIS – RETAIL PROPERTIES



OPERATIONS REVIEW

TRADE SECTOR ANALYSIS – OFFICE PROPERTIES

43.8%

Government Agency



14.1%

Property & Construction



14.0%

Management
Services



9.6%

Others



8.0%

Consultancy



5.1%

Medical



3.3%

Communication
& Technology



2.1%

Trading &
Manufacturing



CAPITAL MANAGEMENT

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

The Manager intends to implement this strategy by:

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

TRACK RECORD	FY2018	FY2017	FY2016	FY2015	FY2014
Total borrowings (RM billion)	2.903	2.344	2.176	2.142	1.742
Average cost of debt (%)	3.98	3.95	3.93	3.93	3.85
Fixed : Floating ratio	40 : 60	89 : 11	94 : 6	88 : 12	76 : 24
Average maturity period (years)	0.6	0.4	1.0	1.7	2.2
Interest service cover ratio (times)	3.7	4.1	4.9	3.7	5.0
Gearing ratio (%)	38.6	34.2	33.3	33.3	31.1

CAPITAL MANAGEMENT UPDATE	FY2018	COMMENTARY
Total borrowings (RM billion)	2.903	Sunway REIT's outstanding borrowings increased by RM559 million during the financial year mainly to fund the acquisitions of Sunway REIT Industrial - Shah Alam 1, Sunway Clio Property and capital expenditure.
Unutilised facility (RM million)	483	Based on gearing of 45% allowed under the loan covenant, total unutilised facility amount to RM483 million as at 30 June 2018.
Average cost of debt (%)	3.98%	Average cost of debt increased following the increase in Bank Negara Malaysia Overnight Policy Rate (OPR) by 0.25% in January 2018, as well as borrowing refinanced at higher rate during the year.

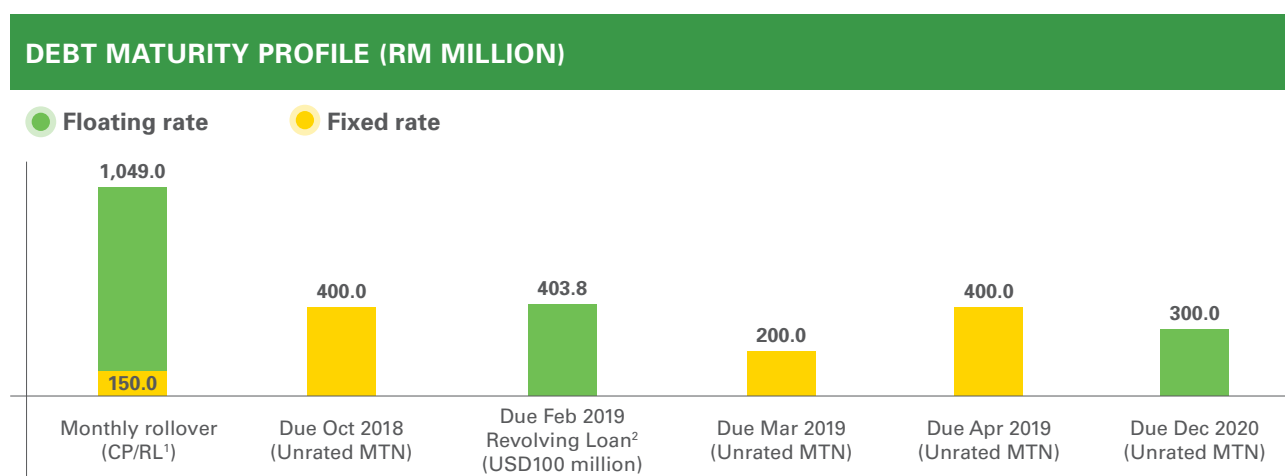
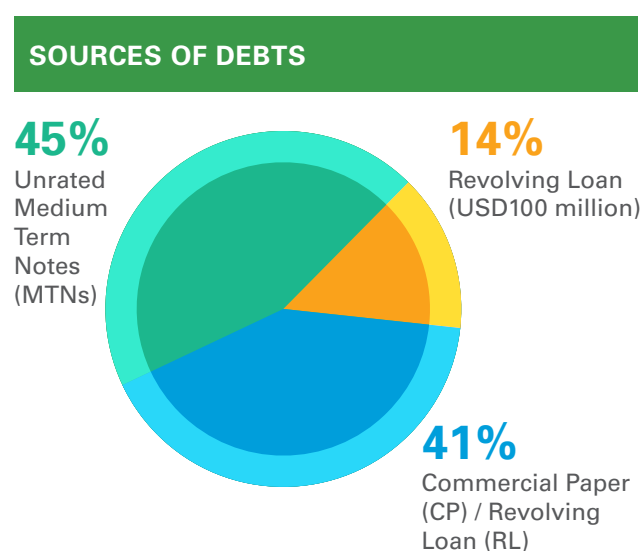
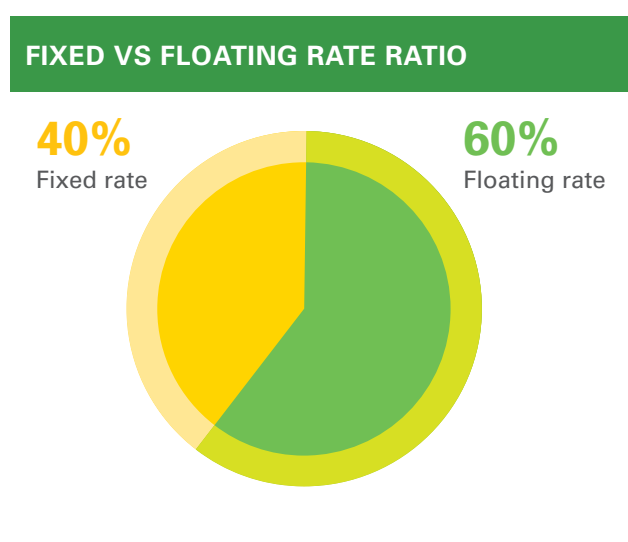
CAPITAL MANAGEMENT

CAPITAL MANAGEMENT UPDATE	FY2018	COMMENTARY
Fixed : Floating ratio	40 : 60	Sunway REIT's capital management strategy includes maintaining a balance portfolio of fixed and floating rate borrowing facilities to optimise the interest rate structure with the focus of providing stable distributions to unitholders. Interest rate risk is monitored on a continuous basis and this entails review with the Board of Directors on the optimal mix of fixed and floating rate financing.
Average maturity period (years)	0.6	<p>The average maturity period stands at 0.6 year compared to 0.4 year as at 30 June 2017. The average maturity of the portfolio lengthens to 0.9 year (FY2017: 1.0 year) 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 monthly basis.</p> <p>The Manager has successfully refinanced the existing facilities of RM1.4 billion during the financial year with the continuous support from the existing and new financial institutions.</p> <p>The Manager does not foresee any risk in refinancing the existing RM1.2 billion CP Programme and roll over the refinancing of the existing facilities of RM1.4 billion due in the next financial year, as all are fully supported by either an underwriting or commitment from our existing financial institutions and are underpinned by the quality of the underlying properties, strong financial covenants compared to requirements and adequate liquidity in the market.</p>
Interest service cover ratio (times)	3.7**	Above requirement under loan covenant of minimum 1.5 times.
Gearing ratio (%)	38.6%**	<p>Below requirement under loan covenant of not more than 45%.</p> <p>At the current gearing level, Sunway REIT has debt headroom of approximately RM400 million - RM500 million to fund its ongoing and future capex plans. The Manager envisages to maintain an optimal gearing ratio that complies with regulatory requirement and shall evaluate equity financing option relative to the proportion of acquisition size, if necessary.</p>
Unencumbered assets - RM million - % of TAV	524 7.2%	<p>Unencumbered assets:</p> <ul style="list-style-type: none"> - Sunway Hotel Georgetown (RM75 million) - Land for Sunway Carnival Expansion (RM17 million) - Sunway REIT Industrial - Shah Alam 1 (RM92 million) - Sunway Clio Property (RM340 million)

** All targets as required under the respective loan covenants were fully complied.

CAPITAL MANAGEMENT

SALIENT FEATURES OF CURRENT DEBT PROGRAMMES	COMMERCIAL PAPER (CP) PROGRAMME	UNRATED MEDIUM TERM NOTE (MTN) PROGRAMME
Year established / revised	2012 / NA	2013 / 2017
Programme size (RM billion)	1.6	10.0
Amount utilised as at 30 June 2018 (RM billion)	1.2	1.3
Programme tenure (years)	7	35
Programme expiry	2019	2048
Rating	P1 by RAM Rating Services Berhad. Rating had been reaffirmed by RAM in their annual review dated July 2018	Unrated
Underwriting / Commitment	Fully underwritten by a financial institution	Refinancing commitment provided by a financial institution for 5 years



¹ 7-year CP Programme (expiring in April 2019) of RM1.2 billion in nominal value and it is fully underwritten by financial institution for the entire duration of the CP Programme. The CPs are rolled over on a monthly basis.

² Fully hedged via a cross currency swap

RISK MANAGEMENT

Risk is fundamentally part of Sunway REIT's business operations, and it needs to be managed accordingly in order to create sustainable value to all our stakeholders. Therefore, the Board places great importance and is committed to maintaining effective risk management practices which is part of an integral process in achieving Sunway REIT's business objectives. As such, The Manager adopts a robust risk management framework that enables it to continuously identify, assess, treat and manage risks that could affect Sunway REIT from achieving its objectives within defined risk parameters in a timely and effective manner. Sunway REIT has a Risk Officer who is responsible to ensure all identified risks are recorded in a risk management scorecard to facilitate systematic review and monitoring.






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



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

RISK FACTORS	MITIGATING ACTION PLANS	RESIDUAL RISK RATING	RISK TREND
ACQUISITION AND INVESTMENT RISK Risk that assets are not yield accretive and distort existing portfolio which is retail-focused or difficulty in acquiring quality assets	<ul style="list-style-type: none"> The Manager remains very selective and manages such risk by evaluating potential acquisitions against a set of approved investment criteria. All acquisition proposals are evaluated by the Investment Appraisal Working Group prior to recommendation to the Board and Trustee. Due diligence will also be performed prior to acquisition. 		
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	<ul style="list-style-type: none"> The Manager strives to ensure that all the assets under management maintains its high occupancy level and rental rates by adopting various asset management strategies. The Manager continuously reviews the quality of asset management to ensure it meets relevant needs at both the REIT and asset level. Office properties For one of the office properties with low occupancy due to the prevailing challenging office market, the Manager continuously engages with the Facilities Management Team to review its progress and strategy to secure new tenants. Office properties represent 6.5% of the total portfolio value of RM7.28 billion as at 30 June 2018. <p>During the year, the occupancy rate at Sunway Putra Tower improved from 42.4% as at 30 June 2017 to 78.2% as at 30 June 2018. However, the occupancy at Sunway Tower remained low at 22.1% as at 30 June 2018 resulting in decline in value of RM5.0 million.</p> <p>That said, the increase in value of the other properties within the portfolio fully mitigated the decline in value above resulting in a net fair value gain of RM144.7 million after accounting for capex incurred.</p>		









RISK MANAGEMENT

RISK FACTORS	MITIGATING ACTION PLANS	RESIDUAL RISK RATING	RISK TREND
FINANCING AND REFINANCING RISK Risk that funding will not be available from banks or debt capital market to meet requirements when due	<ul style="list-style-type: none"> • Diversification of sources of debt funding The Manager has a commercial paper (CP) programme and an unrated medium term note (MTN) programme in addition to revolving loan facilities. • Different maturity profile The Manager strives to spread out the loan maturity profile of borrowings. • Adequate unutilised facility The Manager ensures there is adequate unutilised facility to meet funding requirement. • The Manager does not foresee any risk in refinancing the RM2.6 billion borrowings due in FY2019 as all are fully supported by either an underwriting or commitment from our existing financial institutions. <p> For more information, please refer to Capital Management section</p>		
LIQUIDITY RISK Risk that funds are inadequate to meet obligations	<ul style="list-style-type: none"> • The Manager, working together with the Facilities Management Team actively and continuously monitors the debtors ageing record of tenants. • The Facilities Management Team shall promptly engage with tenants who are slow in making payments and will take necessary actions against such tenants. • As at 30 June 2018, debtors turnover was approximately 10.9 days and do not pose any significant risk to Sunway REIT. • Interest service cover ratio as at 30 June 2018 was 3.7 times. 		
PROPERTY DEVELOPMENT RISK Risk of revenue loss from delay in completion of Sunway Carnival Shopping Mall expansion	<ul style="list-style-type: none"> • The Manager ensures there is close supervision and monitoring by the project management team. • The project is at the initial stages with commencement of piling works in 4Q FY2018. <p> For more information, please refer to Investment Review section</p>		







RISK MANAGEMENT

RISK FACTORS	MITIGATING ACTION PLANS	RESIDUAL RISK RATING	RISK TREND
INTEREST RATE RISK Risk that adverse movements in floating interest rates will affect financial performance	<ul style="list-style-type: none"> The Manager strives to maintain fixed rate borrowings ratio of at least 40% to mitigate the risk of interest rate movements. The Manager continuously monitors the interest rate environment and reviews and varies the capital management strategies in line with the interest rate outlook to optimise cost of capital, in addition to exploring suitability of equity financing options. <p> For more information, please refer to Capital Management section</p> <ul style="list-style-type: none"> Outstanding borrowings on floating rate basis amount to RM1.8 billion as at 30 June 2018. In addition, approximately RM2.6 billion is due for refinancing in FY2019 and the Manager expects the refinancing at higher cost of debt. Every 25 bps change in interest rate in respect of the RM1.8 billion floating rate borrowings and the RM2.6 billion due for refinancing would result in change in finance cost by RM4.4 million and DPU by 0.15sen. 		
BUSINESS/ MARKET RISK Risk that the properties face decline in revenue due to poor market condition, competition and geographical concentration	<ul style="list-style-type: none"> Sunway REIT maintains a diversified asset portfolio which is able to mitigate the risks of weaker performance of certain property sub-sector. The Manager will ensure that the Facilities Management Team collaborates closely with the Sponsor, Sunway Bhd, to leverage on and seek to maximise the operating synergies between the properties in the Sunway REIT portfolio and the surrounding developments within the townships that are master-planned and developed by the Sponsor. The Manager will also actively identify and capitalise on potential asset enhancement initiatives within the portfolio to maintain market position and competitiveness. The Manager will address the geographical concentration risk of its portfolio at Sunway City by its strategy to acquire properties at other key growth cities throughout Malaysia. To provide further stability to earnings, the Manager has implemented the strategy to invest in properties such as industrial, logistics, warehouses etc with long-term fixed leases. These assets will be classified under the "Others" segment and shall not exceed 15% of TAV. 		





RISK MANAGEMENT

RISK FACTORS	MITIGATING ACTION PLANS	RESIDUAL RISK RATING	RISK TREND
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	Sunway REIT does not have any tenant concentration risk as its top ten tenants as at 30 June 2018 represent 11.8% of total gross revenue with no tenants contributing more than 2.0% of total gross revenue.		
CURRENCY RISK Risk that Sunway REIT is exposed to foreign currency and exchange rate fluctuations	<ul style="list-style-type: none"> • 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 revolving 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 at the fund level	<ul style="list-style-type: none"> • Sunway REIT has a Compliance Officer who is responsible for ensuring compliance with the Deed, all applicable Securities Commission (SC) Guidelines and Securities laws at the fund level. • A compliance programme comprising compliance reviews, questionnaires, on-the-job training and advisory is in place. • Separately, operational compliance is reported by the Facilities Management Team to the Manager. 		
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	<ul style="list-style-type: none"> • The Manager has a strong and prevailing employee engagement philosophy and strategy which reinforces the importance of having an engaged workforce. • The Manager has an established salary structure that is reviewed annually in line with the general market. • The Manager also practices annual talent review which is a talent retention and development programme besides providing various trainings for employees' career progression. • The Manager has a succession planning policy which identifies and nurtures successors for key positions. • The Manager is able to tap into the talent pool of the Sponsor when necessary to ensure continuity of positions/job functions. 		

RISK MANAGEMENT

RISK FACTORS	MITIGATING ACTION PLANS	RESIDUAL RISK RATING	RISK TREND
CYBER RISK The risk of operations disruptions and loss of confidential data due to cyber attack on the IT systems	The maintenance of Sunway REIT's IT system is outsourced with the following controls in place: <ul style="list-style-type: none"> • Enforcement of acceptable use policy. • Effective controls including firewalls, antivirus, system contingency plan. • Data centre disaster recovery procedure with annual walkthrough. • Password management policy and access control policy. • System backup and stored at different site. 		
REPUTATIONAL RISK Risk of financial losses arising from damage to the reputation of Sunway REIT caused by adverse events	<ul style="list-style-type: none"> • Established standard operating procedures on crisis management. • Dedicated personnel to handle communication in the event of crisis. • Periodic training and simulation. • Transparent communication in the event of crisis. 		
OPERATIONAL RISK Risk of loss due to occurrence of incidents resulting from inadequate or failed internal processes, systems or external events	<ul style="list-style-type: none"> • Ensure strict compliance with regulatory requirements and relevant standard operating procedures. • Effective internal controls to prevent occurrence of adverse events. 		

RESIDUAL RISK RATING

RISK RATING	RISK DESCRIPTION	ACTION REQUIRED
	Low	Acceptable – risk management practices are effective
	Moderate	Acceptable – risk management practices are effective but require mitigating action on certain areas of weaknesses
	High	Not acceptable – appropriate mitigating action plans required to reduce risk to an acceptable level
	Very Significant	Not acceptable – immediate attention required to ensure that the risk is managed and mitigated

RISK TREND



Green – Decreasing
 Yellow – Stable
 Red – Increasing

INVESTOR AND MEDIA RELATIONS

INVESTOR AND MEDIA RELATIONS

Sunway REIT's approach to investor relations (IR) premised on the philosophy that all investors should have equal access to information in a timely and effective manner. Our IR strategy and communications are designed to reach out to the various groups of investors, both retail unitholders and institutional investors as well as other stakeholders. Our dedication to professional IR practices, transparent and non-discriminative communications have gained investors' confidence over the years. We continuously explore new avenues to enhance our multi-channels communication platform to reach out to our stakeholders.

COMMUNICATION CHANNEL	MEDIUM OF COMMUNICATION	STAKEHOLDERS
ANALYST AND INVESTOR BRIEFING	<ul style="list-style-type: none"> Quarterly financial earnings release Material development Corporate exercise 	<ul style="list-style-type: none"> Institutional investors Analysts
PROPERTY TOUR	<ul style="list-style-type: none"> Group tour One-on-one tour 	<ul style="list-style-type: none"> Institutional investors Analysts
MANAGEMENT MEETING	<ul style="list-style-type: none"> Small group meeting One-on-one meeting 	<ul style="list-style-type: none"> Institutional investors Analysts
CONFERENCE	<ul style="list-style-type: none"> Investors conference Non-deal roadshow Industry conference Retail investors workshop 	<ul style="list-style-type: none"> Institutional investors Retail investors Analysts Industry affiliates
DIGITAL & SOCIAL MEDIA	<ul style="list-style-type: none"> Corporate website@ www.sunwayreit.com Enquiry contact: irsunreit@sunway.com.my Sunway REIT's digital application Facebook 	<ul style="list-style-type: none"> Institutional investors Retail investors Analysts Media
RESEARCH COVERAGE	<ul style="list-style-type: none"> 14 research coverage as at 30 June 2018 	<ul style="list-style-type: none"> Institutional investors Retail investors Analysts Media
MEDIA ENGAGEMENT	<ul style="list-style-type: none"> Media briefing Media release Media interview Roundtable discussion 	<ul style="list-style-type: none"> Media Public
ANNUAL GENERAL MEETING & ANNUAL REPORT	<ul style="list-style-type: none"> Reporting of financial performance which include Management Discussion and Analysis and business strategies 	<ul style="list-style-type: none"> Unitholders Public

INVESTOR AND MEDIA RELATIONS

NEW IR INITIATIVES

Sunway REIT's IR strategy in the past year focused on enhancement initiatives to reach out and engage retail investors as well as broadened the spectrum of communication channels catering to technology savvy investors through the introduction of digital applications and social media presence.

SOCIAL MEDIA

We created our Facebook profile as a communication platform to engage with the public and to facilitate timely dissemination of information to the public. In addition, the public may share their feedback with the Manager on this platform.



Please follow us on Facebook @SunREIT.

DIGITAL APPLICATIONS

Powered by Chart Nexus, the digital application provides information through Android and Apple smart phone anytime and anywhere while on the go.



Download Sunway REIT's digital application at Playstore on your Android and Apple smart phones phone.

RETAIL INVESTORS ENGAGEMENT

Proactive engagement with retail investors and financial intermediaries such as dealers' representatives via educational and investors awareness workshops.



Please refer to Sustainability Statement for the details on retail workshop in the Economic pillar section.

INVESTOR AND MEDIA RELATIONS

INVESTORS RELATIONS ACTIVITIES

Sunway REIT robust investor relations activities focused on periodic communication with investment community to regularly update on the latest financial performance and prospects of the Manager. We believe consistent communication is crucial especially during challenging market condition to facilitate investors to make informed investment decision. For best corporate governance practices, financial earnings are released immediately after the Board of Directors Meetings followed by conference calls to the investment community to brief them on the financial performance, performance analysis of the properties and outlook for the coming quarter and financial year.

Sunway REIT 5th Annual General Meeting (AGM) and Extraordinary General Meeting were held in Sunway Resort Hotel & Spa, a venue that is conveniently accessible through public transportation. During the AGM, unitholders were encouraged to share their concerns, views and feedback to the Board of Directors and Senior Management. The minutes of the AGM is also made available on Sunway REIT's website.

Investor Relations Event Calendar

10 August 2017

5th Quarter FY June 2017 financial earnings



25 October 2017

Sunway REIT 5th Annual General Meeting
Sunway REIT Extraordinary General Meeting



31 October 2017

1st Quarter FY June 2018 financial earnings



6 February 2018

2nd Quarter FY June 2018 financial earnings



3 May 2018

3rd Quarter FY June 2018 financial earnings



9 August 2018

4th Quarter FY June 2018 financial earnings



Investors and analysts' financial earnings conference call



Announcement Pack (Financial Statement, Presentation Deck and Media Release)



Face-to-face interactions

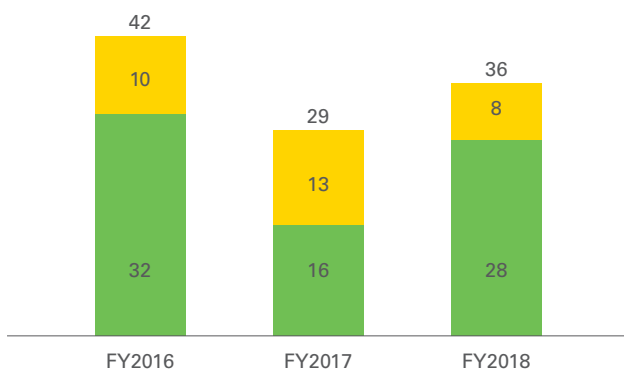
INVESTOR AND MEDIA RELATIONS



Sunway REIT 5th Annual General Meeting

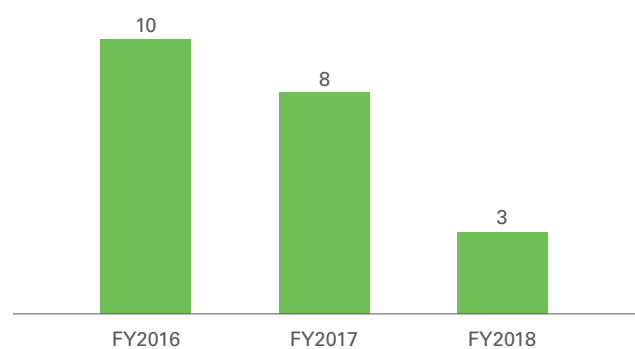
As continuation to provide effective communication with institutional unitholders and the investment community, we focus on private one-on-one, small group meetings and teach in sessions were held throughout the financial year for this group of stakeholders.

MANAGEMENT MEETINGS (FY2016 – FY2018)



Source: Sunway REIT

PROPERTY TOURS (FY2016 – FY2018)



Source: Sunway REIT

INVESTOR AND MEDIA RELATIONS

For the benefit of retail investors in relation to the area of interests amongst institutional investors, we introduced the frequently asked questions (FAQ) under the section below:

DISCUSSION POINTS WITH THE MANAGER

DISCUSSION POINT



THE MANAGER'S RESPONSE

What is the next acquisition?

We continue to actively explore on acquisitions opportunities, both external and Sponsor's assets. However, we are unable to disclose any information at this juncture pending any official announcement.

For acquisition, which sub-sectors are you eyeing for?

Sunway REIT's preference is retail malls within integrated developments supported by strong market catchment and properties with stable lease structures. Capitalising on the growth of e-commerce, we are actively exploring investment opportunities in the logistics and warehouse sub-sectors too.

In view of the expected higher gearing ratio going forward, does Sunway REIT have any equity fund raising plan?

We will continue to monitor the gearing level and seek out for market opportunities for equity fund raising. Typically, the timing of equity fund raising will coincide with acquisition. Besides that, we continue to explore other financing alternatives such as hybrid securities.

How do you plan to refinance the maturing debts and reduce the lumpiness of debt maturity?

The refinancing will be undertaken through existing debt programme and to be staggered over various tenures to manage the lumpiness of debt maturity profile.

When is the start of expansion for Sunway Carnival Shopping Mall? How much is the NLA and capex for the project?

The groundbreaking was held on 3 March 2018 and construction works to commenced thereafter. The combined capex for phase 1 (expansion) is estimated at RM353 million. The additional NLA is 330,000 sq.ft.

When is the target completion for the expansion of Sunway Carnival Shopping Mall?

The expansion of the new wing is targeted to be completed towards end CY2020 (FY2021).

Has Sunway Carnival Shopping Mall secure any tenants for the new wing? What are the tenants profile which the mall is targeting?

The Facilities Management Team has commenced pre-leasing activities with potential tenants and expect to announce the pre-leased commitments by mid-CY2019. We are targeting to attract more international / regional brands which is not currently represented in the mainland of Penang.

What is the expected gearing ratio following the completion of acquisition of Sunway Clio Property and expansion for Sunway Carnival Shopping Mall?

Gearing ratio is expected to increase to 41% following the completion of acquisition of Sunway Clio Property and expansion of Sunway Carnival Shopping Mall.

What is Sunway REIT's future plan of Sunway Tower in view of the prolonged low occupancy rate?

Although disposal is an option for Sunway REIT, we prefer to explore redevelopment opportunities for other use instead of outright disposal.

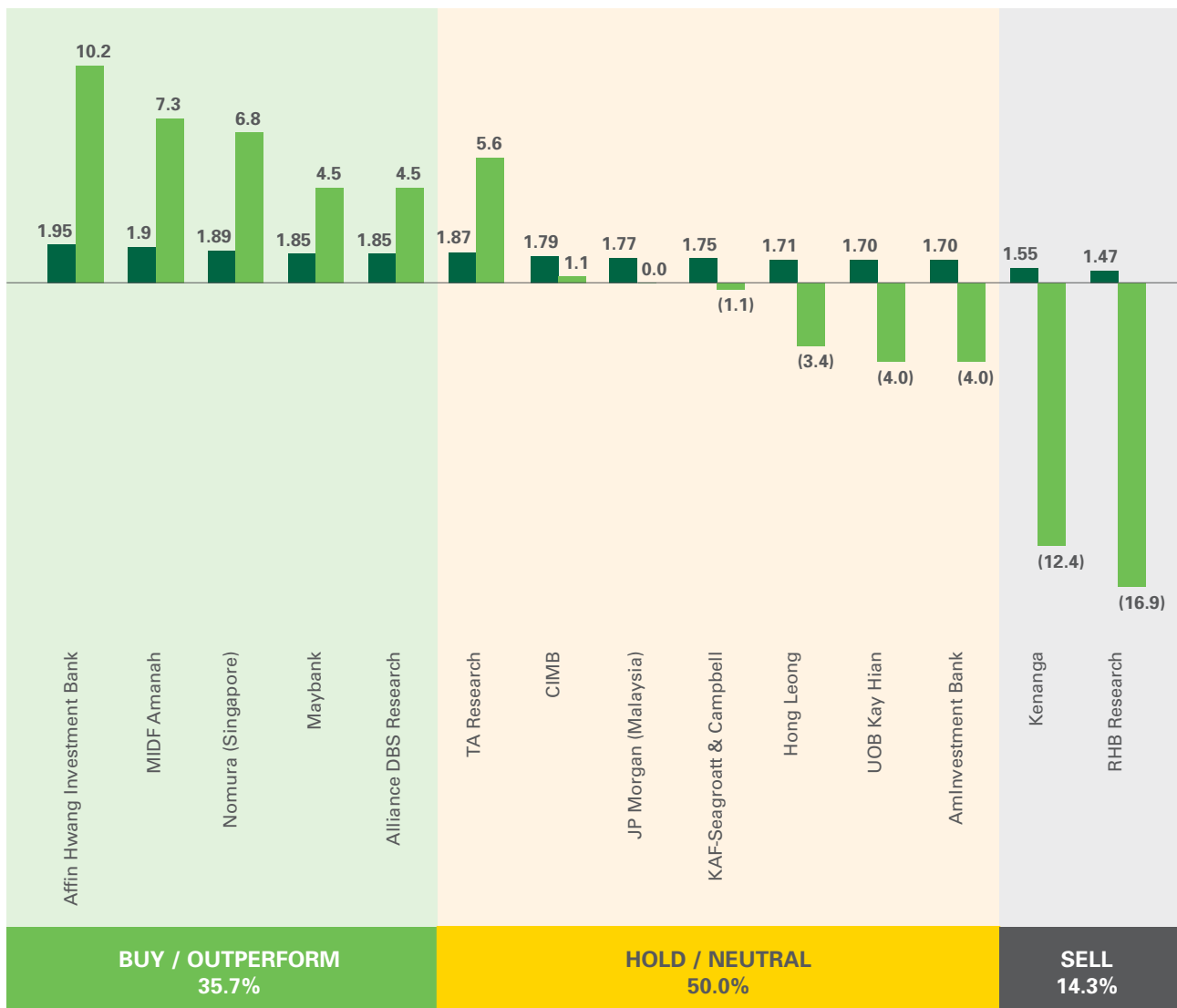
INVESTOR AND MEDIA RELATIONS

RESEARCH COVERAGE OF SUNWAT REIT

The number of research coverage for Sunway REIT increased by 1 to 14 coverage for the financial year ended 30 June 2018. In FY2018, Affin Hwang Investment Bank Berhad has initiated coverage on Sunway REIT. Based on the research coverage universe, the average target price has been revised from RM1.81 (as at 30 June 2017) to RM1.77 (as at 30 June 2018), reflecting the market sentiment for M-REITs.

● Target Price as at 30 June 2018 (RM)

● Upside/Downside to unit price as at 30 June 2018 (%)



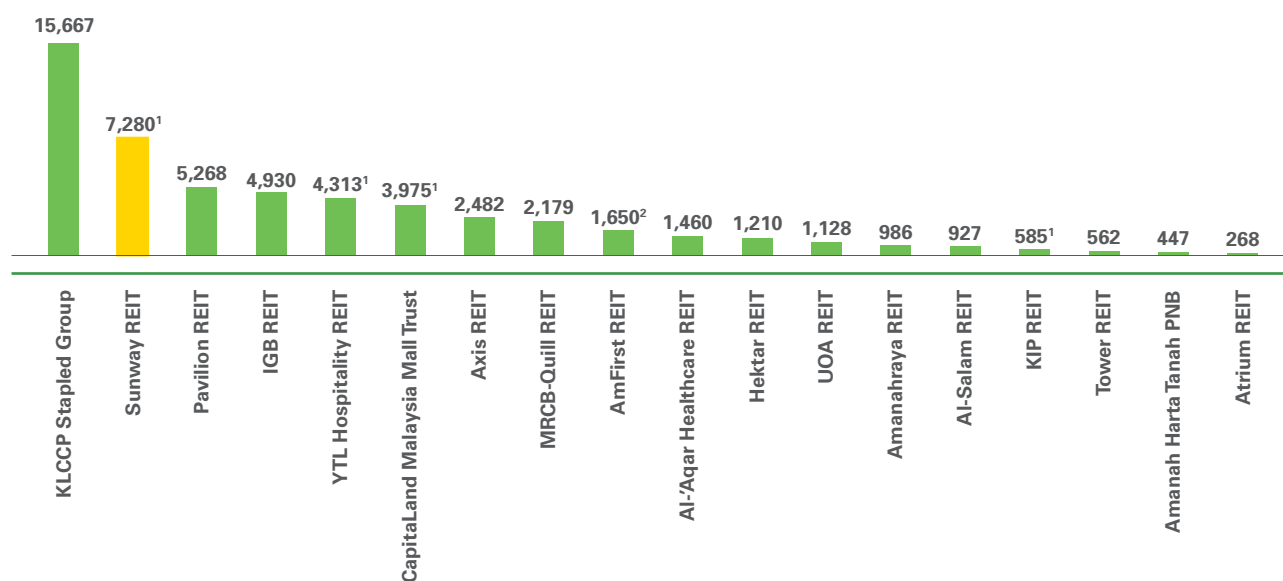
Source: Bloomberg (as at 30 June 2018)

INVESTOR AND MEDIA RELATIONS

SUNWAY REIT REMAINS AS ONE OF THE LEADING REITS

The property value and market capitalisation of Sunway REIT stood at RM7.28 billion and RM5.21 billion respectively as at 30 June 2018. Sunway REIT remained as the second largest REIT in Malaysia measured by property value. Sunway REIT's market capitalisation eased marginally by 0.6% from RM5.24 billion as at 30 June 2017 to RM5.21 billion as at 30 June 2018, maintaining its fourth ranking.

PROPERTY VALUE AS AT 30 JUNE 2018 (RM MILLION)



Source: Bursa Malaysia, M-REITs' financial statement

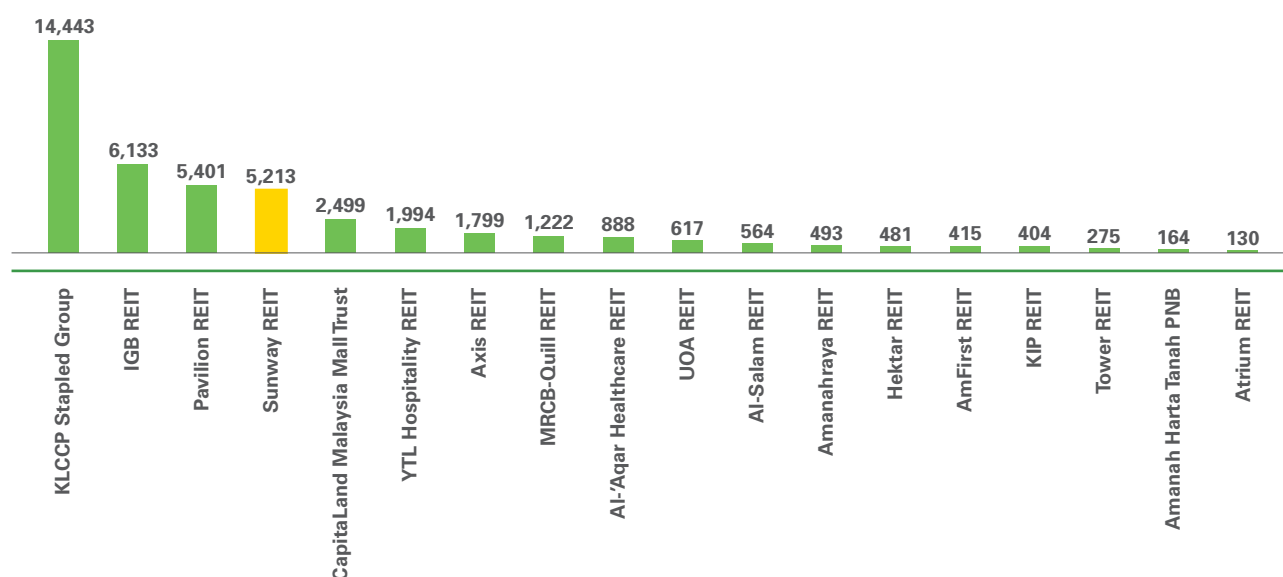
Notes:

¹ Information as at 30 June 2018

² Information as at 31 March 2018

All other information as at 31 December 2017

MARKET CAPITALISATION AS AT 30 JUNE 2018 (RM MILLION)



Source: Bursa Malaysia

INVESTOR AND MEDIA RELATIONS

Sunway REIT has recorded a total return of 4.8% in FY2018, of which unit price softened by 0.6% while distribution yield stood at 5.4%. Sunway REIT's 5-year average annual total return stood at 8.5% for the period 1 July 2013 to 30 June 2018, ranked 4th after IGB REIT, YTL Hospitality REIT and Pavilion REIT.

ANNUAL TOTAL RETURN FOR THE PERIOD FROM 1 JULY 2017 TO 30 JUNE 2018 (%)



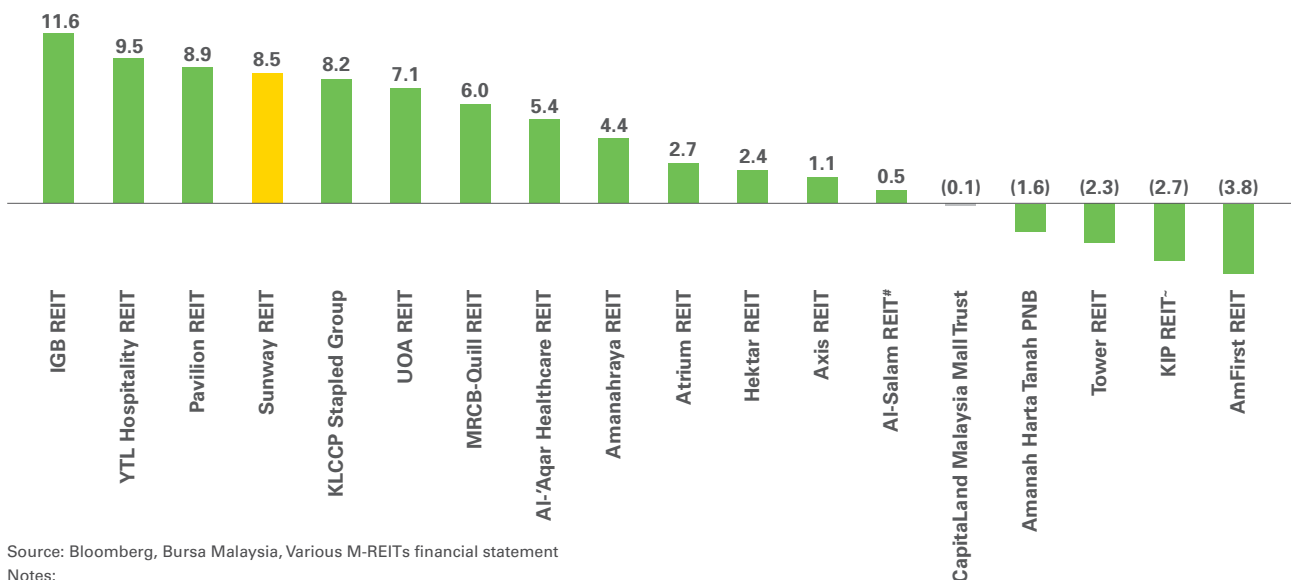
Source: Bloomberg

Notes:

Distribution yield is computed based on consensus DPU for FY2018

Sunway REIT's distribution yield was computed based on actual DPU for FY2018 of 9.57 sen

5-YEAR AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD FROM 1 JULY 2013 TO 30 JUNE 2018 (%)



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

Notes:

~ Since IPO on 6 February 2017

Since IPO on September 2015



INVESTOR AND MEDIA RELATIONS

MEDIA FEATURES



雙威集團2發展計劃 10億建醫療中心擴建廣場

▲雙威嘉年華廣場擴建的外觀設計圖。

【北海3日訊】以威集團耗資5.1億元，在詩不朗再也興建雙威醫療中心。該集團旗下的雙威產信託也獲投資5.1億元擴建雙威嘉年華廣場。

為詩不朗再創2500工作機會

雙威集團創辦人兼主席丹斯里謝富年說，這2項總值10億令吉的發展計劃，預計將為詩不朗再創2500個工作機會及200個創造就業機會。雙威醫療中心興建工程將分階段進行，首階段工程預計2021年第一季完工，並在同年次季投入運作。

“首階段工程將興建有180個床位的醫療中心，後續工程將增加170個床位，將有超過800名專業服務員及非執業員提供服務。我們有信心能為此區人提供最好的醫療服務。”

廣場加入绿色环保元素

他說，至於雙威嘉年華廣場擴建計劃，預計將在2020年第4季竣工，屆時該廣場將從原有的50萬平方呎，擴大至83萬平方呎。為配合檳城政府的環保政策，該廣場也將加入绿色环保元素，並放進申請2項綠色建築指數認證。

他說，該集團也計劃在8年內，在檳島聖尼路打造名為Sunway Valley City的綜合發展計劃。該計劃包括住宅區、商業中心、医疗中心及學院，發展總值達23億令吉。

謝富年今早來賓出席，由雙威產信託主席兼執行董事李晉興中代表出席。雙威嘉年華廣場擴建由土和代議致詞。

雙威集團耗5.1億 建雙威嘉年華廣場新翼

【星洲訊】雙威集團耗資5.1億元，在詩不朗再也興建雙威醫療中心。該集團旗下的雙威產信託也獲投資5.1億元擴建雙威嘉年華廣場。

謝富年說，這2項總值10億令吉的發展計劃，預計將為詩不朗再創2500個工作機會及200個創造就業機會。雙威醫療中心興建工程將分階段進行，首階段工程預計2021年第一季完工，並在同年次季投入運作。

“首階段工程將興建有180個床位的醫療中心，後續工程將增加170個床位，將有超過800名專業服務員及非執業員提供服務。我們有信心能為此區人提供最好的醫療服務。”

他說，該集團也計劃在8年內，在檳島聖尼路打造名為Sunway Valley City的綜合發展計劃。該計劃包括住宅區、商業中心、医疗中心及學院，發展總值達23億令吉。

謝富年今早來賓出席，由雙威產信託主席兼執行董事李晉興中代表出席。雙威嘉年華廣場擴建由土和代議致詞。

HIGHER NET PROPERTY INCOME

SUNWAY REIT Q1 PROFIT RISES 23.5pc

Group revenue climbs nearly 10pc

JAIRINA ZAKARIAH
KUALA LUMPUR
info@indagroup.com.my

SUNWAY Real Estate Trust (Sunway REIT) posted encouraging first quarter results for the financial year ending June 30, 2018.

Its net profit for the quarter grew 23.5 per cent year-on-year due to higher net property income. Its net profit stood at RM7.23 million against RM5.84 million, said the company in a filing to Bursa Malaysia yesterday.

Group revenue grew nearly 10 per cent, mainly contributed by higher revenue across all segments.

Sunway REIT's flagship portfolio includes Sunway Pyramid shopping mall in Subang Jaya, Selangor; COMPANY WESTBURY, while net property income grew 13.5 per cent to RM30.09 million against RM26.07 million previously.

The company proposed an interim income distribution of 15M7.63 million, or 13M5.07 per unit for the quarter ended June 30, 2018.

Sunway REIT expects distribution per unit to grow moderately in the fiscal year 2018, supported by moderate growth in the retail segment, repositioning of income

Kenanga maintains market perform, raises target price on SunREIT

ANALYST REPORTS

Wednesday, 7 Feb 2018
8:45 AM MYT



KUALA LUMPUR: Kenanga Research maintained market perform on Sunway REIT with a higher target price of RM1.90 from RM1.87.

It said realised net income of RM148.8mil came in within its and consensus expectations with gross rental income up 11% driven by all segments, comprising retail, hotel, office and others.

Net property income margins improved slightly by 1.5 percentage points on lower maintenance cost at Sunway Pyramid, allowing RNI to increase by 14%, it said.

COVER STORY

AN OPPORTUNITY RISING FROM E-COMMERCE

BY LUMINAR

The evolution of industrial spaces, boosted by the digitisation and technology wave of Industrial Revolution 4.0, is creating a new era of industrial real estate. Technology parks housing high-end factories are no longer the only option for the industrial sector. The sector is also seeing a rise in the number of small and medium-sized enterprises (SMEs) and start-ups that are looking for flexible industrial spaces to support their growth.

According to the Property Market Report 2017, the industrial sector is expected to grow at a steady pace over the next five years, with a CAGR of 3.5%.

The Property Market Report 2017 also noted that the industrial sector is becoming more diversified, with a mix of traditional manufacturing and modern logistics and distribution centres.

Moving forward, the industrial sector is expected to continue to grow, driven by the increasing demand for industrial spaces and the rising number of SMEs and start-ups.

Selected upcoming industrial developments

Location	Developer	Project Name	Project Details
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 1	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 2	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 3	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 4	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 5	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 6	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 7	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 8	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 9	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 10	2.5m sqm industrial factory

New and upcoming industrial development completions (2017/2018)

Location	Developer	Project Name	Project Details
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 1	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 2	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 3	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 4	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 5	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 6	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 7	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 8	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 9	2.5m sqm industrial factory
Penang, Bayan Lepas	Bayan Lepas Free Zone	Bayan Lepas Free Zone Phase 10	2.5m sqm industrial factory

Supply of industrial units in Malaysia

Category	2017	2018	2019
Existing Stock	116,140	113,173	110,140
Planned Supply	6,981	5,675	7,513

MARKET REPORT SUMMARY

ECONOMIC OVERVIEW

INDICATOR	CY2017	CY2018 FORECAST		REMARKS
GDP Growth	5.9%	5.5% - 6.0%	↔	The Malaysian economy recorded a growth of 5.9% in CY2017 (CY2016: 4.2%) and is expected to achieve the growth target of 5.5% to 6.0% in CY2018 despite uncertainties.
Consumer Price Index (CPI)	3.7%	2.0% - 3.0%	↓	CPI was recorded lower quarter-on-quarter (q-o-q) at 1.8% in 1Q CY2018 (4Q CY2017: 3.5%).
Unemployment Rate	3.4%	3.2% - 3.5%	↔	Unemployment rate is forecasted to be between 3.2% and 3.5% in CY2018.
Overnight Policy Rate (OPR)	3.00%	3.25%	↑	Bank Negara Malaysia (BNM) increased the OPR from 3.00% to 3.25% on 25 January 2018. In the recent Monetary Policy Committee (MPC) meeting on 10 May 2018, BNM maintained the rate at 3.25%.
Private Investment Growth	9.3%	9.1%	↓	Private investment moderated to 0.5% in 1Q CY2018 (4Q CY2017: 9.2%), due to lower capital spending during the quarter.
Public Investment Growth	0.1%	(3.2%)	↓	Public investment registered a decline of 1.0% in 1Q CY2018 (4Q CY2017: -1.4%), mainly attributed to the contraction in spending on fixed assets by public corporations.
Private Consumption Growth	7.0%	7.2%	↑	Private consumption registered a sustained growth of 6.9% in 1Q CY2018 (4Q CY2017: 7.0%), supported by continued strength in wage and employment growth.
Public Consumption Growth	5.4%	0.6%	↓	Public consumption recorded a lower growth of 0.4% in 1Q CY2018 (4Q CY2017: 6.8%), on account of lower expenditure on supplies and services.

Source: Bank Negara Malaysia

MARKET REPORT SUMMARY

RETAIL MARKET OVERVIEW

The Malaysian retail industry expects an increase in consumer spending due to new government policies and improved Consumer Sentiment Index (CSI) which are estimated to drive retail growth. In the meantime, retailers need to embrace e-commerce to maintain competitiveness in the retail sector.

255

Malls in Kuala Lumpur and Selangor

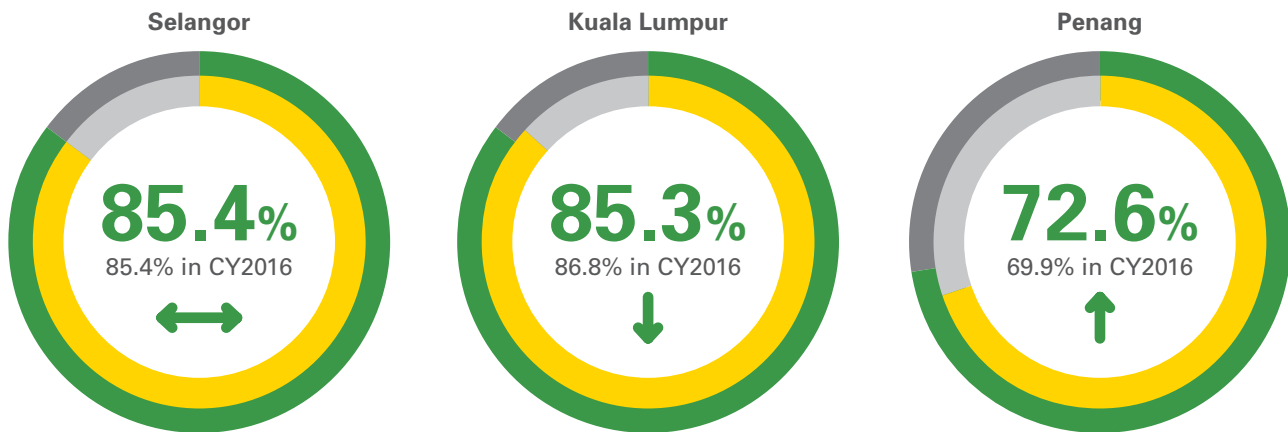


Source: Valuation and Property Service Department

AVERAGE OCCUPANCY RATES OF RETAIL CENTRES

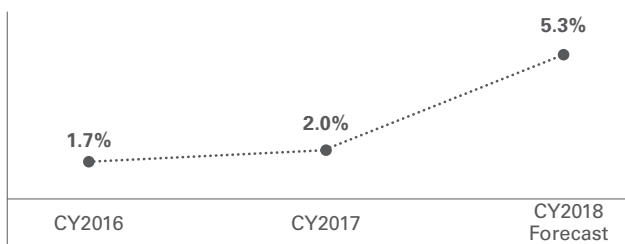
● CY2017

● CY2016



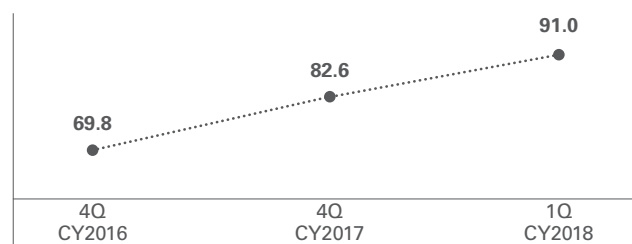
Source: Valuation and Property Service Department

RETAIL SALES GROWTH RATE



Source: Retail Group Malaysia (RGM)

NATIONAL CONSUMER SENTIMENT INDEX



Source: Malaysian Institute of Economic Research (MIER)

MARKET REPORT SUMMARY

HOSPITALITY MARKET OVERVIEW

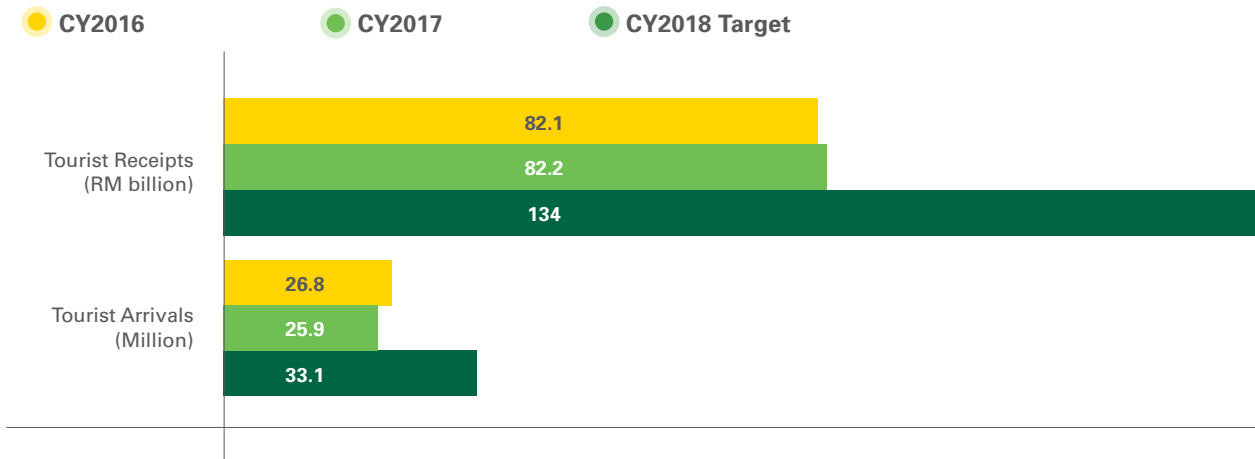
Tourist arrivals are starting to normalise in recent years and a slower growth in tourist receipts and tourist arrivals could be expected. However, the anticipated roll-out of new attractions would help boost the appeal of the country as a holiday destination.

3,126

Hotels Countrywide



Source: Valuation and Property Service Department



Source: Tourism Malaysia

OFFICE MARKET OVERVIEW

The overall office market is expected to remain subdued in CY2018. The incoming supply pipeline is expected to exert continued pressure on occupancy and rental rates.

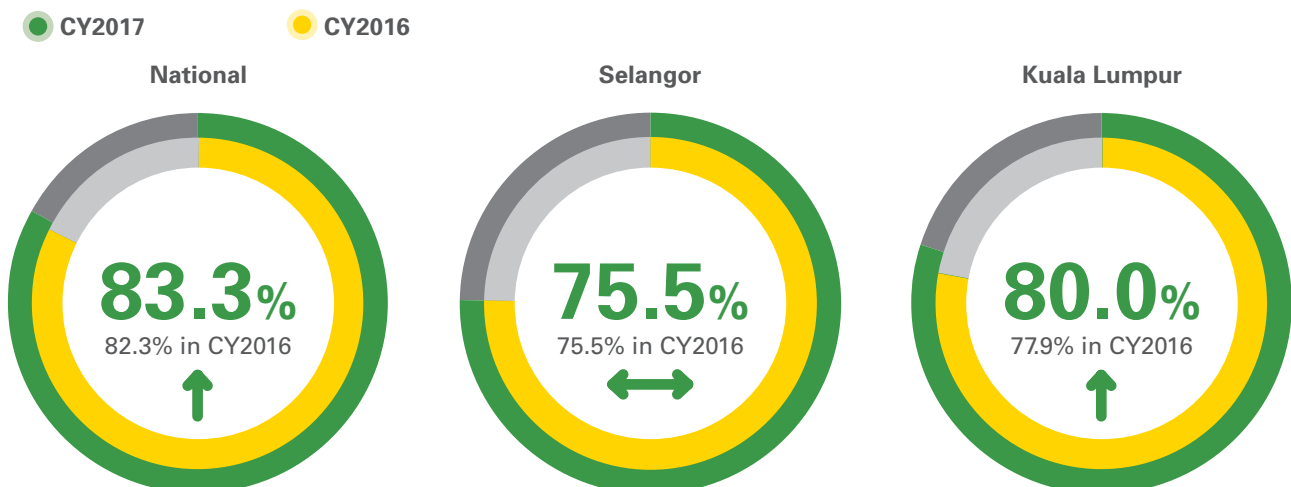
135

million sq. ft. of Office Space
in Kuala Lumpur and Selangor



Source: Valuation and Property Service Department

AVERAGE OCCUPANCY RATES OF OFFICE SECTOR



Source: Valuation and Property Service Department



For more information, please refer to Detailed Market Report section

DETAILED MARKET REPORT

ECONOMIC OVERVIEW

The Malaysian economy grew at a progressive pace in CY2017, registering a 5.9% growth, the highest growth recorded since CY2014. This growth was primarily fuelled by the strengthening domestic demand, improved labour market conditions, wage growth, as well as improved external demand for Malaysia's manufactured products and commodity exports. Capital expenditure had also increased due to higher private and public investments. The Malaysian economy had been resilient in CY2017, where there were several key policy responses that were used by the policymakers. Such policies included flexible exchange rate regimes that lowered the risk of currency crashes, large international reserves, selective and temporary capital controls to stabilise capital flows, and careful prudential regulation of the domestic financial sector.

Based on the latest figures released by Bank Negara Malaysia (BNM), Malaysia's GDP decelerated in 1Q CY2018. The GDP registered a growth of 5.4% (4Q CY2017: 5.9%), mainly supported by expansion in private sector consumption while other economic segments lost momentum. Moving forward, the Malaysian economy is expected to remain on a sustainable growth of 5.5% to 6.0% in CY2018, despite the outlook of the economy remains uncertain as the change of government has led to policy changes that may affect public and private spending. Drastic changes have been implemented within a short time frame, namely the scrapping of Goods and Services Tax (GST) and the re-implementation of Sales and Services Tax (SST), halt or delay of major infrastructure projects and changes of senior public servants, including the Central Bank Governor.

According to the Malaysian Investment Development Authority (MIDA), Malaysia recorded a total of RM197.2 billion in approved investments for CY2017, driven by the manufacturing, primary and services sectors. Domestic direct investments accounted for 72.2% or RM142.4 billion of the total investments, while foreign direct investments contributed 27.8% or RM54.7 billion. A majority of the domestic investments were still channelled to new projects, while the balance went into the expansion and diversification of existing projects. The five largest foreign investors in Malaysia during CY2017 were from China, Switzerland, Singapore, the Netherlands and Germany, with a total investment of RM12.1 billion. In the manufacturing and primary sectors, the total investments increased 8.9% and 50.9% respectively. However, the overall investment

performance declined by 7.3% due to lower approved investments recorded in the services sector, which saw a decline of 17.2% to RM121.1 billion in CY2017 from RM146.2 billion in CY2016. A change in investment strategies towards smaller sized projects had resulted in a 28.7% drop in the value of the real estate subsector to RM45.7 billion, despite a 43.1% uptick in the number of projects approved. China remains the top foreign direct investment source for the second consecutive year with an investment value of RM3.9 billion in CY2017, compared to RM4.8 billion in CY2016.

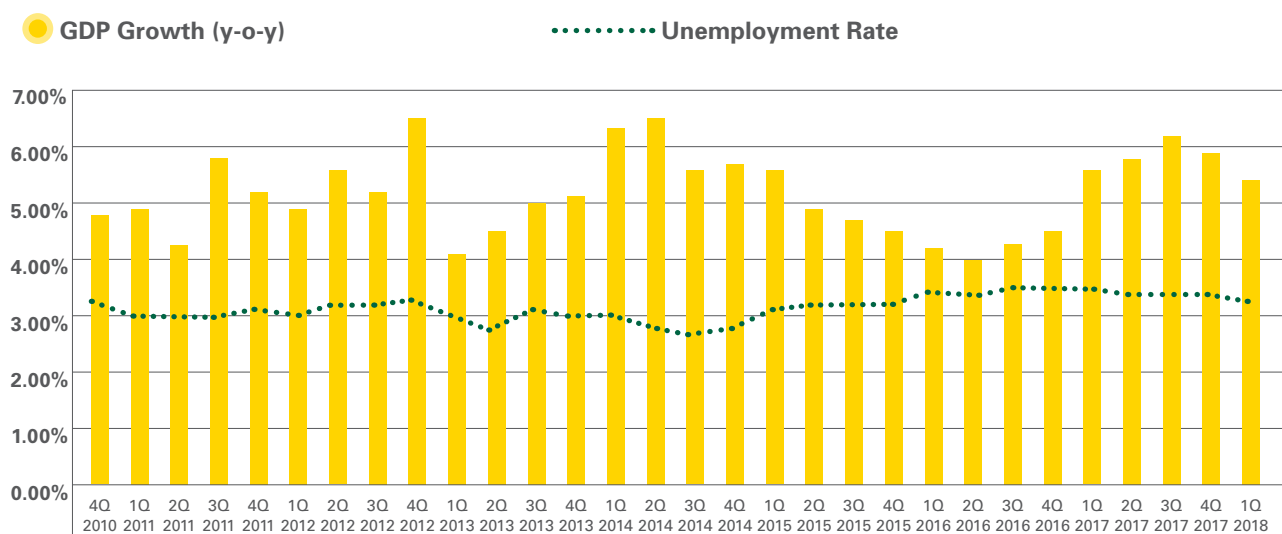
According to the announcement by BNM, domestic demand recorded a moderate growth of 4.1% in 1Q CY2018 (4Q CY2017: 6.2%), due to a lower growth of private sector expenditure and a marginal decline in public sector spending.

Private consumption registered a sustained growth of 6.9% in 1Q CY2018 (4Q CY2017: 7.0%), supported by continued strength in wage and employment growth. The growth of private investment moderated to 0.5% in 1Q CY2018 (4Q CY2017: 9.2%). Private investment was weighed down by lower capital spending in structures, particularly in residential and commercial properties, and machinery and equipment during the quarter. On a sectoral basis, private investment was supported mainly by the services sector, particularly the education and healthcare sub-sectors.

Public consumption growth was lower at 0.4% in 1Q CY2018 (4Q CY2017: 6.8%) due to lower expenditure on supplies and services. Public investment continued to decline in the first quarter by 1.0% (4Q CY2017: -1.4%), attributed to the contraction in spending on fixed assets by public corporations as some large-scale projects approach completion.

Inflation is on a downward trend where Consumer Price Index (CPI) was lower at 1.8% in 1Q CY2018 (4Q CY2017: 3.5%). The low inflation outcome reflects the smaller contribution of domestic fuel prices to headline inflation. The magnitude of increase was smaller as compared to the previous quarter despite the higher global oil prices during the quarter. The impact of higher global oil prices was also offset by the stronger ringgit exchange rate. As a result, transport inflation declined significantly during the quarter, recording a 1.3% increase in 1Q CY2018 as compared to the 11.4% increase in 4Q CY2017. More favourable supply conditions for fresh food items also helped contain food price increases during the quarter. BNM expects inflation to be contained within 2.0% - 3.0% in CY2018, barring any unforeseen circumstances.

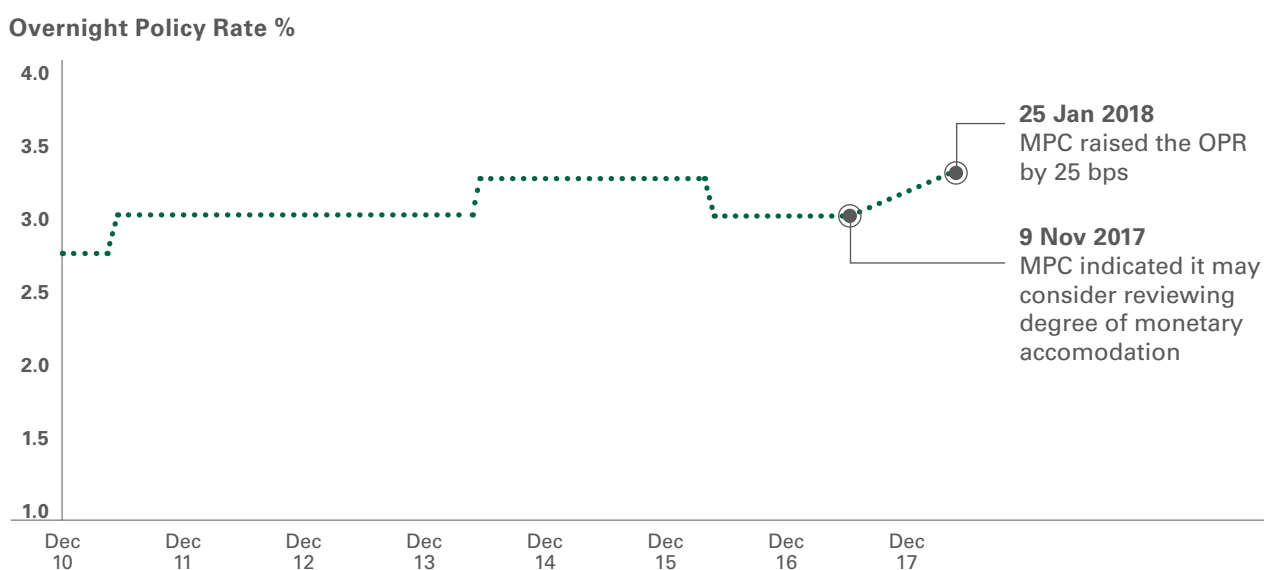
DETAILED MARKET REPORT

FIGURE 1.1: GDP GROWTH AND UNEMPLOYMENT RATE, 4Q CY2010 – 1Q CY2018


Source: Bank Negara Malaysia

Overnight Policy Rate (OPR) saw a rate hike to 3.25% during the Monetary Policy Committee (MPC) meeting on 25 January 2018, reflecting a normalisation of the monetary conditions. On 11 July 2018, the MPC decided to maintain the OPR at 3.25%. The positive domestic economic outlook, sound financial sector and improvement of the current account surplus and the balance of payments are expected to continue to support Malaysia's fundamentals. The ringgit exchange rate would be more reflective of the underlying fundamentals of the economy when the external and domestic uncertainties recede. Notwithstanding the

heightened financial market volatility, the domestic monetary and financial conditions remain supportive of economic growth. BNM's monetary operations will continue to ensure sufficient liquidity to support the orderly functioning of money and foreign exchange markets and intermediation activity. At the current level of the OPR, the degree of monetary accommodativeness is consistent with the intended policy stance. The MPC will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation.

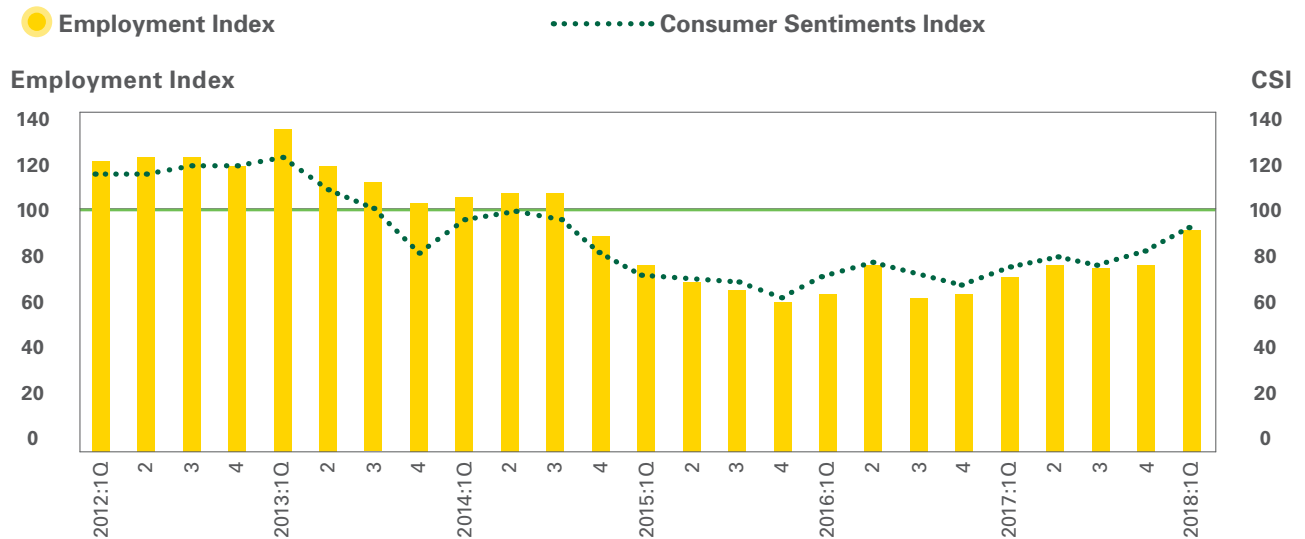
FIGURE 1.2: OVERNIGHT POLICY RATE, DECEMBER 2010 – JANUARY 2018


Source: Bank Negara Malaysia

DETAILED MARKET REPORT

The Consumer Sentiment Index (CSI) improved by 8.4 points to 91.0 points in 1Q CY2018 (4Q CY2017: 82.6 points), which is still below the threshold level of confidence of 100 points. Consumer confidence level is improving and above the same quarter of last year (1Q CY2017: 76.6 points). It shows that in general, consumers are more optimistic about the economy and the employment outlook.

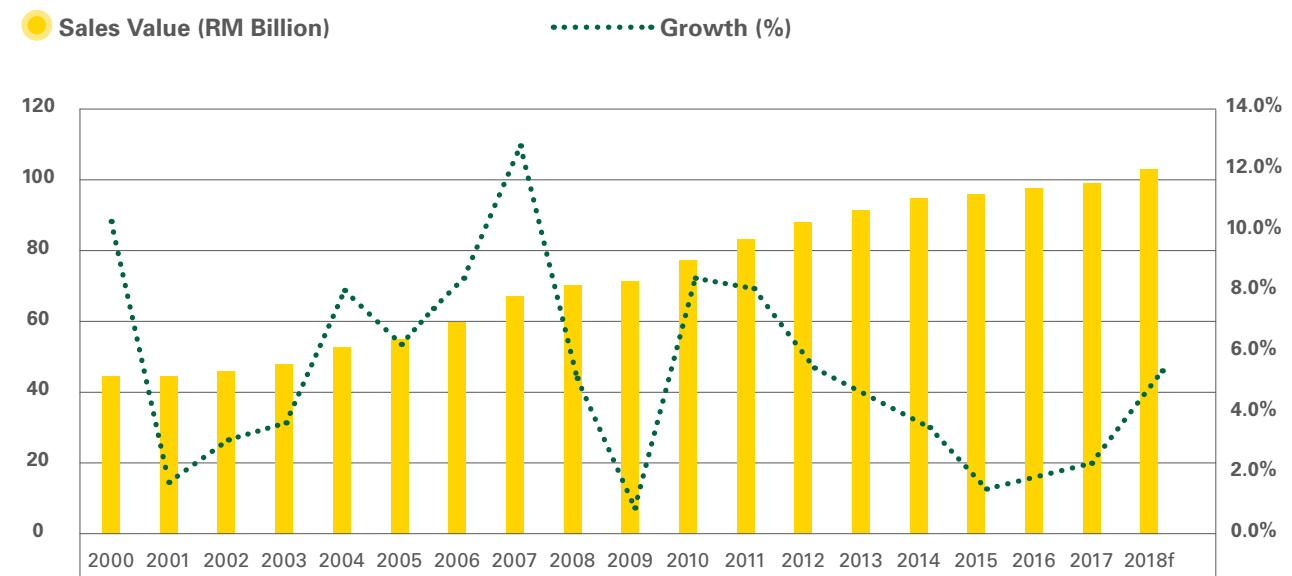
FIGURE 1.3: EMPLOYMENT INDEX AND CONSUMER SENTIMENT INDEX, 1Q CY2012 – 1Q CY2018



Source: Malaysia Institute of Economics Research (MIER)

As per the Malaysia Retailers Association (MRA), the Malaysian retail industry recorded an increase in growth rate of 2.6% in retail sales in 1Q CY2018, compared with the same period in CY2017 (1Q CY2017: -1.2%), due to the poor performance recorded a year ago. The retail market remained subdued early this year as shoppers were still careful in their spending on festive goods during the period. According to Retail Group Malaysia (RGM), they revised the forecast growth rate for the Malaysian retail industry to 5.3% in CY2018 from 4.7% in the previous estimate released in March 2018.

FIGURE 1.4: RETAIL SALES GROWTH, CY2000 – CY2018 FORECAST



Source: Retail Group Malaysia

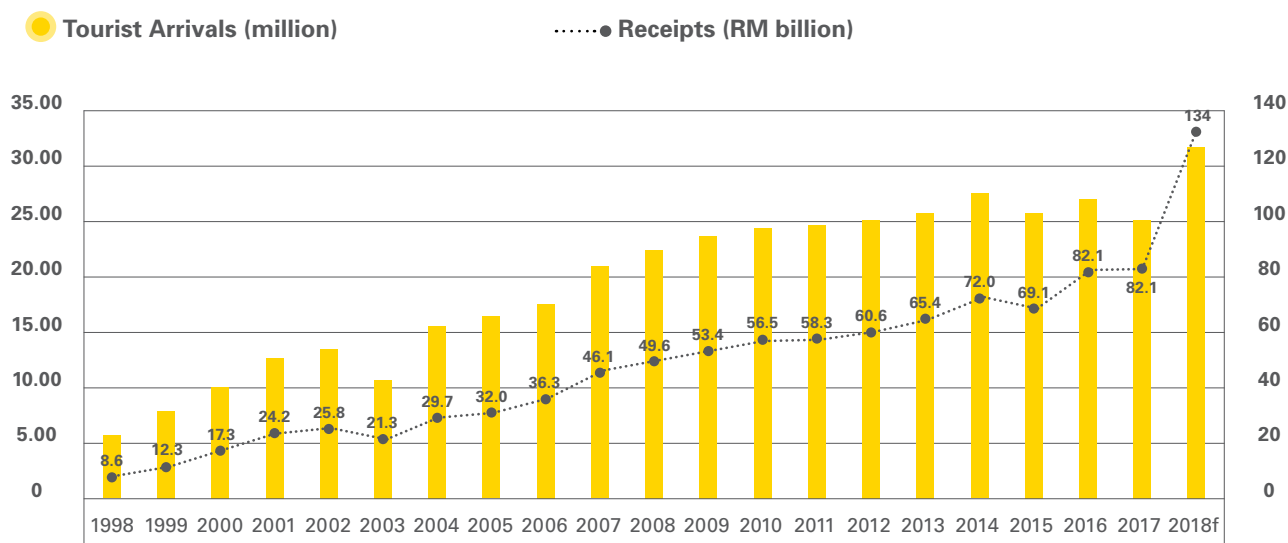
DETAILED MARKET REPORT

Going forward, the uncertainties of the global economy due to trade disputes and uncertain local economic performance led by policy changes by the newly elected government will continue to impact consumer sentiment as consumers remain cautious of the economic progress. Unlike the past, the e-commerce segment has now aggravated the market disequilibrium and added a new layer of complexity to the retail segment. While some retailers are quick to embrace technology, there are those who adopt a wait-and-see approach. E-commerce is growing at a double-digit pace driven by a combination of demographics trend and convenience. With e-commerce as an existential threat, the older malls may be affected and the prospects of successfully changing usage are not likely going to be easy and cheap. Retailers are encouraged to have hybrid stores that can bridge the online and offline worlds, as physical stores are not going to vanish anytime soon.

The tourism industry, masked by uncertainties regarding both the domestic and global economies have resulted in fewer travellers visiting the country in CY2017 compared to CY2016. Tourist arrivals for CY2017 registered a decline of 3.1% compared to the same period in CY2016. The country received 25.9 million tourists in CY2017 compared to 26.8 million tourists in CY2016. Correspondingly, tourist receipts rose by a marginal 0.1% in CY2017, contributing RM82.1 billion to the country's revenue, similar to RM82.1 billion recorded in CY2016, which translates to an average per capita expenditure of RM3,167.

For CY2018, the number of tourist arrivals is set at a fairly high target of 33.1 million. However, the anticipated roll-out of new attractions such as Desaru Coast Malaysia, a premium integrated destination resort and the 20th Century Fox World Malaysia theme park, may help boost the appeal of the country as a holiday destination.

FIGURE 1.5: FOREIGN TOURIST ARRIVALS AND RECEIPTS, CY1998 – CY2018 FORECAST



Source: Tourism Malaysia

DETAILED MARKET REPORT

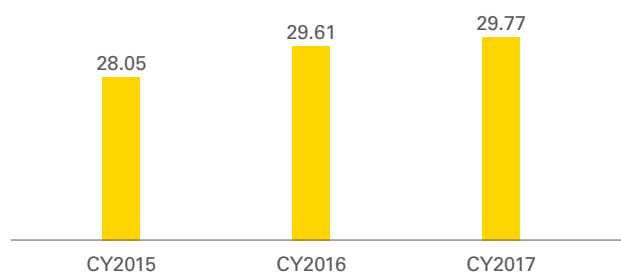
SELANGOR

Selangor maintained its position as the country's top contributing state in CY2017, making up 23% of the country's gross domestic product (GDP). Selangor's economy remains resilient and continues to attract investments. The state is still one of the most popular destinations in the country for investments, industries and trades. According to MIDA, Selangor attracted RM5.56 billion of direct investments in the manufacturing sector, as well as RM4.0 billion in the services sector. The services and manufacturing sectors contributed 59.5% and 29.5% to Selangor's GDP in CY2017 respectively. As for CY2018, Selangor is forecasting RM12.0 billion of total investments, mainly from the services and manufacturing sectors.

2.1 RETAIL

The retail sub-sector in Selangor recorded a slightly higher average occupancy rate of 85.4% in CY2017 as compared to 84.9% recorded in CY2016. The existing cumulative supply of shopping centres increased to 29.77 million sq.ft. in CY2017 from 29.61 million sq.ft. in CY2016 with the completion of Amerin Mall in Cheras Selatan. Moving forward, the impending completion of three shopping centres with around 2.70 million sq.ft of net lettable area (NLA) by the first half of CY2018 will increase the cumulative supply in Selangor to 32.47 million sq.ft.

**FIGURE 2.1: SELANGOR:
EXISTING CUMULATIVE SUPPLY OF
SHOPPING CENTRES (IN MILLION SQ.FT.)**



Source: Knight Frank Research

Details of the newly opened / completed shopping centre are tabulated below.

**FIGURE 2.2: SELANGOR:
NEWLY OPENED / COMPLETED
SHOPPING CENTRE, CY2017**

New Project	Location	Estimated NLA (sq.ft.)	Type of Development
Amerin Mall	Cheras Selatan	155,600	Mixed development

Source: Knight Frank Research

The table below shows a list of the upcoming shopping centres in Klang Valley.

FIGURE 2.3: SELANGOR: SHOPPING CENTRES SCHEDULED FOR COMPLETION / OPENING, 1H CY2018

New Shopping Centre	Location	Estimated NLA (sq.ft.)
Empire City Damansara Mall	Damansara Perdana	2,312,168
Evo Shopping Mall	Bandar Baru Bangi	251,000
Pinnacle	Petaling Jaya	140,000
Total		2,703,168

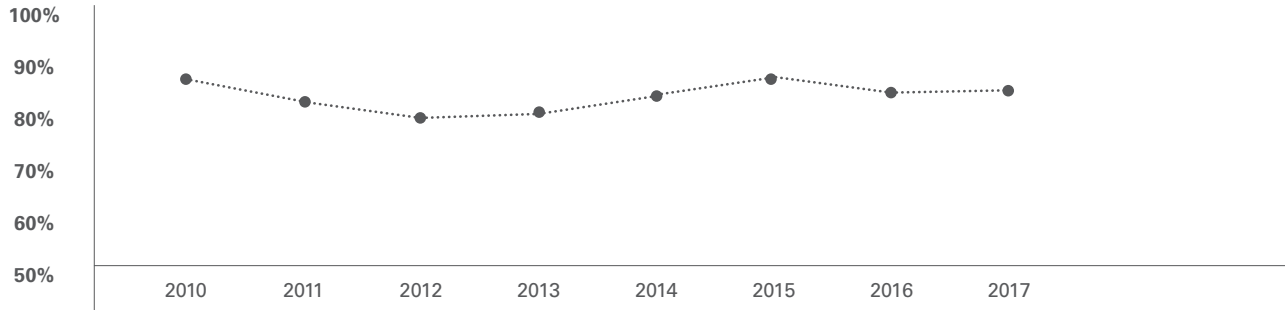
Source: Knight Frank Research

The average occupancy rate of shopping centres in Selangor dipped in CY2011 to CY2012 but has since improved to register at a high of 87.9% in CY2015. Despite the high supply pipeline of retail spaces coming into the market, the occupancy has continued to remain firm at 85.4% in CY2017 (CY2016: 84.9%).

DETAILED MARKET REPORT

FIGURE 2.4: SELANGOR: OCCUPANCY TREND OF SHOPPING CENTRES, CY2010 TO CY2017

Occupancy Rate (%)



Source: Knight Frank Research

Petaling Jaya remains an attractive location for malls given its high population density, continued high population growth and high household income level. Sunway Pyramid Shopping Mall continues to retain its position as one of the premier regional malls, catering to both locals as well as tourists, given the integration with Sunway Resort Hotel & Spa, Sunway Pyramid Hotel, Sunway Clio Property and Sunway Lagoon. With an average occupancy rate of 98.9% in FY2018 with mid-to-upper-mid tier outlets, various leisure and entertainment opportunities are available in Sunway Pyramid Shopping Mall.

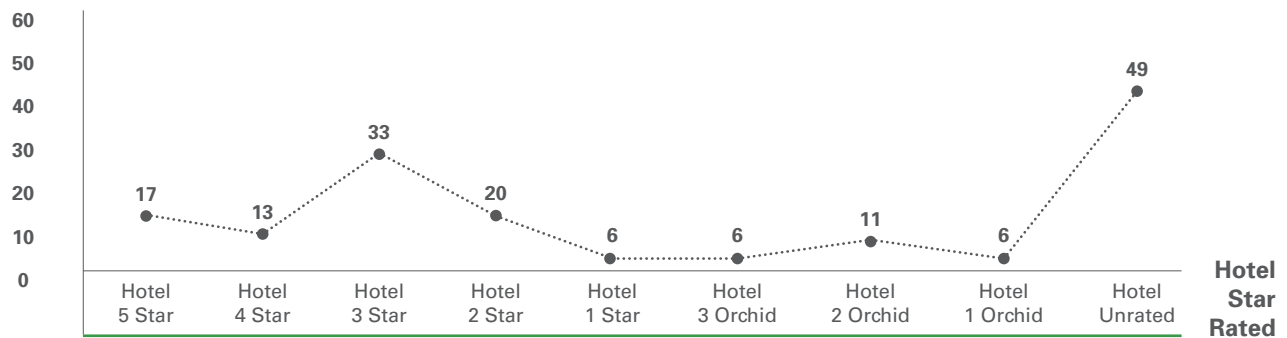
For CY2018, Retail Group Malaysia (RGM) has revised upwards its full year retail sales growth forecast from 4.7% to 5.3% due to the Government's decision to zero-rate the 6% Goods and Services Tax (GST) on 1st June 2018. The Selangor retail landscape, however, continues to face strong headwinds. The impending completion of some 2.70 million sq.ft. of space by 1H CY2018 will further heighten competition in an already crowded market. Despite the rise in online shopping, brick-and-mortar outlets are still very relevant in the local retail industry. Online retail sales reportedly account for less than 5% of total retail sales.

2.2 HOTEL

In Selangor, there are some 22 existing hotels in the 4- and 5-star categories, contributing a total of about 7,067 rooms. The bulk of supply is located in the Subang Jaya – Bandar Sunway area with 3,237 rooms or 45.6% of the total supply, followed by the Petaling Jaya locality with 2,051 rooms (28.9%).

FIGURE 2.5: SUMMARY OF EXISTING SUPPLY OF HOTEL ROOMS BY STAR RATING IN SELANGOR IN 1Q CY2018

No of Hotels



Source: AREM (Malaysia) Sdn Bhd

DETAILED MARKET REPORT

FIGURE 2.6: LIST OF SELECTED EXISTING 4- AND 5-STAR HOTELS IN SELANGOR, CY2018

No.	Hotel Name	Location	Star Rating	No. of Rooms
BANDAR UTAMA - MUTIARA DAMANSARA - DAMANSARA PERDANA				
1	Qliq Damansara	Empire Damansara	4	271
2	Royale Chulan The Curve	Mutiara Damansara	4	144
3	The Royale Chulan Damansara	Mutiara Damansara	5	380
4	One World Hotel	Bandar Utama	5	438
Sub-total				1,233
PETALING JAYA				
5	Hotel Armada	Section 52	4	257
6	Eastin Hotel	Section 16	4	388
7	Hilton Petaling Jaya	Section 13	5	553
8	Sheraton Petaling Jaya	Section 52	5	253
9	Crystal Crown Hotel	Section 52	5	300
10	New World Hotel	Jalan SS7/26A	5	300
Sub-total				2,051
SAUJANA - GLENMARIE				
11	Holiday Inn KL Glenmarie	Glenmarie	4	260
12	The Club Saujana Resort KL	Saujana	5	105
13	The Saujana Hotel KL	Saujana	5	210
Sub-total				575
SUBANG JAYA - BANDAR SUNWAY				
14	Holiday Villa Hotel & Resort	SS 12	5	309
15	e-City, One City	USJ	4	243
16	Dorsett Grand Subang Hotel	SS 12	5	478
17	Empire Hotel Subang	SS 16	4	198
18	Sunway Pyramid Hotel	Bandar Sunway	5	564
19	Sunway Clio Hotel	Bandar Sunway	4	401
20	Sunway Resort Hotel & Spa	Bandar Sunway	5	439
21	The Summit Hotel	Subang Jaya	4	332
22	Geno Hotel	Subang Jaya	4	244
Sub-total				3,208
TOTAL ROOMS				7,067

Source: Knight Frank Research

DETAILED MARKET REPORT

In terms of the supply of upcoming hotels, two hotels in Selangor, namely Doubletree by Hilton in i-City, Shah Alam and Mercure Hotel in Glenmarie are currently under construction and are scheduled for completion in CY2019. These two hotels will offer up to a total of 530 rooms. Within the integrated development of Empire City Damansara, there are four upcoming hotels with a total of 1,258 rooms where completion dates of these hotels are yet to be confirmed. The overall occupancy rate for hotels in Selangor has dropped and was recorded at 60.3% in CY2017, the lowest point since CY2010. Heightened competition amid growing hotel supply in Selangor and other factors in CY2017 may have led to this decline.

FIGURE 2.7: LIST OF SELECTED UPCOMING HOTELS IN SELANGOR

No.	Hotel Development	Location	Expected Completion	Total Rooms
1	Doubletree by Hilton	i-City, Shah Alam	CY2019	300
2	Mercure Hotel	Glenmarie	CY2019	230
3	The Ritz Carlton			307
4	Marriott International Hotel			294
5	Artes by Autograph Collection	Empire City	TBC	279
6	McGuffin Hotel			155
7	WOLO E.City			223
Total				1,788

Source: Knight Frank Research

During FY2018, the average occupancy rate for Sunway Resort Hotel & Spa was at 73.5% and Sunway Pyramid Hotel was at 71.4%, attracting both local and international tourists as well as corporate guests. The average occupancy rate of Sunway Pyramid Hotel saw a notable improvement with the completion of the refurbishment activities which took place in 2Q CY2016.

Tourism Selangor's target to attract 10.0 million tourists in CY2018, is to be supported by promotional strategies, upgrading of tourism sites as well as the strengthening of existing tourism products. These include tourism development in Little India - Royal Klang Town Heritage Walk (RKTHW) and the Discover Selangor #TakeMeAnywhere campaign which was launched at the Internationale Tourismus Borse (International Tourism Exchange) 2018 in Berlin, Germany.

The outlook for tourism is bright with the key trend of a growing world population, from 7.1 billion people in CY2014 to approximately 8.3 billion people by CY2030, in line with rising income and better quality of life. In addition, the tourism and hotel-related incentives and allocation announced in the recent Budget 2018 are seen as favourable for the country's tourism and hotel industry. The outlook for the hospitality sector is expected to be cautiously optimistic in the mid to long-term as Malaysia looks to welcome more international and regional hotel brands amid a resilient tourism market.

2.3 OFFICE

The office sub-sector performed better in CY2017 as the take-up of office spaces had slightly improved the occupancy levels from last year. The overall national occupancy rate stood at 83.3% in CY2017, up from 82.3% in CY2016. The annual take-up of more than 8.3 million sq.ft. in CY2017 was higher than the 2.47 million sq.ft. recorded in CY2016, with the highest take-up recorded in Kuala Lumpur followed by Selangor, Sabah and Putrajaya, supported partly by the high occupancy in the newly completed buildings. In Selangor, the office segment recorded an average performance with occupancy rate remained unchanged at 75.5% in CY2017, the same occupancy rate recorded in CY2016.

There were two notable office buildings in Selangor which were completed in CY2017, namely Bangunan Affin Bank, Shah Alam (81,771 sq.ft.) and Wisma MCIS, Petaling Jaya (181,422 sq.ft.).

Future supply of office spaces in Petaling Jaya and its surrounding area is expected to grow by approximately 4.1 million sq.ft. and will be scheduled for completion by end of CY2018. Post CY2019, there would be an additional 1.3 million sq.ft. of office spaces.

DETAILED MARKET REPORT

FIGURE 2.8: CURRENT AND FUTURE SUPPLY OF OFFICE IN PETALING JAYA AND ITS SURROUNDINGS

Office Building	Location	Estimated NLA (sq.ft.)	Expected Completion
Empire City	Damansara Perdana	1,150,000	
Paramount (Tower 1)	Petaling Jaya	278,000	
Paramount (Tower 2)	Petaling Jaya	294,000	
KUB Tower	Petaling Jaya	N/A	
Uptown 8	Damansara Uptown	450,000	
PJCC	Petaling Jaya	290,000	
Petaling Tin Berhad (site)	Petaling Jaya	300,000	CY2018
The Prime @ The Atrium	Damansara Perdana	N/A	
MRCB Office Building	Petaling Jaya	184,000	
Corporate Tower P1 @ i-City	Shah Alam	1,300,000	
Corporate Tower P2 @ i-City	Shah Alam	780,000	
Fraser Square (F&N)	Damansara Perdana	240,000	
Total		5,266,000	
Lot 8131 (Proposed Mixed Development)	SS15 Subang Jaya	300,000	
Office Development (Lot 15 & PT26)	Jalan Kemajuan	558,000	CY2019
Olives Commercial Tower	SS16 Subang Jaya	450,000	
Total		1,308,000	

Source: AREM (Malaysia) Sdn Bhd

Some of the established and growing decentralised office locations such as Bandar Utama, Bandar Sunway, Shah Alam and Kelana Jaya have maintained strong occupancy rates, recording more than 81.0%, higher than the Selangor state's overall occupancy level of 75.5% in CY2017.

Average rental rates for purpose-built office space in Selangor have remained fairly stable, averaging between RM3.15 to RM3.25 psf/m, over the past seven years (CY2010 to CY2017). In CY2017, the overall average rental rate was recorded at RM3.30 psf/m.

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

The average occupancy rate for Menara Sunway in Sunway City was at 93.8% and Wisma Sunway in Shah Alam was at 78.3% for FY2018. The occupancy rates for both the buildings are expected to be stable going forward due to their captive markets.

The purpose-built office market is expected to be pressured further in terms of vacancy rates and rentals. Being a tenants' market, landlords are in dire need to apply attractive leasing packages to the potential tenants, especially in terms of attractive rental and rent-free period.

In the near to medium-term, the improvement of public transportation with LRT extension, completion of MRT and implementation of new BRT line, together with the upgrades of highways, are expected to continue to help the mobilisation of workers travelling from the city centre to outside Kuala Lumpur.

DETAILED MARKET REPORT

KUALA LUMPUR

The property market in Kuala Lumpur remained weak in CY2017 amid the continued slowdown in market activity. During the review period, a total of 14,506 properties worth RM26.7 billion changed hands, reflecting a year-on-year decline of 3.0% and 22.1% in volume and value of transactions respectively (CY2016: 14,950 transactions worth RM34.2 billion). The overall value of transactions declined significantly due to fewer numbers of prominent sales during the year.

3.1 RETAIL

As at 2Q CY2018, existing supply of retail space in Kuala Lumpur stood at approximately 27.53 million sq.ft. The opening of Melawati Mall, with a net lettable area (NLA) of approximately 620,000 sq.ft. in 2H CY2017 brought the cumulative supply of retail space in Kuala Lumpur to approximately 27.53 million sq.ft. In terms of future supply of retail centres, three new shopping centres with combined NLA of approximately 556,000 sq.ft. are scheduled for opening in the first half of CY2018.

FIGURE 3.1: KUALA LUMPUR: SHOPPING CENTRES SCHEDULED FOR COMPLETION / OPENING IN 1H CY2018

Shopping Centre	Location	Estimated NLA (sq.ft.)
KL CITY		
Retail Mall @ Four Seasons Place	Jalan Ampang	206,000
Subtotal		206,000
KL FRINGE		
The Robertson	Pudu	100,000
KL Eco City Retail Podium	Lebuhraya Persekutuan	250,000
Subtotal		350,000
Grand Total		556,000

Source: Knight Frank Research

Occupancy rates in prime retail locations in Kuala Lumpur remained strong as the market saw an estimated occupancy rate exceeding 90%. Sunway Putra Mall which re-opened about 3 years after its major refurbishment and expansion exercise, registered an average occupancy rate of 90.7% in FY2018, the highest since FY2015.

DETAILED MARKET REPORT

FIGURE 3.2: OCCUPANCY RATE OF SELECTED SHOPPING CENTRES IN KUALA LUMPUR, CY2017

Shopping Centre	Location	Estimated Occupancy Rate (%)
KL CITY		
Suria KLCC	Jalan Ampang, KLCC	97.0%
Pavilion Kuala Lumpur	Jalan Bukit Bintang	98.9%
Lot 10	Jalan Bukit Bintang	100.0%
Starhill Gallery	Jalan Bukit Bintang	100.0%
KL FRINGE		
Mid Valley Megamall	Linkaran Syed Putra	99.9%
The Gardens Mall	Linkaran Syed Putra	98.0%

Source: Various Sources / REITs' Annual Reports

Popular retail centres in Kuala Lumpur, such as Suria KLCC, commanded the highest rental rates, ranging from RM25.24 to RM190.87 psf/m. Meanwhile, rentals at other popular retail centres, namely Mid Valley Megamall and The Gardens Mall currently average between RM10.65 and RM60.65 psf/m.

FIGURE 3.3: RENTAL LEVELS OF RETAIL SPACE IN SELECTED SHOPPING CENTRES, CY2016 & CY2017

Shopping Centre	Location	Floor Level	Floor Area (sq.ft.)	Rental Range (RM per sq.ft. / month)	
				CY2016	CY2017
KL FRINGE					
Mid Valley Megamall	Mid Valley City	Lower Ground	474 - 3,229	27.60 - 59.60	27.65 - 59.65
		Ground	215 - 3,455	38.60 - 60.60	18.15 - 60.65
		L1 to L3	129 - 3,670	10.60 - 47.60	10.65 - 47.65
The Gardens Mall	Mid Valley City	Lower Ground	495 - 3,810	18.00 - 40.10	18.10 - 40.15
		Ground	646 - 4,252	23.60 - 38.50	23.65 - 38.55
		L1 to L4	194 - 4,252	12.70 - 38.10	6.15 - 38.15

Source: REITs' Annual Reports / Knight Frank Research

There is greater optimism in the retail industry following the new Government's decision to zero-rate the GST starting 1 June 2018. With improved purchasing power coupled with a stable ringgit and resilient tourist numbers, retail sales are expected to rebound in CY2018.

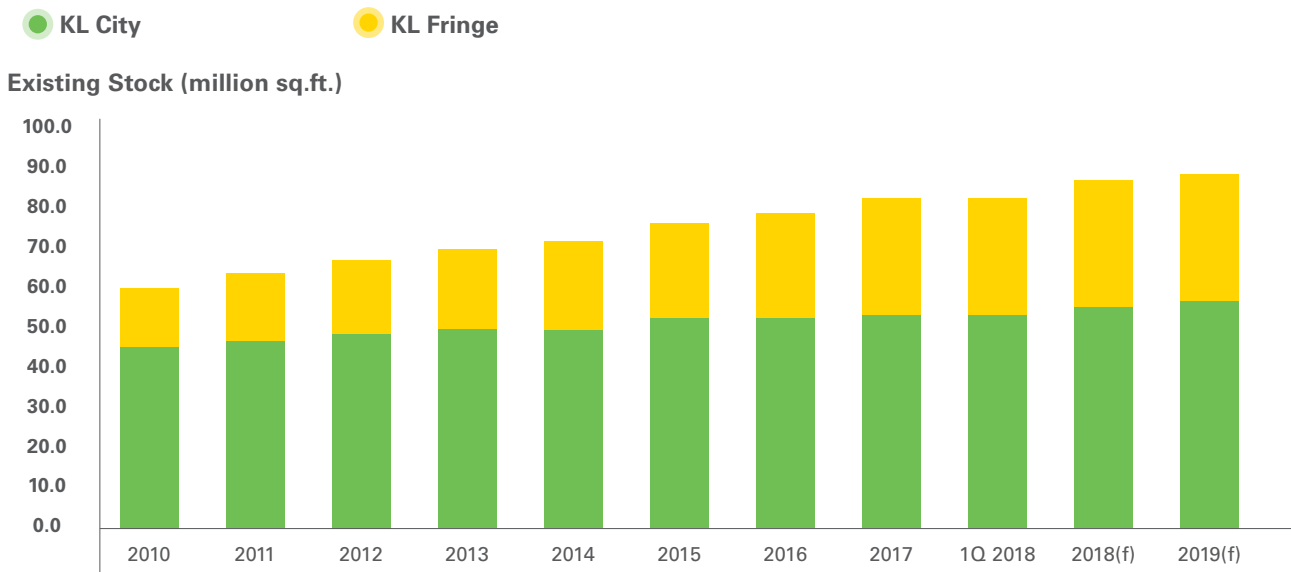
The Kuala Lumpur retail landscape, however, continues to face strong headwinds. The impending completion of some 556,000 sq.ft. of space by 1H CY2018 will further heighten competition in an already crowded market.

DETAILED MARKET REPORT

3.2 OFFICE

There has been a steady growth in the supply of office space in Kuala Lumpur over the years. However, since CY2010, new supply from KL Fringe has been outpacing KL City, growing 9.1% annually on average in comparison to a modest 2.4% growth per annum in KL City. As at 1Q CY2018, the cumulative supply of purpose-built office space in KL City was recorded at about 51.8 million sq.ft. whilst in KL Fringe, it stood at about 28.6 million sq.ft.

FIGURE 3.4: KL CITY & KL FRINGE - CUMULATIVE SUPPLY OF PURPOSE BUILT OFFICE SPACE CY2010 TO CY2019 FORECAST



Source: Knight Frank Research

In CY2017, two office buildings were completed in KL City, namely Menara Public Bank 2 (420,000 sq.ft. NLA) and JKG Tower (390,000 sq.ft. NLA). In KL Fringe, five buildings were completed, namely The Pillars (700,000 sq.ft. NLA), Mercu 3 (418,000 sq.ft. NLA) @ KL Eco City, Menara SUEZCAP 1 (384,000 sq.ft. NLA), Menara SUEZCAP 2 (360,000 sq.ft. NLA) @ KL Gateway, and Menara KEN TTDI (300,000 sq.ft. NLA). Collectively, these completions contributed approximately 3.0 million sq.ft. of new space to the existing office stock. In 1Q CY2018, one office building was completed in KL Fringe, namely Mercu 2 @ KL Eco City (530,000 sq.ft. NLA).

The bulk of office supply, 64.4% or 51.8 million sq.ft. are located in KL City (New Central Business District and Old Central Business District) while the remaining office stock totalling approximately 28.1 million sq.ft. (35.6%) comes from KL Fringe. The latter covers the localities of Damansara Heights, KL Sentral, Taman Tun Dr Ismail/Mont Kiara/Dutamas, Mid Valley City, Bangsar South and Bangsar.

The availability of commercial land parcels in localities such as Damansara Heights and Bangsar coupled with improved accessibility and connectivity to these areas have aided the rapid decentralisation of office premises in Kuala Lumpur.

There is a high impending supply currently under construction and in the planning pipeline. Between CY2018 and CY2019, approximately 5.4 million sq.ft. of office space are expected to enter the market. The impending completion will increase the supply of modern and high-quality office stock in Kuala Lumpur, with the bulk of prime space concentrated in KL City and KL Fringe. KL City accounts for the bulk of incoming supply at 69.8%, with approximately 3.0 million sq.ft. coming from the locality of Tun Razak Exchange.

DETAILED MARKET REPORT

FIGURE 3.5: FUTURE SUPPLY OF OFFICE SPACE IN KUALA LUMPUR, CY2018 TO CY2019

Office Building	Location		Estimated NLA (sq.ft.)
CY2018			
The Exchange 106	Tun Razak Exchange	KL City	3,110,000
Equatorial Plaza	Jalan Sultan Ismail		
South Point Office	Mid Valley City	KL Fringe	879,000
Menara Etiqa	Bangsar		
Subtotal			3,989,000
CY2019			
Menara Prudential	Tun Razak Exchange	KL City	625,000
Menara Legasi	Jalan Raja Muda Musa		
Corporate Tower	KL Eco City	KL Fringe	740,000
IJM Office Tower	Pantai Sentral Park		
Subtotal			1,365,000
KL City: Total			3,735,000
KL Fringe Total			1,619,000
Grand Total			5,354,000

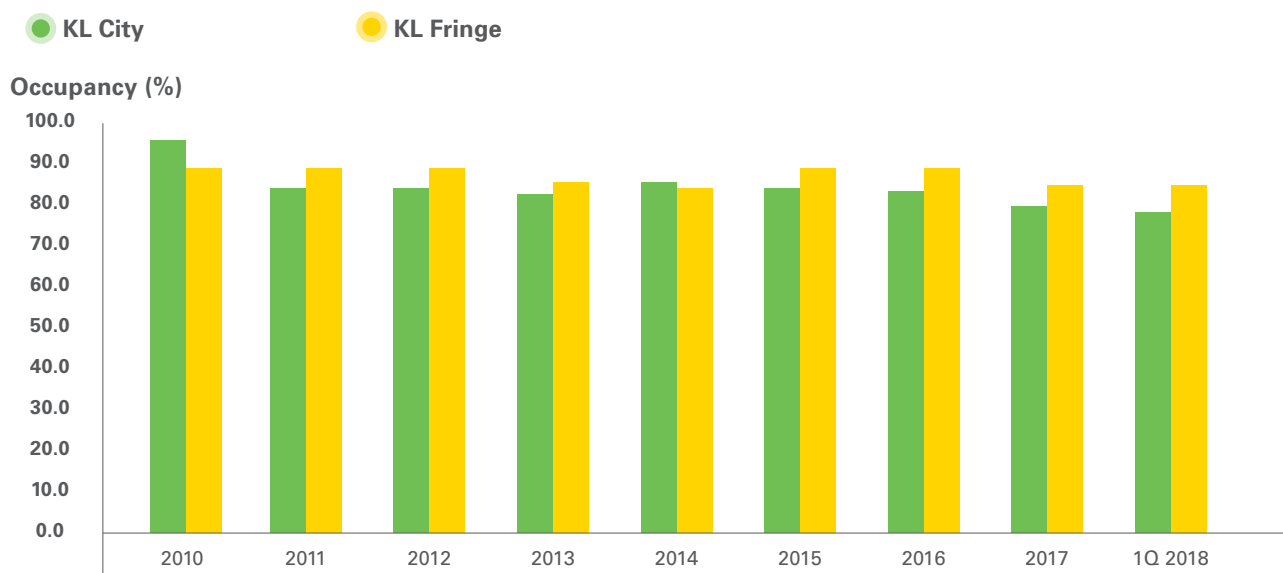
Source: Knight Frank Research

In line with higher supply pipeline and flagging demand from traditional occupiers in the Oil & Gas (O&G) and financial sectors, the overall occupancy rate of office buildings in KL City continues to decline, from 83.0% in CY2016 to 80.0% in CY2017. In 1Q CY2018, the overall occupancy rate of office buildings in KL City was recorded at 78.9%.

Similarly, the overall occupancy rate in KL Fringe also faced growing pressure following the completion of new buildings, namely Menara Ken TTDI and Mercu 3 @ KL Eco City, which have yet to achieve significant occupancy levels. Despite improved take-ups in Wisma Guocoland @ Damansara City and Centrepont North @ Mid Valley City, the overall occupancy for KL Fringe was marginally lower at 84.6% in CY2017 (CY2016: 88.7%). In 1Q CY2018, the overall occupancy rate of office buildings in KL Fringe was recorded at 85.2%.

DETAILED MARKET REPORT

FIGURE 3.6: KUALA LUMPUR - OVERALL OCCUPANCY OF PURPOSE-BUILT OFFICE SPACE, CY2010 TO 1Q CY2018



Source: Knight Frank Research

The average occupancy rate for Sunway Tower and Sunway Putra Tower was at 21.0% and 56.0% respectively during FY2018. Due to the oversupply situation in Kuala Lumpur, improving the occupancy rate for both the buildings would remain challenging.

In 1Q CY2018, the average achieved rental rates of prime office space in the New and Old Central Business District (CBD) of Kuala Lumpur declined to RM6.85 psf/m and RM5.26 psf/m respectively (CY2017: RM6.93 psf/m and RM5.34 psf/m respectively). Prime A+ office space in the New CBD, however, continues to command higher rentals, above the RM10.00 psf/m mark. As at 1Q CY2018, the average rental rate for Prime A+ office space was recorded at RM11.94 psf/m.

In KL Fringe, the average rental rates continued to decline, recording at RM4.76 to RM6.57 psf/m. Buildings in KL Sentral continue to command higher average rental rate in excess of RM6.50 psf/m as the locality remains attractive and popular amongst office occupiers, attributed to its strategic location as the country's largest integrated transportation hub offering easy accessibility and seamless connectivity within Greater Klang Valley and the Kuala Lumpur International Airport (KLIA).

The tenant-led Kuala Lumpur office market is expected to remain subdued in the short to medium term as a mismatch between supply and demand continues to widen. With a high incoming supply pipeline coupled with weak occupational demand, pressure continues to mount on both rental and occupancy levels. To remain relevant and competitive in this challenging office environment, there may be opportunities for old and dated buildings to undergo re-positioning and redevelopment to match market demand.

3.3 HOTEL

Since CY2013, the numbers of hotels and room supply in Kuala Lumpur have been on an uptrend. As of CY2016, there were a total of 472 hotels with 58,963 rooms in Kuala Lumpur.

The average occupancy rate of all star rating hotels in Kuala Lumpur has declined to record at 67.1% in CY2015 and 66.1% in CY2016. During the January to September 2017 period, the average occupancy rate improved slightly to register at 67.0%.

Within the KL region, the number of guest rooms in the 5-star category is estimated at 10,160. Hotels with the most number of rooms (excluding hotel apartments) are Renaissance (921), Shangri-La (662), Berjaya Times Square Hotel (650) and Sunway Putra Hotel (650).

Meanwhile, hotels classified under the 4-star category are mostly located in the shopping and tourist belts of Bukit Bintang (42.6%) and KLCC (38.0%) as well as the CBD (19.4%). Hotels with the most number of rooms are Grand Seasons (800), Concorde (581), Traders Hotel (571) and Impiana Hotel (519).

Six of the hotels in KL City, offering a total of 1,294 guest rooms are scheduled for completion or opening in CY2018.

DETAILED MARKET REPORT

FIGURE 3.7: KUALA LUMPUR: NOTABLE UPCOMING HOTELS - UNDER CONSTRUCTION / PROPOSED

No.	Hotel Development	Location	Expected Completion	No. of Rooms
KL CITY				
1	Royale Pavilion Hotel	Jalan Bukit Bintang	CY2018	337
2	Pavilion Banyan Tree	Jalan Conlay	CY2018	150
3	W Kuala Lumpur	Jalan Ampang	CY2018	150
4	Citizen M Kuala Lumpur	Jalan Bukit Bintang / Jalan Sultan Ismail	CY2018	198
5	The RuMa Hotel	Jalan Kia Peng	CY2018	250
6	Four Seasons Hotel	KLCC	CY2018	209
7	Hotel Jen	Jalan P. Ramlee	CY2019	200
8	Monopoly Hotel	Bukit Bintang	CY2019	255
9	Fairmont Kuala Lumpur	Persiaran KLCC	CY2020	750
10	Radisson Red Hotel	Jalan Yap Kwan Seng	CY2020	166
11	Fairfield by Marriott	Jalan Pahang	CY2020	188
12	So Sofitel	Jalan Ampang	CY2020	590
13	Kempinski Hotel	Jalan Conlay	CY2020	260
14	Four Point by Sheraton	Jalan Petaling	CY2020	318
15	Planet Hollywood Hotel	Jalan Raja Muda	CY2020	207
16	Proposed Hotel @ KL 118	Jalan Stadium	CY2020	236
17	Canopy by Hilton	Jalan Imbi	CY2021	456
18	Jumeirah Kuala Lumpur Hotel	Jalan Ampang	CY2021	267
19	Crowne Plaza Hotel	Jalan Yap Kwan Seng	CY2021	338
20	Goldmen Suites	Jalan Bukit Bintang	CY2021	600
21	The Edition	KLCC	N/A	350
22	Hotel @ Nova Square	Jalan Bukit Bintang	N/A	198
23	Jakel Hotel	Jalan Bunus	N/A	301
24	Trump International Hotel	Jalan P. Ramlee	N/A	147
25	Indigo Hotel	Jalan Sultan Ismail	N/A	209
26	Platinum Park Hotel	Persiaran KLCC	N/A	350
27	Proposed Hotel	Tun Razak Exchange	N/A	N/A
Total				>7,680

Source: Knight Frank Research

DETAILED MARKET REPORT

Post refurbishment, Sunway Putra Hotel has embarked on active marketing activities and offered promotional rates to regain its market share. The average occupancy rate of the hotel improved to 72.8% in FY2018 (FY2017: 68.2%) and the occupancy is expected to improve further going forward.

Malaysia remains an attractive destination attributed to its price competitiveness, good air connectivity and beautiful natural resources amongst other reasons. For CY2018, Malaysia targets to attract 33.1 million tourist arrivals with corresponding tourist receipts of RM134 billion, to be supported by the Visit Malaysia Year 2020 (VMY 2020) tourism campaign and the Visit Asean @ 50-Year Campaign in conjunction with the 50th anniversary of Asean. The mid to long-term outlook for the hospitality sector is one of cautious optimism as Kuala Lumpur looks set to welcome more international and regional hotel brands and operators.

PENANG

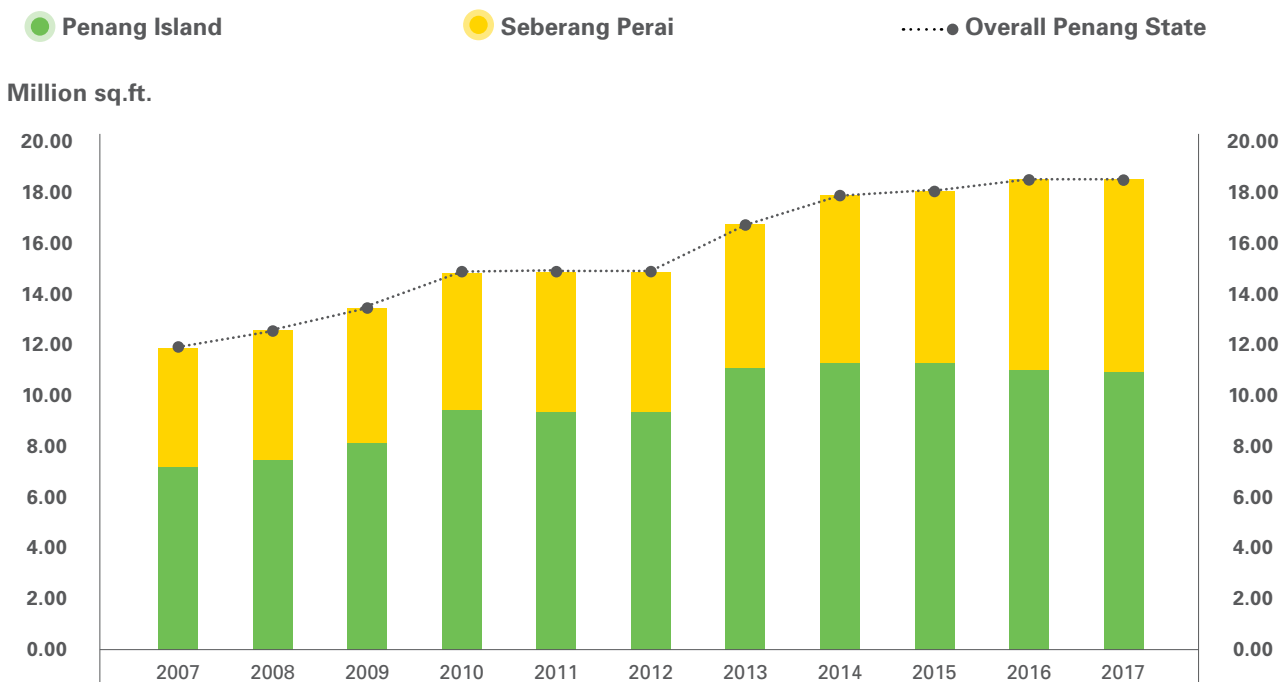
As the overall market activity continued to trend downwards in CY2017, the bottoming of the Penang property market is on the horizon. It is expected that the Penang property market to remain subdued but resilient in CY2018. This is in consideration of the imbalances of supply and demand in certain property sub-sectors and prevailing rising cost of living that erodes purchasing power. However, the trickle-down effect of the gradual recovery in the national economy is expected to support the resilient growth in the market. Overall, in CY2018, the state's property market will remain on a positive path backed by various ongoing and proposed development projects.

4.1 RETAIL

Based on Property Market Report 2017 by National Property Information Centre (NAPIC), existing retail spaces in Penang stood at approximately 18.83 million sq.ft., contributed by a total of 105 buildings. The retail spaces are segregated into three major categories, which are shopping centres, arcades and hypermarkets.

In the past 10 years, the retail property sector in Penang expanded approximately 6.12 million sq.ft. from CY2007 (82 buildings, 11.88 million sq.ft.) to CY2017 (105 buildings, 18.83 million sq.ft.). Most of the retail spaces are located on Penang Island, comprising 11.12 million sq.ft. of retail space, which is approximately 59% of the total existing supply.

FIGURE 4.1: TREND OF EXISTING SUPPLY OF RETAIL PROPERTY SECTOR IN PENANG, CY2007 - CY2017

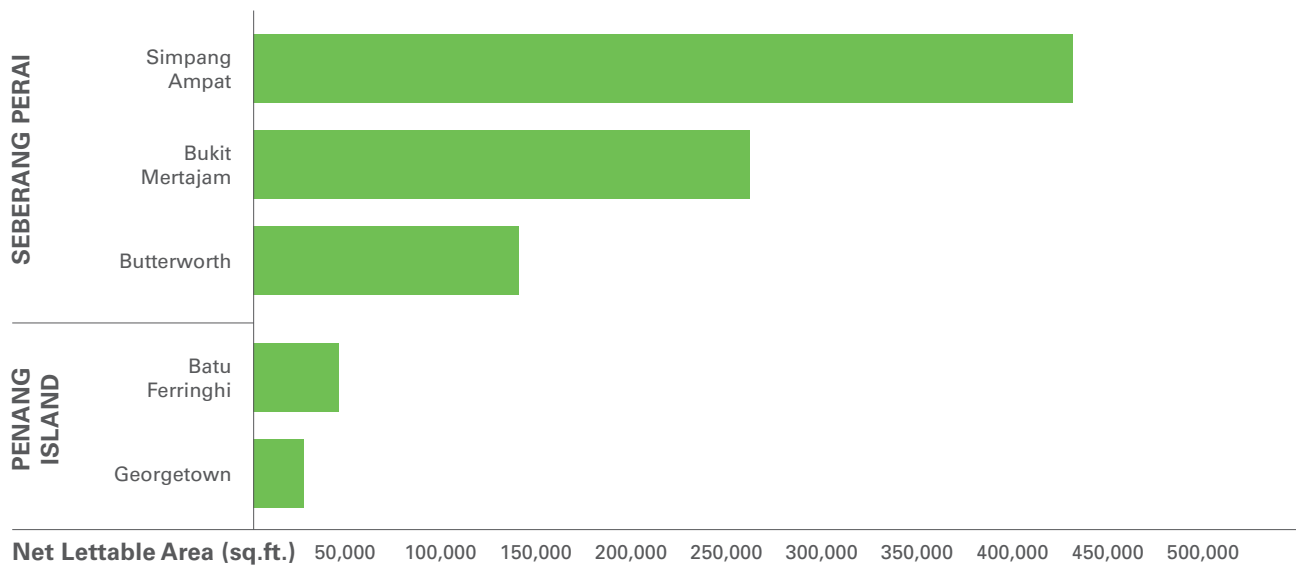


Source: Various valuers' reports

DETAILED MARKET REPORT

In CY2017, Penang saw a total of approximately 120,000 sq.ft. of retail space newly completed, contributed mainly by one hypermarket which is located in Kepala Batas/Bertam in Seberang Perai. According to NAPIC, the incoming supply of retail space in Penang stands at approximately 903,000 sq.ft. from 5 upcoming buildings. Of the total incoming supply, the majority of the ongoing retail developments are located in Seberang Perai, i.e. Simpang Ampat, Bukit Mertajam and Butterworth, which formed approximately 830,000 sq.ft. from three ongoing developments. The rest of the incoming supply is in Batu Ferringhi and Georgetown on the island, which will contribute approximately 73,000 sq.ft. The incoming supply which is currently in the pipeline is expected to be completed within three years.

FIGURE 4.2: INCOMING SUPPLY OF RETAIL SPACE ACCORDING TO LOCALITIES



Source: Various valuers' reports

In terms of planned supply, it is estimated that a total of approximately 7.8 million sq.ft. of net lettable area (NLA) is being planned in Penang. Major retail complexes being planned include Retail Mall @ Sunshine Tower, Retail Mall @ Penang World City, Sunway Paya Terubong, The Light Retail Mall, GEMS Megamall and Ikano Shopping Centre.

DETAILED MARKET REPORT

FIGURE 4.3: NOTABLE INCOMING AND PLANNED RETAIL DEVELOPMENTS IN PENANG

Location	Retail Development	Estimated NLA (sq.ft.)	Expected Year of Completion
Penang Island	The Light Retail Mall	1,000,000	CY2025
	Sunway Paya Terubong	1,000,000	CY2025
	Retail Mall @ Penang World City	1,000,000	CY2024
	Mall @ Southbay City	750,000	CY2020
	City Mall @ Tanjong Tokong	300,000	CY2018
	Penang Time Square Phase 3	230,000	CY2019
	Retail Mall @ Sunshine Tower	N/A	CY2020
Seberang Perai	GEMS Megamall	1,200,000	CY2020
	Ikano Shopping Centre @ Batu Kawan	1,000,000	CY2019
	IKEA @ Batu Kawan	430,000	CY2019
	Sunway Carnival Mall Extension	350,000	CY2020
	Retail Mall @ Penang Sentral	392,000	CY2020
	Tesco @ Bagan Ajam	N/A	CY2020

Source: Various valuers' reports

According to Property Market Report 2017 by NAPIC, the overall occupancy rate of retail space in Penang was relatively stable, which was in the region of 66% to 73%. Retail centres on Penang Island continued to outperform those existing retail centres in Seberang Perai, of which the former registered an average occupancy rate of 79% whilst the latter at about 63%. The high occupancy of the island is attributed to the rather good retail sales performance of retail centres in Georgetown. Being the capital of Penang, Georgetown accommodates most of the offices and tourism hotspots, which provide immediate catchment of expatriates and tourists who have a higher spending power.

Sunway Carnival Shopping Mall, located in Seberang Jaya, still remains as one of the leading malls in the mainland with an average occupancy rate of 97.3% for FY2018. The mall has just embarked on the next phase of its expansion by doubling its NLA from the current 457,920 sq. ft. to 787,920 sq. ft. of retail haven. Once the expansion is completed, the first phase of the mall will undergo a refurbishment, which is expected to be completed by CY2022.

In terms of rental, retail rentals on selected prime retail centres in Penang remained stable in CY2017. In general, gross rentals for the ground floor of selected prime retail centres in Penang Island commanded a higher rental rate of up to RM45 psf/m whilst rental rates of retail centres in commercial enclaves such as Sunway Carnival Shopping Mall in Seberang Jaya in Seberang Perai are at between RM10 and RM 25 psf/m.

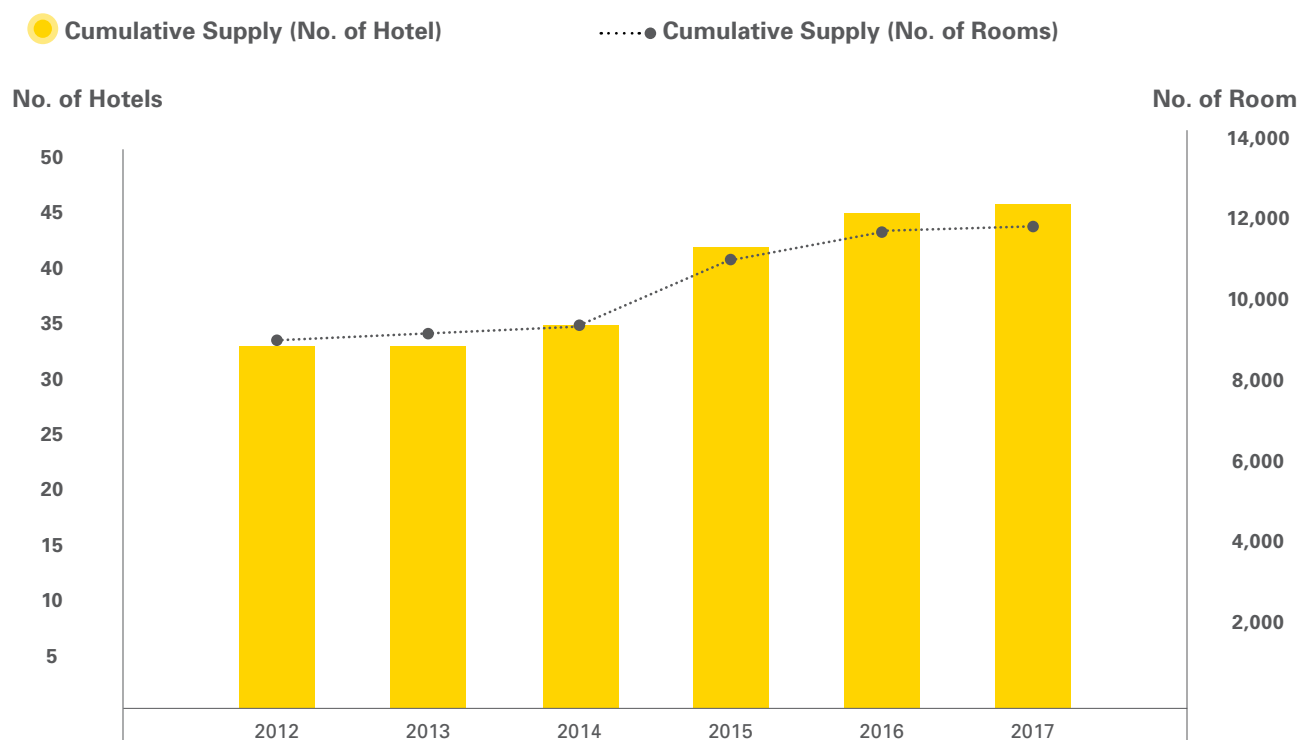
Eroded purchasing power will pose a certain impact on the retail sub-sector. The mixed performance among complexes is expected to be more obvious in the future. Overall occupancy rate and average rentals are more likely to drop, dragged by older and underperforming complexes. Shoppers can look forward to an exciting shopping experience with a substantial increase of supply to be seen in the medium-term. However, competition among retailers and landlords would be keener.

DETAILED MARKET REPORT

4.2 HOTEL

Cumulative supply of hotels in Penang as at CY2017 stood at 12,146 rooms, contributed by 46 hotels. Approximately 85% of the room supply (39 hotels, 10,286 rooms) are situated on Penang Island and only approximately 25% (7 hotels, 1,860 rooms) are in Seberang Perai. There was one hotel opened in CY2017, namely Mei Hotel in Penang Island. Mei Hotel is a 3-star, 15-storey building with 96 rooms, located along Lorong Abu Siti in Georgetown.

FIGURE 4.4: CUMULATIVE SUPPLY OF HOTEL ROOMS IN PENANG, CY2012 - CY2017



Source: Various valuers' reports

FIGURE 4.5: EXISTING SUPPLY OF HOTEL SECTOR IN PENANG

Location	No. of Hotels	No. of Rooms
Penang Island	39	10,286 rooms
Seberang Perai	7	1,860 rooms
Total Penang State	46	12,146 rooms

Source: Various valuers' reports

19 hotels are expected to enter the Penang hotel market in the medium term. Majority of the future supply are located on Penang Island, with an estimated 15 hotels, totalling 3,845 rooms, whilst Seberang Perai will have 4 hotels, amounting to 1,360 rooms.

DETAILED MARKET REPORT

FIGURE 4.6: MAJOR INCOMING HOTEL DEVELOPMENTS IN PENANG

Project Name	Hotel Rooms	Expected Opening
PENANG ISLAND		
Jazz Hotel	259	CY2018
The Quay along Church Street Ghaut	162	CY2018
Courtyard by Marriott @ Tropicana 218 Macalister	211	CY2018
DoubleTree Resort Penang	318	CY2018
The Rice Miller & Godown	46	CY2018 / CY2019
OZO Hotel along Jalan Agryll	453	CY2019
Proposed Hotel @ Setia SPICE	132	CY2019
Angsana Teluk Bahang	102	CY2019
Capri by Fraser Penang @ Jalan Magazine	255	CY2019 / CY2020
The Grace at Jalan Sultan Ahmad Shah	373	CY2020
KLIDC	210	CY2020 / CY2021
Proposed Hotel along Jalan Sultan Ahmad Shah	251	CY2021 / CY2022
JW Marriott at Persiaran Gurney	313	CY2021 / CY2022
Proposed Hotel @ Sunshine Tower	320	CY2021 / CY2022
Island Medical City	330	CY2021 / CY2022
SEBERANG PERAI		
Holiday Inn & Suites	288	CY2020
GEM Hotel	336	CY2020
Proposed 4- to 5-star hotel along Jalan Bagan Luar, Butterworth	364	CY2021
Proposed Hotel @ Penang Sentral	372	CY2021

Source: Various valuers' reports

DETAILED MARKET REPORT

The average room rate for hotel rooms in Penang has been relatively stable over the past few years. According to a report by Horwath HTL, average occupancy rates of hotels in Penang were in the region of 61% to 71%, whilst average daily room rate reported was in the range of RM190 per room per night to RM281 per room per night.

A survey by Horwath HTL for CY2016 revealed that hotels in Penang derived a greater share of bookings from online travel agents (35%), corporate accounts (21%), and also from general travel agents (16%). The largest contributions by bookings are from both corporate accounts and via travel agents. The hotel market in Penang attracted a balance market segment of between business tourism and leisure tourism.

The healthy tourism industry and the growing medical tourism sector in Penang would continue to support the hotel sector. Nevertheless, occupancy rates and room rates are projected to moderate due to the significant number of hotel rooms being developed and planned. The years ahead will see more international hotel brands being established in Penang.

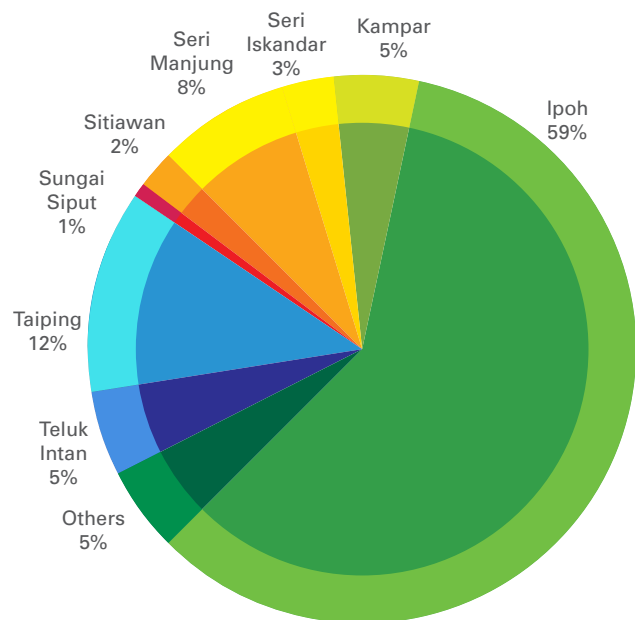
Furthermore, competition is also anticipated from “shop-house boutique hotels” as well as Online Marketplace and Hospitality Services Providers such as Airbnb which offer accommodations predominantly in serviced residences and SOHOs. Such offerings would appeal to the younger millennial travellers who are no longer contented with the conventional cookie-cutter travel experiences. They are more inclined to seek for custom-tailored experiences within a relatively affordable budget. Travelling families who prefer larger accommodation to fit all members would also be considering rental of serviced apartments. As such offerings are increasingly popular in the market, purpose-built hotels will face further competition for room guests.

PERAK

5.1 RETAIL

According to Property Market Report 2017 by NAPIC, as at the end of CY2017, Perak has increased its existing shopping complexes from 73 units to 74 units. The 74 existing shopping complexes offer a total space of approximately 10.50 million sq.ft. for the retail market. Most retail space is focused mainly in Ipoh.

FIGURE 5.1: DISTRIBUTION OF RETAIL SPACE IN PERAK, CY2017



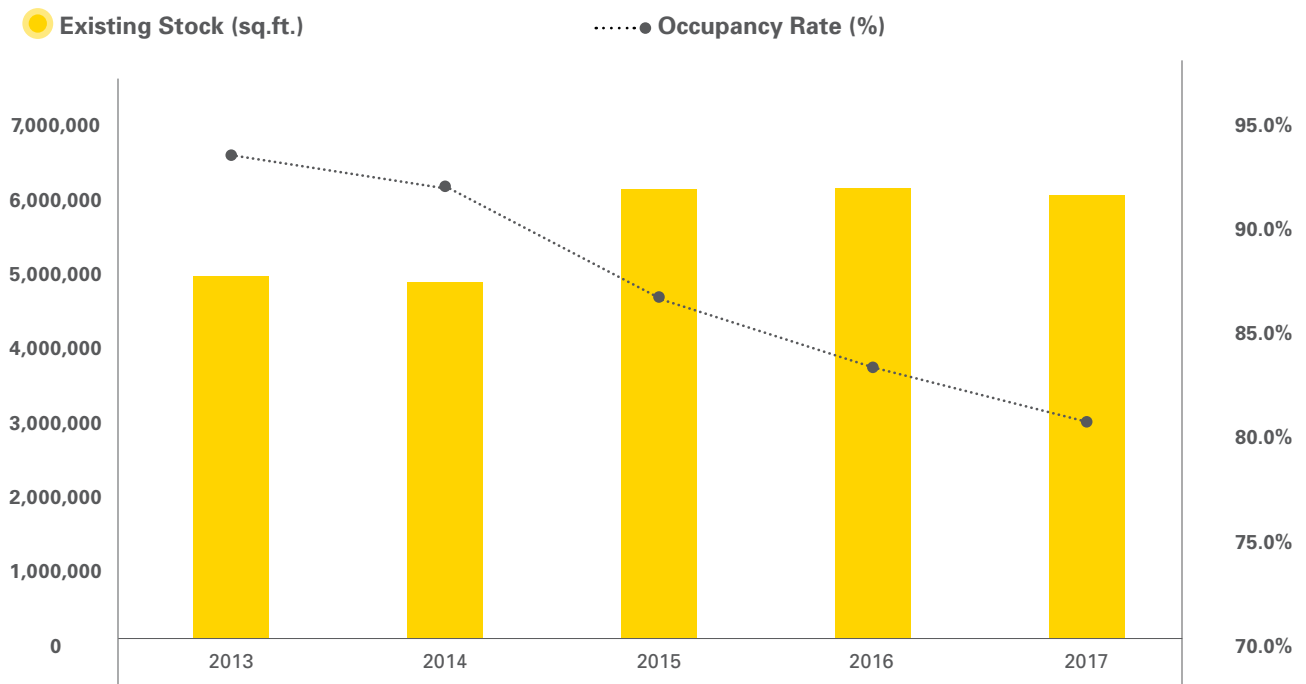
Source: Various valuers' reports

The new Econsave Hypermarket in Seri Iskandar is the only addition to the Perak retail market in CY2017. As at CY2017, the steadily growing retail market in Perak has a total incoming supply of approximately 1,199,262 sq.ft. The recent notable entrant in CY2018 is the Giant Hypermarket Falim (Ipoh) which boasts to be one of the largest Giant hypermarkets in the northern region of Peninsular Malaysia, which offers a total space of approximately 102,794 sq.ft., together with 1,000 parking bays for both motorcycles and cars.

DETAILED MARKET REPORT

Since CY2013, the retail sub-sector in Perak exhibits a declining trend in its performance in terms of general occupancy. The decline in the occupancy rate is a result of the gradual decrease in the demand for retail space due to complications such as growth of e-commerce sector and the wider economic changes while the retail space supply increases constantly.

FIGURE 5.2: OCCUPANCY RATE VS EXISTING STOCK OF RETAIL SPACE IN IPOH, CY2013 - CY2017



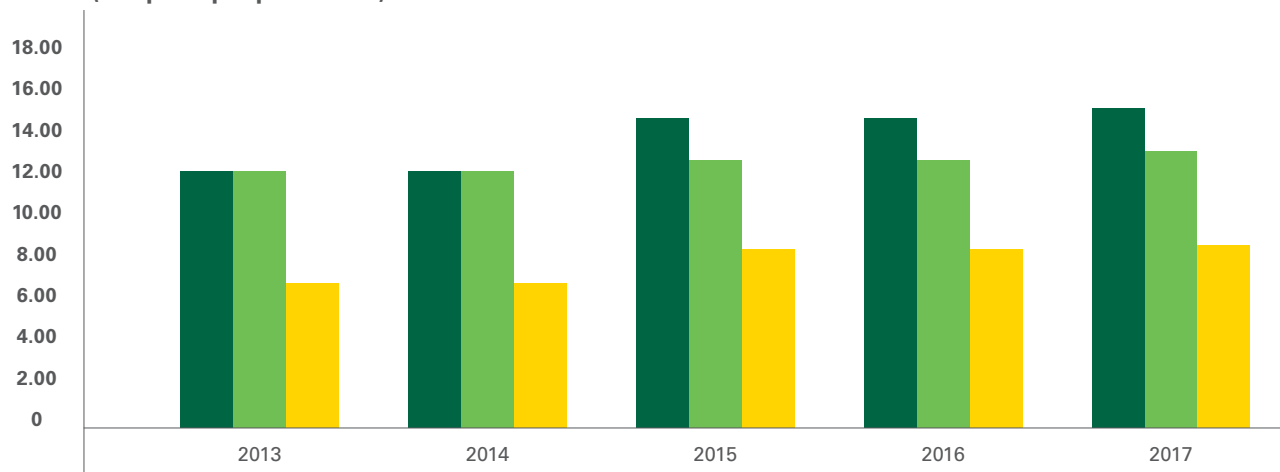
Source: Various valuers' reports

In terms of retail rent in Ipoh, retail rent exhibited a stable trend from CY2013 to CY2017. The increment of average rentals in CY2014/2015 was contributed by premium rentals charged at refurbished malls, for example, Ipoh Parade and Greentown Mall. Upon the refurbishments of Ipoh Parade and Angsana Mall (formerly known as Greentown Mall), their respective tenants' retail rents were increased by 15% - 20%.

DETAILED MARKET REPORT

FIGURE 5.3: AVERAGE RETAIL RENT IN IPOH, CY2013 - CY2017

Rental (RM per sq.ft. per month)



	CY2013	CY2014	CY2015	CY2016	CY2017
Ground Floor Rental	12.50	12.50	15.00	15.00	15.50
First Floor Rental	12.50	12.50	13.00	13.00	13.50
Second Floor Rental	7.00	6.50	8.50	8.50	9.00

Source: Various valuers' reports

Overall, the retail market in Ipoh is seen to be more competitive and challenging in these recent years as more retail spaces have been offered to satisfy the needs and wants of consumers which lead to the imminent growth of the retail sector. In terms of market performance based on occupancy, it is observed that decent property management, diversified and renowned tenant mix in retail malls contribute the most towards the attraction of visitors and subsequently affect the overall performance of the respective malls. Newly completed retail malls and hypermarkets may cause higher vacancies in old retail malls. However, on the bright side, more choices of retail space are created which consequently promote competitive market rental. In conclusion, the positive trends of the retail space supply and market rental rates signify the steady growth of the retail sub-sector in Ipoh.

PROPERTY DETAILS

150
PORTFOLIO AT A GLANCE

151
RETAIL SUMMARY & DETAILS

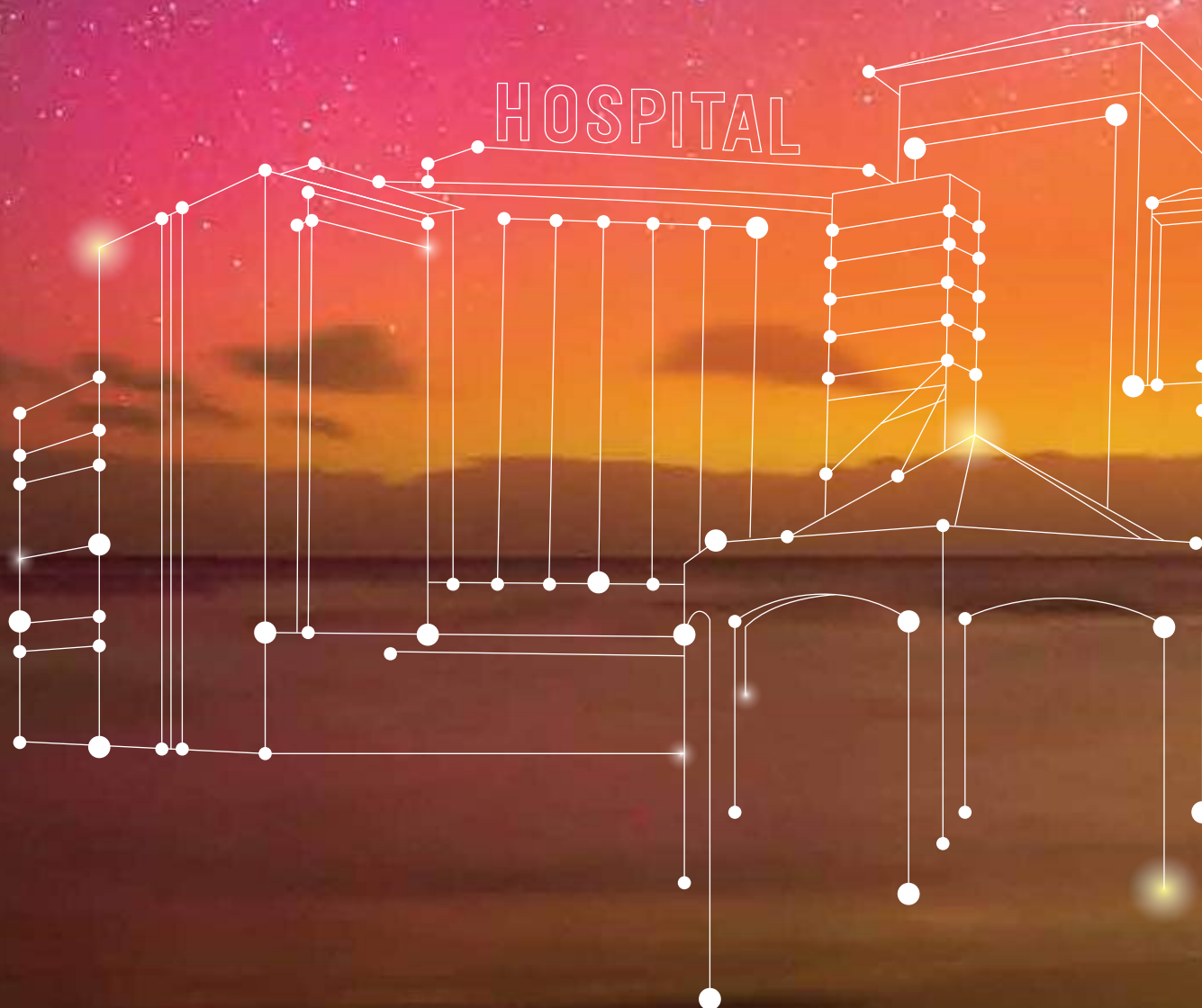
180
HOTEL SUMMARY & DETAILS

206
OFFICE SUMMARY & DETAILS

223
OTHERS SUMMARY & DETAILS

FORESEEING IS BELIEVING

A great deal of foresight is needed to light up a clearer path towards expanding our asset portfolio and creating added value. We believe that our managers' business acumen gives us clarity to stay ahead.

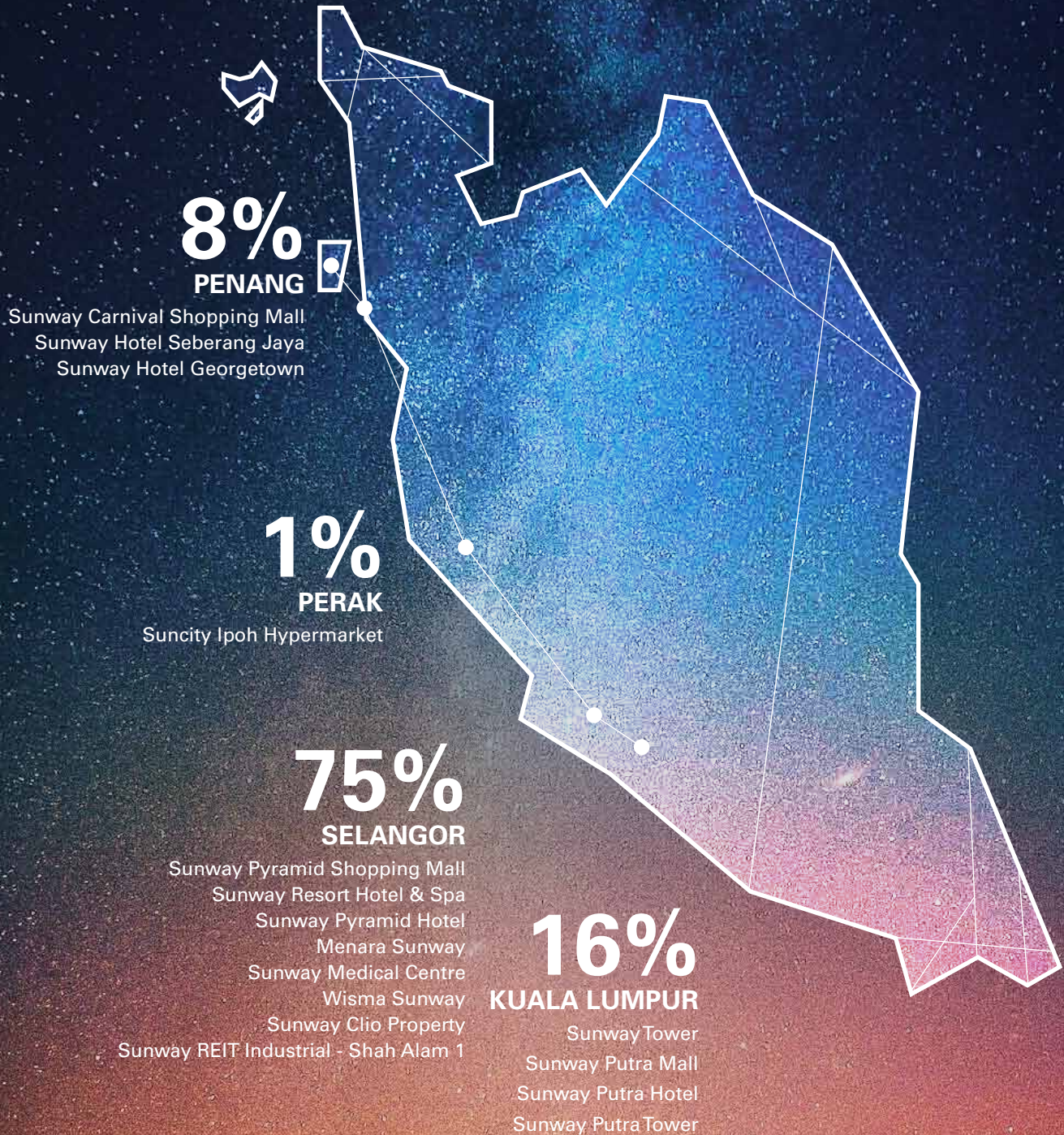




SUNWAY MEDICAL CENTRE

PORTFOLIO AT A GLANCE

GEOGRAPHICAL CONTRIBUTION BY PROPERTY
VALUE OF RM7.28 BILLION AS AT 30 JUNE 2018



RETAIL



Led by mall industry veterans and professionals with a proven track record; Sunway Malls is today's leading mall group with diverse expertise in managing malls of different sizes that redefines the Malaysian Mall industry standards

PROPERTY SUMMARY



SUNWAY PYRAMID SHOPPING MALL

LOCATION

Selangor

DATE OF ACQUISITION

08 July 2010

ACQUISITION PRICE (RM MILLION)

2,132

TITLE, EXPIRY DATE & YEARS REMAINING

- PN 17414 Lot 62059 - 21 February 2102 (84 years remaining)
- PN 9495 Lot 32 - 1 April 2097 (79 years remaining)
- H.S(D) 259957 PT 1312 - 1 April 2097 (79 years remaining)
- PN 9500 Lot 51175 - 1 April 2097 (79 years remaining)
- H.S(D) 233143 Lot PT 891 - 14 August 2105 (87 years remaining)

All in Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Private Caveat by Public Bank Berhad
- Charged to HSBC Amanah Malaysia Berhad
- Lienholder's Caveat by Public Investment Bank Berhad

YEAR OF COMPLETION

Phase 1 in 1997; Phase 2 in 2007

APPRAISED VALUE (RM MILLION)

3,580

DATE OF LATEST VALUATION*

June 2018



SUNWAY CARNIVAL SHOPPING MALL / LAND FOR EXPANSION¹

LOCATION

Penang

DATE OF ACQUISITION

08 July 2010 / 27 December 2016¹

ACQUISITION PRICE (RM MILLION)

232 / 17¹

TITLE, EXPIRY DATE & YEARS REMAINING

- PN 1816 Lot 5497 - 21 October 2092 (74 years remaining)
- PN 1817 Lot 5498 - 21 October 2092 (74 years remaining)
- PN 1818 Lot 5499 - 21 October 2092 (74 years remaining)
- PN 1814 Lot 5493 - 21 October 2092 (74 years remaining)¹

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

TENURE

Leasehold - 99 years

ENCUMBRANCE

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

YEAR OF COMPLETION

2007 / NA¹

APPRAISED VALUE (RM MILLION)

398 / 27²

DATE OF LATEST VALUATION*

June 2018

¹ Land for expansion of Sunway Carnival Shopping Mall

² Based on land and property development cost as at 30 June 2018

* Valued by C H Williams Talhar & Wong Sdn Bhd

Valued by Knight Frank Malaysia Sdn Bhd

PROPERTY SUMMARY



SUNCITY IPOH HYPERMARKET

LOCATION

Perak

DATE OF ACQUISITION

08 July 2010

ACQUISITION PRICE (RM MILLION)

46

TITLE, EXPIRY DATE & YEARS REMAINING

PN 258216 Lot 331232 - 22 February 2100
(82 years remaining)

Mukim Hulu Kinta, Daerah Kinta, Negeri Perak

TENURE

Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berhad
- Private Caveat by Public Bank Berhad
- Lienholder's Caveat by Public Investment Bank Berhad

YEAR OF COMPLETION

2005

APPRAISED VALUE (RM MILLION)

61

DATE OF LATEST VALUATION*

June 2018



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 38, Seksyen 51

Kuala Lumpur, Wilayah Persekutuan

TENURE

Freehold

ENCUMBRANCE

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

YEAR OF COMPLETION

1988

APPRAISED VALUE (RM MILLION)

595

DATE OF LATEST VALUATION#

June 2018

PROPERTY SUMMARY

RETAIL ASSETS	SUNWAY PYRAMID SHOPPING MALL	SUNWAY CARNIVAL SHOPPING MALL	SUNCITY IPOH HYPERMARKET	SUNWAY PUTRA MALL	TOTAL
Land Area (sq.ft.)	820,070	348,428	354,994	193,621 ¹	1,717,113
Gross Floor Area - Retail and Convention Centre (sq.ft.)	2,454,795	769,546	193,408	1,248,216 ²	4,665,965
Gross Floor Area - Car Park (sq.ft.)	1,873,470	213,554	-	574,588 ¹	2,661,612
Net Lettable Area - Retail (sq.ft.)	1,630,160	456,748	183,327	552,925	2,823,160
Net Lettable Area - Convention Centre (sq.ft.)	143,467	32,292	-	-	175,759
Number of Parking Bays	> 3,900	> 1,100	400	> 1,500 ¹	> 6,900
Number of Tenancies	717	200	1	240	1,158
Occupancy as at 30 June 2018 (%)	98.8	98.3	100.0	90.2	97.2
Annual Shopper Traffic (million)	> 35.0	> 8.0	N/A	> 9.0	> 52.0
Revenue (RM million)	314.3	46.8	4.4	51.0	416.5
Net Property Income (RM million)	237.9	29.1	4.1	25.8	296.9
Appraised Value as at 30 June 2018 (RM million)	3,580 ³	398 ³	61 ³	595 ⁴	4,634
Value per sq.ft. (RM)	2,018	814	333	1,076	N/A
Capitalisation Rate - Current / Reversionary (%)	6.00 / 6.50	6.50 / 7.00	6.50 / 7.00	6.75 / 9.00 ⁵	N/A

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

² Based on Approved Building Plan Conversion Rate 1 sq.m. : 10.76047 sq.ft. including car parking areas, service area and part of hotel areas

³ The properties are valued by C H Williams Talhar & Wong Sdn Bhd

⁴ The properties are valued by Knight Frank Malaysia Sdn Bhd

⁵ Discount rate

N/A - Not Applicable

PROPERTY DETAILS



SUNWAY PYRAMID SHOPPING MALL

YOUR UNIQUE LIFESTYLE ADVENTURE

Since it first opened its doors in 1997, Sunway Pyramid Shopping Mall (Sunway Pyramid), Malaysia's first themed shopping and entertainment mall has undergone a magnificent transformation back in 2007 to herald a new shopping kingdom that boasts 4 million square feet of retail extravaganza.

Architecturally spell binding, the Egyptian-inspired Pyramid with an eye-catching lion standing guard at the entrance is now joined by two glorious domes – the Orange Atrium and Blue Atrium in the magnificent expansion. Inspired by the Sun God 'Ra', the Orange Atrium is an architectural marvel with its sun flare pattern and bright, warm and radiant hues while the Blue Atrium is themed according to the Great River Nile with design of shade of blue, panels symbolising the water waves of river Nile.

The Egyptian-inspired design still echoes on but in more contemporary fashion. The rest of the building is embellished in the monumental style, complete with hieroglyphics decorating facades, along with numerous Pharonic statuarys. The re-modeled mall is seamlessly connected at all 4 floors in a loop corridor, offering 360° splendour to shoppers as well as comfort and convenience.

Visitors are in for a unique shopping adventure, all thanks to more than 900 specialty outlets. Be spoilt for choice when you visit our specialty outlets where you will find variety in fashion, accessories, shoes, jewellery, timepieces, music, videos, gifts, souvenirs, leathers, books, pharmacies, electrical products, home furnishing, wellness and a one-stop IT centre.

Centre Management Office
Level CP6, Blue Atrium, Sunway
Pyramid Shopping Mall,
No. 3, Jalan PJS 11/15
Bandar Sunway,
47500 Selangor Darul Ehsan,
Malaysia.

Tel: (603) 7494 3000
Fax: (603) 7493 6333

Email:
pyramidcare@sunway.com.my

Website:
www.sunwaypyramid.com

Facebook:
[www.facebook.com/
SunwayPyramid](http://www.facebook.com/SunwayPyramid)

1.77
million
NLA (sq. ft.)

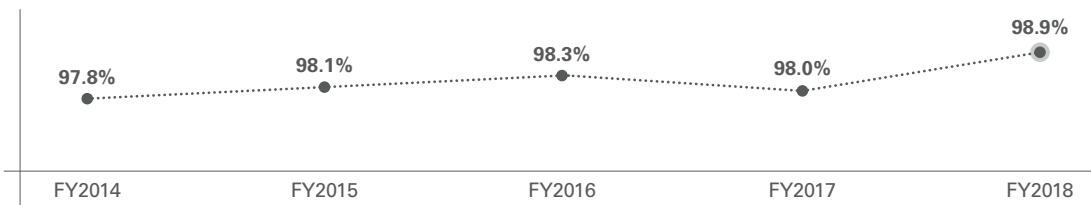
SUNWAY PYRAMID SHOPPING MALL

PROPERTY DETAILS

Land area (sq. ft.)	820,070
GFA (sq. ft.)	Retail and Convention Centre : 2,454,795 Carpark : 1,873,470
NLA (sq. ft.)	Retail : 1,630,160 Convention Centre : 143,467
No. of parking bays	> 3,900
No. of tenancies	717
Occupancy as at 30 June 2018 (%)	98.8
Annual shopper traffic (million)	> 35.0
Revenue (RM million)	314.3
NPI (RM million)	237.9

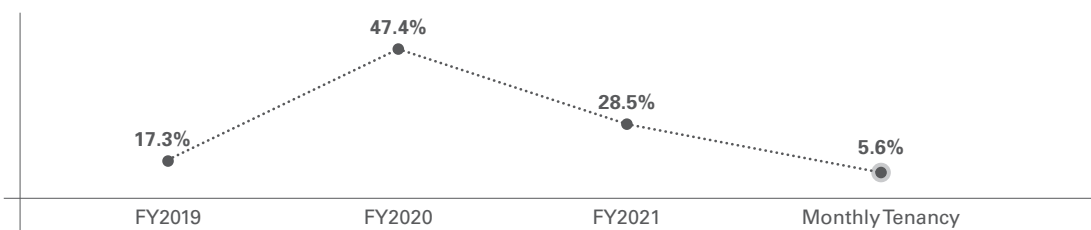
HISTORICAL OCCUPANCY RATE

Average occupancy rate



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



WEIGHTED AVERAGE LEASE EXPIRY

1.36 YEARS

SUNWAY PYRAMID SHOPPING MALL

TENANT MIX BY TRADE SECTOR Based on June 2018 Gross Rental Income



33.7%
Fashion & Footwear



24.3%
Others



21.5%
Food & Beverage



6.6%
Education & Services



4.9%
Electronics



4.7%
Leisure & Entertainment



4.3%
Department Store

TENANT MIX BY TRADE SECTOR Based on June 2018 Net Lettable Area



34.1%
Fashion & Footwear



24.1%
Others



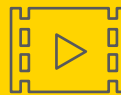
21.4%
Food & Beverage



7.0%
Education & Services



4.7%
Electronics



4.5%
Leisure & Entertainment



4.2%
Department Store

SUNWAY PYRAMID SHOPPING MALL

TOTAL TOP TENANTS

Based on June 2018 Gross Rental Income


13.1%
Total
Top
Tenants**2.2%**

Aeon Co. (M) Bhd (Aeon)

**1.2%**Cotton On (Malaysia) Sdn Bhd
(Typo, Cotton On Body, Cotton On)**1.7%**Parkson Corporation Sdn Bhd
(Parkson, Origin)**1.1%**Padini Dot Com Sdn Bhd
(Padini Concept Store)**1.4%**TGV Cinemas Sdn Bhd
(TGV Cinemas)**1.1%**Amorepacific (M) Sdn Bhd
(Innisfree, Etude House, Laniege)**1.3%**Sunway Resort Hotel Sdn Bhd
(Sunway Pyramid Convention Centre)**1.0%**H&M Retail Sdn Bhd
(H&M, Monki)**1.2%**JD Sports Fashion Sdn Bhd
(JD, Sports Empire & The Marathon Shop)**0.9%**Peregrine Technology Sdn Bhd
(Digital Centre)

SUNWAY PYRAMID SHOPPING MALL MARKETING ACTIVITIES

COLLABORATION / PARTNERSHIP



GAME OF THRONES PENCIL MICROSCULPTURE 30 June – 9 July 2017

HBO Game of Thrones' Pencil Microsculpture Exhibition presented sculptures of the series created on the tips of fragile graphite pencils.



CARS 3 PREMIERE/ROADSHOW 17 August – 3 September 2017

Stepping into the Blue Concourse, the thrill feeling can be felt as a life-sized Lightning McQueen lights up the podium with a cheeky grin flanked by a supersized Piston Cup made from Disney/Pixar Mattel die-cast cars. There were various activities line up for the kids such as the Kiddie Ride racing track, hands-on chance at fixing tyres at the pit stop and the race simulator.



MY60 MYLEGO BUILD - MERDEKA 22 August - 3 September 2017

Celebrating Malaysia's 60th Independence, Brick It On! LEGO landed in #SunwayPyramid with the largest Tunku Abdul Rahman LEGO mural alongside some truly Malaysian sculptures.



LEGO NINJAGO 15 – 21 September 2017

Shoppers with kids had the opportunity to challenge and bring home a LEGO mini figure Avatar when they purchase any LEGO from Box of Bricks and had master the #NINJAGOCALLENGE. Master Wu and Lloyd who starred in the #LEGONINJAGOMovie made special appearances.



VAV MEET & GREET 30 October 2017

VAV is back with a new concept and their fans had the opportunity to meet and greet the team with new members.



HOT WHEELS #MAKINGITEPIC – 1ST SOUTHEAST ASIA HOT WHEELS EPIC CHAMPIONSHIP 21 October 2017

It's fire on the tracks with Hot Wheels #MakingItEpic where the 1st Southeast Asia Hot Wheels Epic Championship happened on 21 October 2017.

SUNWAY PYRAMID SHOPPING MALL MARKETING ACTIVITIES

COLLABORATION / PARTNERSHIP



PLAY IGN BY SUNWAY PALS
14 – 19 November 2017

Supported by PlayStation Asia, the show floor had plenty of games and gears for shoppers to try out. Shoppers who downloaded and signed up for Sunway Pals were entitled to win cool prizes and had the chance to win a PlayStation 4 FIFA 18 Bundle Pack. Throughout the campaign, the first 30 registered members received a IGN Sea Lucky Bags.



FUJIFILM "SHOOT.PRINT.SHARE" EXHIBITION
16 - 19 November

'Shoot.Print.Share.' Photo Exhibition 2017 launched by FUJIFILM displayed 5,000 photographs by the Malaysian public, themed 'My Malaysia Harmony', throughout the mall. At the same time, FUJIFILM also launched its square-format Instax printer, the Instax SHARE SP-3.



GRAB LOUNGE
22 November 2017

The first ever Grab Lounge in the region was unveiled by Grab Malaysia and Sunway Pyramid to enhance shoppers' experience. There were limited free redemptions on selected F&B from 24 to 26 November 2017 for Grab app users. In addition to that, Grab users could get a RM10 off when they select Sunway Pyramid as their destination.



MATTEL CHRISTMAS
21 – 25 December 2017

At #MattelChristmas, shoppers could find some of the best gifts at the Orange Concourse as presents. Shoppers also had the opportunity to play with their loved ones, get discounts and meet Santa.

SUNWAY PYRAMID SHOPPING MALL MARKETING ACTIVITIES

COLLABORATION / PARTNERSHIP



FIND THE FUN WITH DREAMWORKS! 30 & 31 December 2017

On New Year Eve's weekend, shoppers can unleash their inner child and 'Find the Fun' with DreamWorks at Sunway Pyramid. They were able to meet King Julien, Puss in the Boots, catch free screening of their favourite DreamWorks show, get a Toothless temporary tattoo and decorate their very own Trollhunters sword. There were also other Funtastic activities and an exclusive DreamWorks prizes to be won.



DUCKTALES 18 January – 6 February 2018

Down at DuckTales Money Bin Hunt, shoppers could win a family trip to Hong Kong Disneyland and also make themed angpaos and lanterns. On weekends, Donald Duck would make a special guest appearance where kids and family could snap a photo with him.



DIVE INTO THE WORLD OF PINKFONG 16 – 19 March 2018

During the school holidays, Astro Malaysia held their Dive into the World of Pinkfong Event at Sunway Pyramid. All baby sharks, mommy sharks, daddy sharks, grandpa sharks and grandma sharks were able to enjoy stage shows, exclusive merchandise and fun games.



NICKELODEON PLAYLAND 9 – 25 March 2018

It's school holiday season again! For the first time in Malaysia, fans could meet and greet Shimmer & Shine at the concourse area and take part in fun workshops held throughout the month. Kids could also join Paw Patrol in their mission to keep on a lookout for trouble at the interactive Paw Tower as well as hop in and ride like Blaze and his Monster Machine buddies around the race track.



HOT WHEELS® #CHALLENGEACCEPTED ROADSHOW 21 – 25 March 2018

The Hot Wheels® #ChallengeAccepted Roadshow was held at the Orange Concourse. There were fun-filled activities for the kids that will challenge them to test their limit.

SUNWAY PYRAMID SHOPPING MALL MARKETING ACTIVITIES

COLLABORATION / PARTNERSHIP


LEGO POP UP STORE
 8 – 24 June 2018

For the best holiday break, LEGO had a pop up store at LG2 Central Avenue. There were different merchandises to be purchased as well as awesome promo and prizes to be won. Children were attracted to the building experience as they get hands-on experience. The LEGO mascot also made several appearances throughout the day.


OPPO F7 DEBUT ROADSHOW
 23 April 2018

OPPO F7 debut roadshow was a success with a special appearance by OPPO selfie icon 林明禎 (Min Chen) who graced the launched.

FESTIVE CELEBRATIONS


MAGICAL TUDOR CHRISTMAS
 24 November - 1 January 2018

Ho ho ho! Sunway Pyramid celebrated a magical Christmas during the festive season. Shoppers could take a walk down the cobblestone street, lined with towering Christmas trees and vintage store houses inspired by a Tudorian town. They could also send their love by personalising a postcard to their loved ones or strike a pose at the interactive photo booth. Every weekend, shoppers had a chance to meet Santa at the meet and greet session.


MERRIMENT OF SPRING
 19 January – 19 February 2018

A new year has already come which can only mean that Lunar New Year is upon us! Inspired by Zhouzhuang, a water town in China known for its canals, LG2 Orange Concourse was decorated with cherry blossoms and willows. An oriental arch towers over the entrance of the concourse which were flanked by two imperial guardian lions, known as foo lions with a river flowing in between the area. Shoppers were able to enjoy the latest Chinese New Year deals, discount and décor!

SUNWAY PYRAMID SHOPPING MALL MARKETING ACTIVITIES

FESTIVE CELEBRATIONS



THE RADIANCE OF RAYA
24 May – 24 June 2018

Sunway Pyramid brought 'The Radiance of Raya' to life in the form of bamboo and lights that created an ambience like no other during Aidilfitri. The mall had been bursting with joy and exciting redemptions. There were various activities and deals throughout the celebration. Families could take pictures and enjoy the 'kampung' feel set up. Shoppers were entitled to redeem 'The Gift of Batik' produced by The Batik Botique which goes to a good cause.

TENANT ENGAGEMENT



BE-YOU-TIFUL
14 – 30 July 2017

For two weeks, beauty junkie had the opportunity to up their beauty game with lots of tips and tricks, exclusive deals and promotions by over 30 international and local beauty brands.

PROPERTY DETAILS

SUNWAY CARNIVAL SHOPPING MALL



THE MAINLAND'S TREASURED MALL

Sunway Carnival Shopping Mall is a stylish 4-storey retail mall strategically located within the town center 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 and is one of mainland Penang's largest and most popular malls, welcoming 8 million visitations annually. 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 mall has just embarked on the next phase of its expansion by doubling its net lettable area (NLA) from the current 457,920 sq. ft. to 787, 920 sq. ft. of retail haven. Once the expansion is completed, the first phase of the mall will be undergoing a refurbishment, which is expected to be completed by year 2022.

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

Tel: (604) 397 9888
Fax: (604) 397 9883

Website:
www.sunwaycarnival.com

Facebook:
[www.facebook.com/
SunwayCarnivalMall](https://www.facebook.com/SunwayCarnivalMall)

0.49
million
NLA (sq. ft.)

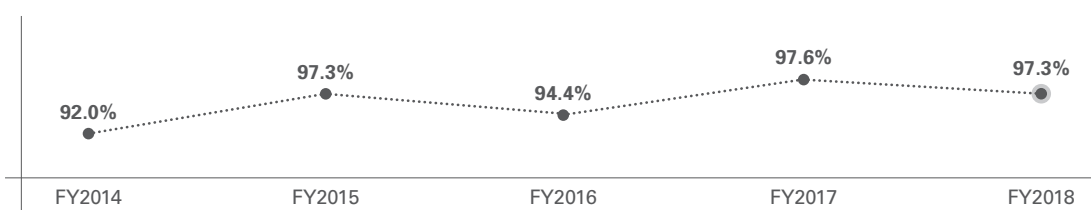
SUNWAY CARNIVAL SHOPPING MALL

PROPERTY DETAILS

Land area (sq. ft.)	348,428
GFA (sq. ft.)	Retail and Convention Centre : 769,546 Carpark : 213,554
NLA (sq. ft.)	Retail : 456,748 Convention Centre : 32,292
No. of parking bays	> 1,100
No. of tenancies	200
Occupancy as at 30 June 2018 (%)	98.3
Annual shopper traffic (million)	> 8.0
Revenue (RM million)	46.8
NPI (RM million)	29.1

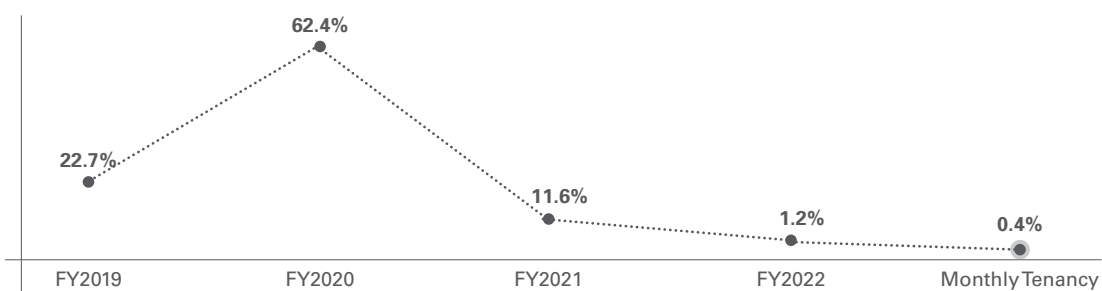
HISTORICAL OCCUPANCY RATE

Average occupancy rate



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



WEIGHTED AVERAGE LEASE EXPIRY

1.34 YEARS

SUNWAY CARNIVAL SHOPPING MALL

TENANT MIX BY TRADE SECTOR

Based on June 2018 Gross Rental Income

○○○

27.7%

Others



20.5%

Fashion & Footwear



20.5%

Food & Beverage



11.1%

Department Store



9.4%

Electronics



8.3%

Education & Services



2.5%

Leisure & Entertainment

TENANT MIX BY TRADE SECTOR

Based on June 2018 Net Lettable Area

○○○

24.1%

Others



35.6%

Department Store



13.5%

Food & Beverage



12.0%

Fashion & Footwear



3.6%

Electronics



4.1%

Education & Services



7.1%

Leisure & Entertainment

SUNWAY CARNIVAL SHOPPING MALL

TOTAL TOP TENANTS

Based on June 2018 Gross Rental Income


22.6%
Total
Top
Tenants

8.5%Parkson Corporation Sdn Bhd
(Parkson)**1.3%**Apex Pal (Malaysia) Sdn Bhd
(Sakae Sushi)**2.6%**Sam's Groceria Sdn Bhd
(Sam's Groceria)**1.3%**Padini Corporation Sdn Bhd
(PDI)**1.9%**PECC Sdn Bhd
(Prai Exhibition Convention Centre)**1.2%**C.H.I. Fitness Sdn Bhd
(C.H.I. Fitness)**1.9%**CG Computers Sdn Bhd
(Switch)**1.2%**Bread History Sdn Bhd
(Bread History & Just Pizza)**1.5%**Life Habitat Sdn Bhd
(Studio)**1.2%**Golden Screen Cinemas Sdn Bhd
(Golden Screen Cinemas)

SUNWAY CARNIVAL SHOPPING MALL MARKETING ACTIVITIES

COLLABORATION / PARTNERSHIP



RELAX & REJUVENATE – MALAYSIA MEGA SALE 2017

15 June – 31 August 2017

This contest was organised in conjunction with Malaysia Mega Sale 2017 campaign and shoppers stood a chance to relax and unwind at Malaysia's first luxury natural hot springs wellness retreat - 2 Days 1 Night stay in Water Villa with Breakfast for 2 persons - at The Banjaran Hotsprings Retreat. Shoppers were encouraged to spend using their HSBC credit card to double up their chances.



NICKELODEON PLAYGROUND

27 April – 13 May 2018

This year, Sunway Carnival Shopping Mall hosted the first ever Nickelodeon Playground in Penang! It featured characters group from the world of Nick Jr. such as Shimmer and Shine, Paw Patrol, Blaze and the Monster Machines. The event offered a fun interactive experience for Penangites. There were a series of fun interactive activities during the event to bring unforgettable experience to our shoppers, especially young families. The event did not only draw significant family crowd but anyone who were intrigued by the event's buzz.



OFFICIAL LAUNCH OF BAZAR AIDILFITRI AGRO KRAF

3 June 2018

The Federal Agricultural Marketing Authority (FAMA) had invited its director-general, Datuk Ahmad bin Ishak to officiate the launch of the Bazar Aidilfitri Agro Kraf at the mall. Also present were FAMA's agro-based industry marketing division senior director, Encik Che Ghani Che Wan, Penang FAMA director, Puan Habibah Sulaiman and Sunway Carnival Shopping Mall associate director of finance, Mr. Lee Yau Chong. The agro craft event was held from May 8 to June 24 in conjunction with Hari Raya to bring more offerings and crafts to highlight the traditions of Malaysians.

SUNWAY CARNIVAL SHOPPING MALL MARKETING ACTIVITIES

FESTIVE CELEBRATIONS



MOONLIT AFFAIR

8 September – 4 October 2017

Many renowned mooncake brands were available at the mall's Upper Ground Floor during the Mid-Autumn festival to cater to the needs of our shoppers. In addition, shoppers were rewarded with an exclusive mooncake and tea gift set.



LIGHT OF HAPPINESS

6 – 22 October 2017

The 17-day celebration was greeted with gleaming 'diya' lights, gorgeous purplish flowers, vividly-coloured 'rangoli' and an exquisite elephant statue that symbolises auspiciousness and wisdom at the mall's main entrance. Adding to the festive mood, there were activities that were suitable for children and adult such as Creative Sand Art, Tea Light Holder Workshop, Canvas Painting Workshop, Foil Art Workshop, Deepavali Diya Workshop and traditional Indian music performance every weekend.



A MAGICAL TUDOR CHRISTMAS

1 December 2017 – 1 January 2018

Featuring a Tudor Christmas theme, the mall's main concourse transformed into a magical Tudor village. Various Christmas activities were held throughout the 32-day Christmas celebration such as Christmas carolling, Santa and Santarina meet and greet, traditional Tudor musical dance performance, kid's dress up corner and Santa's Mail Station. Shoppers were entitled to redeem a classic journal writing gift set.



CHRISTMAS COUNTDOWN CELEBRATION

24 December 2017

Christmas Eve was celebrated on a high note with Hong Kong artistes, Joel Chan and Hugo Wong alongside local singer Janice Tan Yin Ern and actor Alvin Chong. They counted down the final seconds with shoppers at the mall's concourse and greeted thousands of adoring fans.

SUNWAY CARNIVAL SHOPPING MALL MARKETING ACTIVITIES

FESTIVE CELEBRATIONS



THE MERRIMENT OF SPRING

19 January – 25 February 2018

Shoppers were encouraged to take a stroll at the mall's quaint water town inspired by the 'Zhouzhuang Water Town' in China and enjoy a cultural galore of activities over the five weekends such as 24 Seasons Drum, Dragon Dance, Chinese Cultural Dance, Chinese Music Orchestra, God of Prosperity Walkabout and more! Apart from that, shoppers were rewarded with a 'Reunion Dining Set' and limited edition Sunway Malls' red packets.



WONDERFUL RAYA MEMORIES

18 May – 24 June 2018

Sunway Carnival Shopping Mall celebrated the season of Raya with its 'Wonderful Raya Memories'. The mall's Upper Ground Concourse was transformed into a real '*kampung*' scene that carried important message of '*buka lembaran baru*' and '*kosong-kosong*'. The campaign was set to bring shoppers and their families together to create sweet Raya memories in the mall. Shoppers were rewarded with delightful Raya packets and exclusive batik scarf. We also worked together with the Federal Agricultural Marketing Authority (FAMA) and Kraftangan Malaysia to bring more offerings and crafts to our shoppers.

PROPERTY DETAILS



SUNCITY IPOH HYPERMARKET

THE SHOPPERS' HYPERMARKET

SunCity Ipoh Hypermarket is a single-storey hypermarket designed and purpose-built to the specifications of the original and current sole tenant, GCH Retail (Malaysia) Sdn Bhd (GCH). GCH is a major hypermarket and retailer chain operating under the "Giant" brand in Malaysia, Singapore, Indonesia and Brunei Darussalam.

The hypermarket, 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 Sunway City. 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 a luxury retreat known as The Banjaran Hotsprings Retreat.

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

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

0.18
million
NLA (sq. ft.)

Land area (sq. ft.)	GFA (sq. ft.)	NLA (sq. ft.)	No. of parking bays	No. of tenancies	Occupancy as at 30 June 2018 (%)	Annual shopper traffic (million)	Revenue (RM million)	NPI (RM million)
354,994	193,408	183,327	400	1	100.0	N/A	4.4	4.1

N/A - Not applicable

PROPERTY DETAILS



SUNWAY PUTRA MALL

YOUR SUNSATIONAL SHOPPING EXPERIENCE

Sunway Putra Mall, a self-sustained integrated development positioned in the heart of the Diamond Triangle, is one of the most vibrant business hubs and residential district in downtown Kuala Lumpur. Its refurbishment was completed in February 2015 and the mall reopened on 28 May 2015. Completely revamped with an ultra-modern architecture design and stunning interior layout, the mall enjoys superb access and connectivity providing an exhilarating place to show that caters to the surrounding business and residents with 9 levels of retail podiums.

Sunway Putra Mall now hosts more than 300 international fashion and local brands alongside delectable delights. The mall also hosts an array of stylish fashion from local designer brands such as Bonia, Bohari Kuala Lumpur, EGG, Gerobok Kalsom and Ratio Apparel. Visitors can also enjoy a gastronomic feast at Selera Street which promotes the local heritage concept by maintaining the original Medan Hang Tuah section while the Market Place is a gathering point for all essentials from fresh and quality products, household items, fancy knick-knacks, to delectable snacks and cosy eateries.

Apart from that, shoppers may visit an exciting array of home décor in addition to relaxing and rejuvenating at the wellness centres available within the mall. Kids will equally be thrilled when they visit The Parenthood, Malaysia's first London family theme park. The mall also has 2 main mini-anchors – TGV Cinemas and Cold Storage.

Sunway Putra Mall provides shopping fun to both the local and international tourist, with the latter having immediate access from Sunway Putra Hotel, Seri Pacific Hotel, Vistana Hotel, Quality Hotel, Silka Hotel and many other prominent hotels nearby. In terms of connectivity, the mall enjoys a superb pedestrian traffic and accessibility via a number of public transportation namely KTM, Rapid KL, bus, monorail and LRT.

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

Tel : (603) 2786 9300
Fax : (603) 2786 9499

Website:
www.sunwayputramall.com

Facebook:
www.facebook.com/sunwayputramall

0.55
million
NLA (sq. ft.)

SUNWAY PUTRA MALL

PROPERTY DETAILS

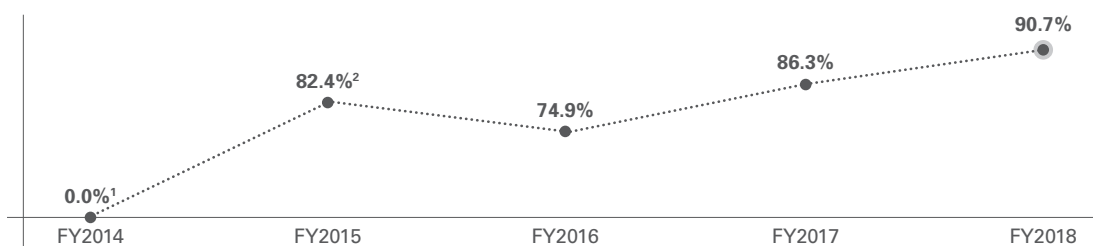
Land area (sq. ft.)	193,621 ¹
GFA (sq. ft.)	Retail : 1,248,216 ² Carpark : 574,288 ¹
NLA (sq. ft.)	552,925
No. of parking bays	> 1,500 ¹
No. of tenancies	240
Occupancy as at 30 June 2018 (%)	90.2
Annual shopper traffic (million)	> 9.0
Revenue (RM million)	51.0
NPI (RM million)	25.8

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

²Based on Approved Building Plan Conversion Rate 1 sq.m. : 10.76047 sq.ft. including car parking areas, service area and part of hotel areas

HISTORICAL OCCUPANCY RATE

Average occupancy rate

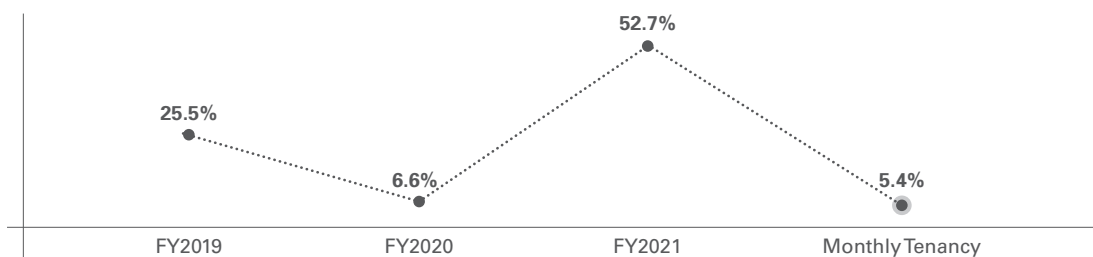


¹The mall was closed for refurbishment from May 2013 to May 2015

²Secured occupancy as at 30 June 2015

LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



WEIGHTED AVERAGE LEASE EXPIRY

1.82 YEARS

SUNWAY PUTRA MALL

TENANT MIX BY TRADE SECTOR Based on June 2018 Gross Rental Income



37.6%

Fashion & Footwear



28.5%

Food & Beverage



22.7%

Others



5.3%

Leisure & Entertainment



2.3%

Education & Services



1.8%

Electronics



1.8%

Supermarket

TENANT MIX BY TRADE SECTOR Based on June 2018 Net Lettable Area



42.3%

Fashion & Footwear



22.9%

Others



19.3%

Food & Beverage



9.7%

Leisure & Entertainment



1.1%

Electronics



0.9%

Education & Services



3.8%

Supermarket

SUNWAY PUTRA MALL

TOTAL TOP TENANTS

Based on June 2018 Gross Rental Income


20.5%
Total
Top
Tenants**4.5%**TGV Cinema Sdn Bhd
(TGV Cinemas)

1.6%NFC Clothier Sdn Bhd
(NICHII, KITSCHEN & Dressing Paula)**2.8%**Padini Dot Com Sdn Bhd
(Padini Concept Store)

1.4%Jerasia Fashion Sdn Bhd
(MANGO)**2.6%**Parenthood Venture Sdn Bhd
(The Parenthood)**1.4%**Sports Direct MST Sdn Bhd
(SPORTSDIRECT.COM)**1.8%**GCH Retail (Malaysia) Sdn Bhd
(Cold Storage)**1.4%**Uniqlo (Malaysia) Sdn Bhd
(Uniqlo)**1.7%**Yee Fong Hung (M) Sdn Bhd
(Brands Outlet)**1.3%**RCB Marketing Sdn Bhd
(Royal Country of Berkshire Polo Club)

SUNWAY PUTRA MALL MARKETING ACTIVITIES

COLLABORATION / PARTNERSHIP



THOMAS & FRIENDS ADVENTURE
18 August – 3 September 2017

In conjunction with the school holiday, the mall partnered with Hasbro to bring in interactive activities for kids at the Main Concourse. It brought kids on an adventurous journey from outer space, to under the sea and around the world. The play land was open for kids to join the fun. The campaign lasted over the span of two weeks and saw an increase of footfall and attracted new visitors to the mall.



FEEL THE FORCE IN THE DARK
25 October 2017

Together with Dialogue in the Dark (DID) and Starwars Fan Group, Sunway Putra Mall held a themed charity fundraising event in conjunction with United Nations International Day of Persons with Disabilities. The event included a specially designed Dark Room with Star Wars element where guests gets to experience the five senses in the dark, T-shirt design workshop for disability children and Star Wars charity bazaar to help raise funds for the cause.



HOT WHEELS EPIC CHAMPIONSHIP
17 - 26 November 2017

Hot Wheels® Sunway Putra Mall Epic Championship was a partnership event with Hasbro to bring in fun and interactive activities for kids and car collectors. There were fun-filled activities where kids get to go on challenges such as building epic stunts with the latest Hot Wheels® track sets and multiple car tracks. The main attraction was the tallest track which starts from Level 1 down to Ground Floor.

There was a Hot Wheels® merchandise counter located at the activity area for avid collectors to purchase their choice of Hot Wheels®.



MISS SHOPHIA SHOPPING HUNT
25 November 2017

Together with Tourism Malaysia, Sunway Putra Mall was one of the participating shopping malls who hosted and sponsored 'Miss SHOPhIA Shopping Hunt 2.0', which was a shopping hunt open to public and media. The main objective for organising the event was to promote Kuala Lumpur as a shopping haven, and to highlight the accessibility of each mall via public transport, especially via the new MRT system. Shopping secretariat also invited local influencers, media and bloggers from selected ASEAN countries to participate in the event.

SUNWAY PUTRA MALL MARKETING ACTIVITIES

FESTIVE CELEBRATIONS



DRAMA FESTIVAL KUALA LUMPUR (DFKL) ROADSHOW March 2018

Together with Media Prima Group, the mall hosted a 2-day talent casting session in search of new actors and actresses. At the same time, there were also creative activities such as celebrity performances, special effect make-up and meet and greet session.



MATTA FAIR March 2018

In conjunction with MATTA FAIR 2018 that was held in PWTC, the mall collaborated with MATTA FAIR by offering more discount deals in mall, such as food and beverage, fashion shopping and more!



SEOUL-FUL FAIR 30 March – 8 April 2018

Sunway Putra Mall organised their first Seoul-Ful Fair, a 10-day event featuring all-Korean street food stalls, arts and crafts workshops, Korean spicy noodle challenges, kimchi-making workshops, colouring contests for kids and more that introduces the cultures and traditions of Korea. There was also a K-pop Dance competition held during the festival.



MID-AUTUMN FESTIVAL September 2017

In conjunction with the Full Moon Festival, the mall organised the second Lantern Parade where we invited more than 300 underprivileged children from Touching Lives Club Kuala Lumpur & Selangor together with more than 400 shoppers and tourists to join the children for the lantern parade, parading together with colourful lanterns which started along the route circling the mall.

Before the parade started, the underprivileged children were treated to hone their artistic skills on mooncake and lantern making workshop at Selera Street.

On 23 September 2017, Sunway Putra Mall made into the Malaysia Book of Records for the Tallest Lantern Made of Recycled Fabrics under the Arts and Entertainment Category, standing tall at 10.51 meter.



HAPPY DEEPAVALI 6 - 22 October 2017

Shoppers at Sunway Putra Mall enjoyed an intricate Deepavali decoration at the Main Concourse, complete with a touch of Rangoli with glitters and motifs. Shoppers were also treated to weekly activities for kids such as colouring contest, sand art activity, sweet delights offerings and henna art station to complement the décor.

SUNWAY PUTRA MALL MARKETING ACTIVITIES

FESTIVE CELEBRATIONS



GIFT OF CHRISTMAS

30 November – 7 January 2017

Children's dreams were brought to life at the mall as they were welcome with magical Christmas wonders at the Main Concourse with a 23-foot Christmas Toy Rack with Santa at the top in the middle of the area. Shoppers were transported to the magical world of Santa's toy factory, surrounded with toys of all shapes and sizes, mechanical gears and a larger than life Santa's workshop. There were also activities for kids where they get to decorate their greeting card, Christmas ornaments and many more! Shoppers also get to send a festive postcard to their loved ones with Santa's help! Festive redemption was also added to the excitement of the shoppers.



WINDS OF BLESSINGS

January to February 2018

Sunway Putra Mall spreads Chinese New Year wishes with the 'Wind of Blessings' theme in 2018. The mall was adorned with displays of colourful pinwheels known as '*feng che*', traditionally believed to turn one's luck around. The mall boasts a mandarin orange garden decorated with lanterns and a traditional pagoda. Shoppers were invited to capture memorable moments with their family and friends at the complimentary photo booth. They also get to wish for New Year gifts for one of their family members or friends at the Tree of Blessings and selected wishes were gifted with gifts.



SUMMER SAMA RAYA

18 May – 20 June 2018

Sunway Putra Mall celebrated Raya by transforming the Main Concourse into a dazzling Moroccan Souk to transport visitors to the fascinating city of Marrakesh. There was a variety of Raya offerings and promotions alongside fashion styles by home-grown fashion designers namely Salikin Sidek, Bohari KL, Que Rahman and many more. There was also a Marrakesh Bazaar located at the East Wing, offering handmade batik, assorted delights, gift hampers and accessories by Kraftangan Malaysia. Visitors were entertained with an array of performances varying from musical performance, to traditional arts and crafts workshop by Kraftangan Malaysia. With the collaboration with Astro, fans got to enjoy the meet and greet sessions with Malaysian celebrities at '*Sama-Sama Raya Bersama Astro*' event such as Chef Wan, Zarul Husin, Tajul, Zara Zya, Hafreez Adam, Mohd Sabri Yunus and the one of-its-kind '*Ketupat Drop*' activity where exciting prizes were up for grabs. Furthermore, shoppers were entitled to redeem one set of Sunway Malls Raya Packet and one set of exclusive Raya Bowls when they spend in the mall.

SUNWAY PUTRA MALL MARKETING ACTIVITIES

ARTIST APPEARANCE



INTERNATIONAL & LOCAL ARTIST MEET AND GREET SESSION

September – December 2017

Partnering with ASTRO, WEBTVASIA Sdn Bhd and Galaxy Avenue Sdn Bhd, Sunway Putra Mall hosts international singers and local actors such as Korean K-Pop groups, rising stars of Akademi Fantasia and more for a Meet and Greet Session in Kuala Lumpur.

Juice Juice – 23 September 2017
Astro Akademi Fantasia – 14 October 2017
Alphabat – 10 November 2017
Astro Prima Day – 9 December 2017

TACTICAL CAMPAIGN



SHOP, SPIN AND WIN

24 February – 15 March 2018

To encourage spending during the low peak season, a special 3-week redemption campaign was unveiled to reward shoppers daily. Visitors who shops at the mall stands a chance to win exciting vouchers ranging from shopping vouchers to F&B meal discounts.



GO FOR GOAL

27 April – 13 May 2018

In conjunction with World Cup 2018, Sunway Putra Mall organised a 'Go for Goal' campaign that invites shoppers to enjoy yet another interactive game while they enjoy their time in the mall. Shoppers could join the 'Go for Goal' challenge at the Main Concourse and stood a chance to WIN exclusive autographed merchandise of world renowned football players. Additionally, they also got to redeem limited edition Jersey USB when they spend a minimum of RM250 in 4 receipts.

HOTEL



Our hotels are able to deliver the finest local hospitality to a kaleidoscope of guests, drawing its inspiration from the avid travellers who seek efficiencies, variety in choice, uncompromising service quality and to be part of a hotel that they can feel truly welcomed.

PROPERTY SUMMARY



SUNWAY RESORT HOTEL & SPA

LOCATION

Selangor

DATE OF ACQUISITION

08 July 2010

ACQUISITION PRICE (RM MILLION)

445

TITLE, EXPIRY DATE & YEARS REMAINING

- PN 9492 Lot 35 - 1 April 2097
(79 years remaining)
- PN 9498 Lot 51173 - 1 April 2097
(79 years remaining)

All in Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

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

YEAR OF COMPLETION

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

APPRAISED VALUE (RM MILLION)

530

DATE OF LATEST VALUATION*

June 2018



SUNWAY PYRAMID HOTEL

LOCATION

Selangor

DATE OF ACQUISITION

08 July 2010

ACQUISITION PRICE (RM MILLION)

250

TITLE, EXPIRY DATE & YEARS REMAINING

Strata Title

PN 17415/M1/1/1 [A1-A547] Lot 62060 - 21 February 2102
(84 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berhad
- Lienholder's Caveat by Public Investment Bank Berhad

YEAR OF COMPLETION

2004

APPRAISED VALUE (RM MILLION)

360

DATE OF LATEST VALUATION*

June 2018

* Valued by C H Williams Talhar & Wong Sdn Bhd

Valued by Knight Frank Malaysia Sdn Bhd

PROPERTY SUMMARY



SUNWAY CLIO PROPERTY

LOCATION

Selangor

DATE OF ACQUISITION

09 February 2018

ACQUISITION PRICE (RM MILLION)

340

TITLE, EXPIRY DATE & YEARS REMAINING

HSD 259881 Lot No. PT 1333 - 16 November 2108
(90 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

-

YEAR OF COMPLETION

2018

APPRAISED VALUE (RM MILLION)

340

DATE OF LATEST VALUATION[#]

June 2018



SUNWAY HOTEL SEBERANG JAYA

LOCATION

Penang

DATE OF ACQUISITION

08 July 2010

ACQUISITION PRICE (RM MILLION)

52

TITLE, EXPIRY DATE & YEARS REMAINING

PN 2602 Lot 5785 - 21 October 2092
(74 years remaining)

Mukim 1, Daerah Seberang Perai Tengah, Negeri Pulau Pinang

TENURE

Leasehold - 99 years

ENCUMBRANCE

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

YEAR OF COMPLETION

1997; Refurbished: 2013

APPRAISED VALUE (RM MILLION)

63

DATE OF LATEST VALUATION^{*}

June 2018

* Valued by C H Williams Talhar & Wong Sdn Bhd

Valued by Knight Frank Malaysia Sdn Bhd

PROPERTY SUMMARY



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 38, Seksyen 51

Kuala Lumpur, Wilayah Persekutuan

TENURE

Freehold

ENCUMBRANCE

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

YEAR OF COMPLETION

1993, Refurbished in 2015

APPRAISED VALUE (RM MILLION)

345

DATE OF LATEST VALUATION*

June 2018



SUNWAY HOTEL GEORGETOWN

LOCATION

Penang

DATE OF ACQUISITION

28 January 2015

ACQUISITION PRICE (RM MILLION)

74

TITLE, EXPIRY DATE & YEARS REMAINING

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

Seksyen 12, Bandar Georgetown, Daerah Timor Laut Pulau Pinang

TENURE

Freehold

ENCUMBRANCE

- 10 years lease to Sunway Biz Hotel Sdn Bhd expiring 27 January 2025
- 30 years 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)

75

DATE OF LATEST VALUATION*

June 2018

PROPERTY SUMMARY

HOTEL ASSETS	SUNWAY RESORT HOTEL & SPA	SUNWAY PYRAMID HOTEL	SUNWAY CLIO PROPERTY	SUNWAY HOTEL SEBERANG JAYA	SUNWAY PUTRA HOTEL	SUNWAY HOTEL GEORGETOWN	TOTAL
Land Area (sq.ft.)	376,274	- ¹	77,403	46,220	193,621 ²	33,592	727,110
Gross Floor Area (sq.ft.)	1,130,177	356,888	798,762	174,800	833,844	193,115	3,487,586
Number of Rooms	439 rooms and 3 villas	564	401	202	650	250	2,509
Number of Parking Bays	> 580	> 540	>730	>100	> 1,500 ²	> 100	>3,550
Average FY2018 Occupancy (%)	73.5	71.4	71.5	76.4	72.8	91.8	74.2%
Revenue (RM million) ³	37.2	16.1	5.7	3.1	14.9	5.7	82.6
Net Property Income (RM million)	35.5	15.7	4.6	2.9	13.5	5.5	77.7
Appraised Value as at 30 June 2018 (RM million)	530 ⁴	360 ⁴	340 ⁵	63 ⁴	345 ⁵	75 ⁴	1,713
Average Value per Room (RM)	1,199,095	638,298	847,880	311,881	530,769	300,000	N/A
Capitalisation / Discount Rate (%)	7.00 to 9.00	7.00 to 9.00	6.75 to 9.00	7.00 to 9.00	7.00 to 9.00	7.00 to 9.00	N/A

¹ The hotel is on a strata title.

² For the entire complex comprising Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower

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

⁴ The properties are valued by C H Williams Talhar & Wong Sdn Bhd

⁵ The properties are valued by Knight Frank Malaysia Sdn Bhd

N/A - Not Applicable

PROPERTY DETAILS



SPECTACULAR CHOICES, MEMORABLE EXPERIENCES!

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

As one of Kuala Lumpur's most iconic hotels, Sunway Resort Hotel & Spa offers 442 well-appointed guestrooms, suites and pool villas with commanding view of the theme park or the resort city skyline. The collection of rooms includes the Premier Rooms, Junior Suites, Premier Executive Suites, The Club Rooms and Suites, an impressive Presidential Suite and the Pool Villas which are tucked away amidst lush tropical gardens. Equipped with all the conveniences and modern amenities, the hotel is a preferred choice for both business and leisure travellers.

Located next to Sunway Resort Hotel & Spa is the Sunway Pyramid Hotel which showcases a collection of 564 Deluxe guestrooms and the new purpose-built Family Rooms and Suites to cater to the needs of a new generation of travellers. In the west side of integrated destination is the 401-room Sunway Clio Hotel. The cluster of three hotels offers over 1,400 guestrooms, suites and pool villas, affording guests every conceivable choice and budget.

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 Sunway Resort Hotel & Spa one of the most versatile conventions and exhibitions venues in Malaysia.

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 new dining offerings opened right at the door steps of the Hotel and over 170 speciality food and beverage outlets within Sunway City.

Management Office
Persiaran Lagoon, Bandar
Sunway
47500 Selangor Darul Ehsan,
Malaysia

Tel: (603) 7492 8000
Fax: (603) 7492 8001

Email:
srhs.enquiry@sunwayhotels.
com

Website:
www.sunwayhotels.com

439
rooms
+ 3 villas

SUNWAY RESORT HOTEL & SPA

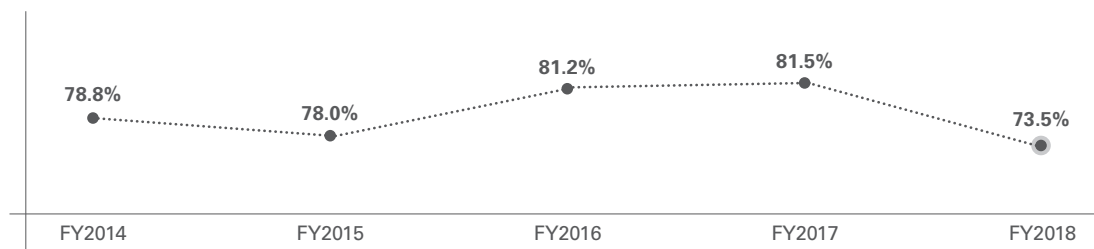
PROPERTY DETAILS

Land area (sq. ft.)	376,274
GFA (sq. ft.)	1,130,177
No. of rooms	439 rooms and 3 villas
No. of parking bays	> 580
Average FY2018 Occupancy (%)	73.5
Revenue (RM million)*	37.2
NPI (RM million)	35.5

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

HISTORICAL OCCUPANCY RATE

Average occupancy rate



GUEST PROFILE



68.0%

Leisure



32.0%

Corporate

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 consists of RM42.0 million for FY2011 and FY2012 and RM31.6 million for each of the financial years for the remaining 10-year term.

SUNWAY RESORT HOTEL & SPA MARKETING ACTIVITIES

FESTIVE CELEBRATIONS



DEEPAVALI LIGHTING CEREMONY
4 November 2017

Sunway Resort Hotel & Spa kicked-off the 2017 Deepavali celebrations at the hotel with a 'Kolam' lighting ceremony at Sunway Clio Hotel before proceeding to the lobby of Sunway Pyramid Hotel and 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 attire to mark the occasion.



TOGETHER WE'RE MERRIER – 2017 FESTIVE YEAR-END
1 December 2017 - 1 January 2018

Sunway Resort Hotel & Spa celebrated the year-end festivities of 2017 with the theme 'Together We're Merrier', where a magical Tudor-themed Christmas comes to life with Tudor inspired decorations, festive gourmet treats, stay packages and much more. Stepping into the main lobby of Sunway Resort Hotel & Spa, guests were welcomed by a life-size centre piece of a Tudor-inspired village square surrounded by live poinsettias, coupled by brightly-lit and decorated Christmas trees, festive wreaths, garlands and other ornaments. Over at Sunway Pyramid Hotel and Sunway Clio Hotel, guests also received the same warm festive feeling with the Christmas trees, decorations, linger sweet scents of conifer and Christmas tunes playing all day long in the background.



CHINESE NEW YEAR LION DANCE PERFORMANCE
16 February 2018

Sunway Resort Hotel & Spa ushered in the Year of the Dog with energetic Lion Dance performances at the Main Lobby driveway for a large crowd in attendance. Themed 'Joyous Reunion', guests joined in the celebrations with the beating of the drums and clanging of cymbals which accompanied the spectacular performance signifying the New Year celebrations as the lions bestowed blessings for a prosperous year ahead.



JEMPUT MAKAN – RAMADAN DINING
17 May - 14 June 2018

The Resort Café at Sunway Resort Hotel & Spa celebrates a vibrant mixture of flavours and aromas, featuring indoor and outdoor bazaar-style stations with live-action cooking from the chefs, reminiscing the classic bustling atmosphere of the Ramadan bazaar found around Malaysia. The team of chefs went all out to prepare an array of authentic dishes for breaking-of-fast / buffet dinner.

SUNWAY RESORT HOTEL & SPA MARKETING ACTIVITIES

TACTICAL CAMPAIGN

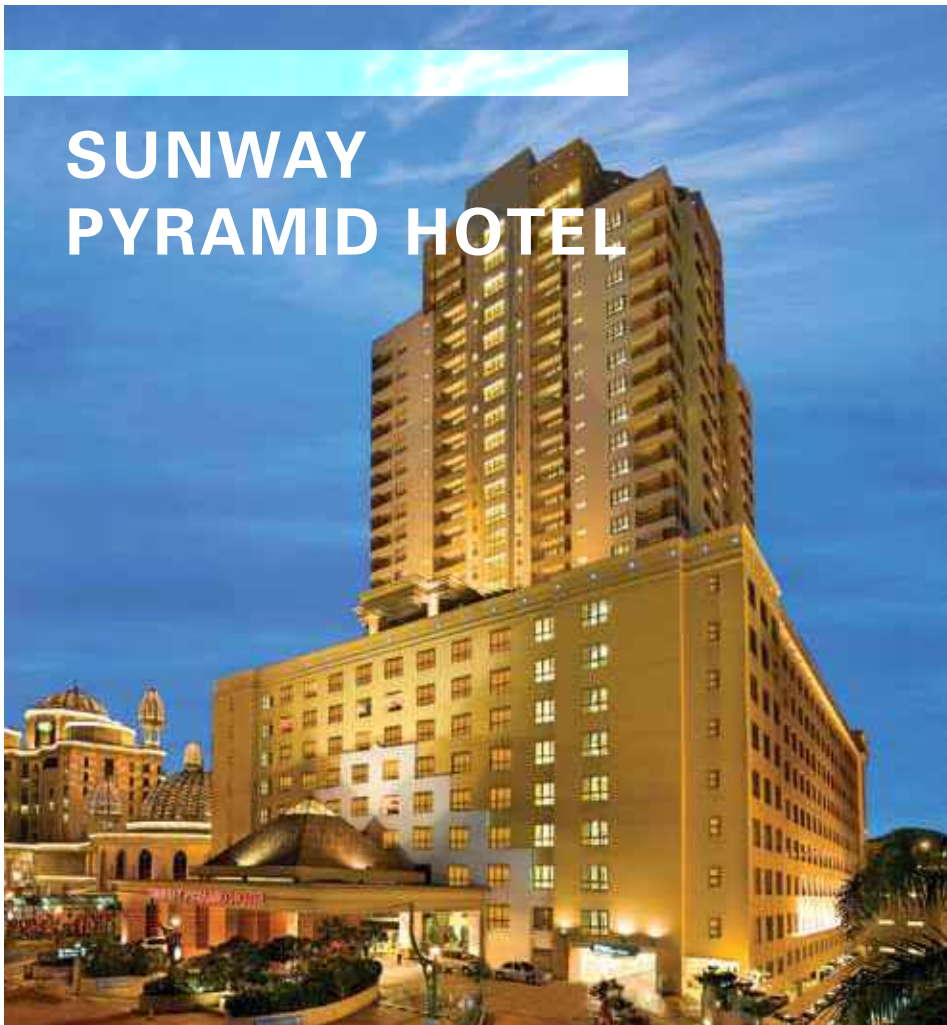


CELEBRITY CHEF: EAST VS WEST

June 2018

The first season of Celebrity Chef: East Vs West – documented a fiery culinary competition between popular Hong Kong super star Nicholas Tse and renowned celebrity chef David Rocco. The five-part series sees these renowned celebrity chefs travel to different cities around Asia where they learnt about the city, its food and culture, and prepared local dishes which was hand-picked by local chef. The finale of the competition was held at our very own Sunway Resort Hotel & Spa.

PROPERTY DETAILS



CHECK IN AND BE SPOILT FOR CHOICE!

Sunway Pyramid Hotel forms part of the cluster of hotels in Sunway City. The hotel underwent a major refurbishment in 2016 and now offers 564 rooms, including 21 new family rooms and suites, purpose-built to accommodate a growing increase in family and leisure travellers to the destination.

Each guestroom and suite in Sunway Pyramid Hotel includes convenient touches and technology improvements, complemented by enhanced facilities and technology upgrades which includes complimentary Wi-Fi, smart lighting, bedside USB charger outlets, 42" LED Smart TV with satellite news, sports and movies channels, high pressure walk-in shower and other enhanced facilities and services.

The Deluxe hotel is located next to Sunway Resort Hotel & Spa. At the lobby level of the hotel, Kaffeinate serves freshly brewed speciality beverages and light snacks for those on the go.

Guests of Sunway Pyramid Hotel have access to the leisure facilities at Sunway Resort Hotel & Spa. These include the free-form landscaped swimming pool with cascading waterfall, a fitness centre and the Balinese-inspired Mandara Spa to enhance the leisure experience for travellers. The hotel is directly linked to the Sunway Pyramid Mall and within steps away from Sunway Lagoon theme park.

Management Office
Persiaran Lagoon,
Bandar Sunway
47500 Selangor Darul Ehsan,
Malaysia

Tel: (603) 7492 8000
Fax: (603) 7492 8001

Email:
srhs.enquiry@sunwayhotels.com

Website:
www.sunwayhotels.com

564
rooms

SUNWAY PYRAMID HOTEL

PROPERTY DETAILS

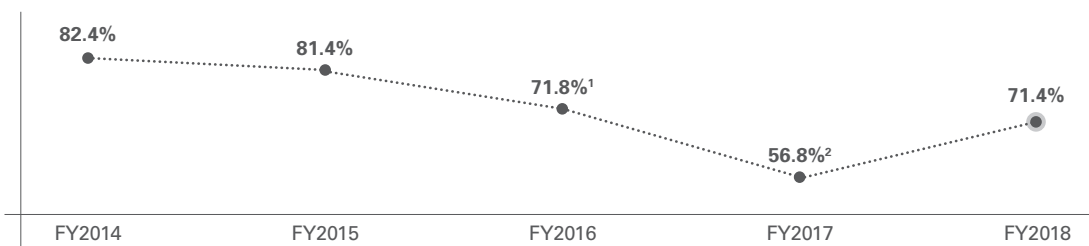
Land area (sq. ft.)	— ¹
GFA (sq. ft.)	356,888
No. of rooms	564
No. of parking bays	> 540
Average FY2018 Occupancy (%)	71.4
Revenue (RM million)*	16.1
NPI (RM million)	15.7

¹The hotel is on a strata title

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

HISTORICAL OCCUPANCY RATE

Average occupancy rate



¹ Computed up to March 2016 before full closure for refurbishment

² Re-opened on 3 November 2016, on a progressive basis with full re-opening in June 2017

GUEST PROFILE



55.7%
Leisure



44.3%
Corporate

MASTER LEASE DETAILS

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

PROPERTY DETAILS



SUNWAY CLIO PROPERTY

RELAX WITH PERFECTION

Sunway Clio Hotel forms part of the cluster of hotels in Sunway City. Located on the west side of the iconic Sunway Pyramid, the 26-storey hotel features 401 guestrooms, each including convenient touches such as complimentary Wi-Fi and wired broadband internet access, USB charger outlets, 42" LED Smart TV with satellite news, sports and movie channels, flexible workspaces, high pressure walk-in rain shower, ample closet space, in-room electronic safe box and coffee and tea making facilities.

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

The hotel comprises approximately 88,000 sq. ft. of retail space with a plethora of family-friendly F&B and retail offerings as well as an all-in-one child enrichment and edutainment centre. It is also within steps away from Sunway Lagoon theme park.

Management Office

Persiaran Lagoon, Bandar
Sunway
47500 Selangor Darul Ehsan,
Malaysia

Tel: (603) 7492 8000

Fax: (603) 7492 8001

Email:

srhs.enquiry@sunwayhotels.
com

Website:

www.sunwayhotels.com

401
rooms

SUNWAY CLIO PROPERTY

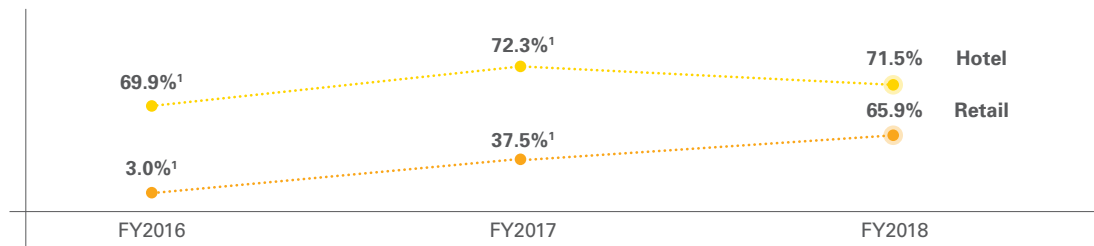
PROPERTY DETAILS

Land area (sq. ft.)	77,403
GFA (sq. ft.)	798,762
No. of rooms	401
No. of parking bays	>730
Average FY2018 Occupancy (%)	71.5 (Hotel) 65.9 (Retail)
Revenue (RM million)*	5.7
NPI (RM million)*	4.6

* Note: The revenue represents the total rent under the hotel master lease, retail and car park tenancy agreement. Guaranteed NPI of RM20.23 million per annum for 4 years excluding the podium car park comprising 274 bays.

HISTORICAL OCCUPANCY RATE

Average occupancy rate



¹ Historical information (FY2016-FY2017) are provided by vendor

GUEST PROFILE



40.9%

Leisure



59.1%

Corporate

MASTER LEASE DETAILS

Master Lessee	Sunway Resort Hotel Sdn Bhd
Duration	10 years from 10 February 2018 with an option to renew for another 10 years
Total Rent	The higher the variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Clio Hotel consists of RM10.9 million for FY2019 and FY2020 and RM8.2 million for each of the financial years for the remaining 10-year term.

PROPERTY DETAILS

SUNWAY HOTEL SEBERANG JAYA



STAY WITH US AND FEEL THE DIFFERENCE

Strategically located in the Seberang Jaya town centre at the intersection of the North-South and East-West Highways, Sunway Hotel Seberang Jaya is conveniently accessible via a 30-minute drive from the iconic Penang Bridge and Penang International Airport. The hotel sits at the centre of a vibrant hub which offers entertainment, leisure and shopping options which is perfect for holiday makers and corporate travellers seeking an easy access to the highly developed industrial links and commercial zones on Penang's mainland.

All 202 tastefully appointed guestrooms and suites offer a panoramic view of the surrounding area, whilst the Deluxe and Premier rooms provide a wide range of amenities at any time of the day.

The Club rooms which are located on the upper levels feature a 'Hotel within a Hotel' concept with comfortable, private and exclusive facilities and services for the discerning traveller. The luxurious Suites offer a separate living area, Coffee Bean & Tea Leaf coffee making machine, air purifier and a dedicated work desk. The Club Lounge pampers guests staying at Club rooms and Suites with a wide array of exclusive facilities, breakfast and meeting venue as well as evening cocktails. Convenience and exclusivity is second to none.

Head to Sun Café – an all-day dining outlet located at the lobby for a good mix of local and international dishes from the well-thought a la carte menu to innovative buffet selections served in a casually chic setting. For social gatherings or a great night out, the Lounge is the place to unwind.

Events and meetings are handled professionally and with flair at the function rooms and the Sri Cengal Ballroom which can accommodate up to 550 pax for various functions.

Management Office
11, Lebuhraya Duta,
Pusat Bandar Seberang Jaya,
13700 Prai, Penang, Malaysia

Tel: (604) 370 7788
Fax: (604) 370 0555

Email:
shsj.enquiry@sunwayhotels.com

Website:
seberangjaya.sunwayhotels.com

202
rooms

SUNWAY HOTEL SEBERANG JAYA

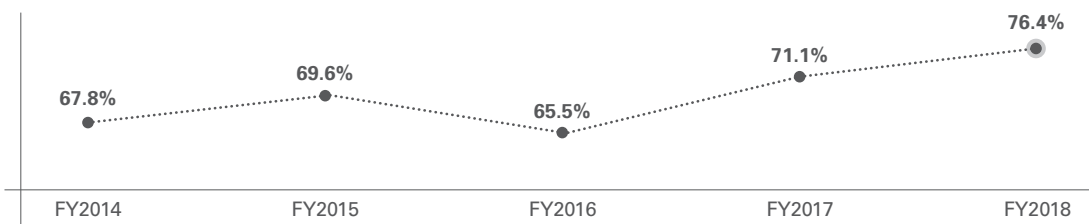
PROPERTY DETAILS

Land area (sq. ft.)	46,220
GFA (sq. ft.)	174,800
No. of rooms	202
No. of parking bays	> 100
Average FY2018 Occupancy (%)	76.4
Revenue (RM million)*	3.1
NPI (RM million)	2.9

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

HISTORICAL OCCUPANCY RATE

Average occupancy rate



GUEST PROFILE



9.4%

Leisure



90.6%

Corporate

MASTER LEASE DETAILS

Master Lessee	Sunway Hotel (Seberang Jaya) Sdn Bhd
Duration	10 years from 8 July 2010 with an option to renew for another 10 years
Total Rent	The higher of variable rent or guaranteed rent. Variable rent comprises base rent of 20% of revenue plus 70% of gross operating profit less master lease expenses. Guaranteed rent in respect of Sunway Hotel Seberang Jaya consists of RM4.5 million for FY2011 and FY2012 and RM3.4 million for each of the financial years for the remaining 10-year term
Variation to Master Lease	As announced on 27 July 2017, the guaranteed rent has been varied to RM3.1 million with effect from FY2018 for the remaining 3 years of the 10-year term. The variation was made due to expiry and non-renewal of the Lessee's tenancy at Sunway Carnival Convention Centre (SCCC). SCCC has been rented to a food and beverage operator.

SUNWAY HOTEL SEBERANG JAYA MARKETING ACTIVITIES

COLLABORATION / PARTNERSHIP



GEORGE TOWN FESTIVAL 2017 (GTF 2017) 27 July to 3 September 2017

Sunway Hotel Seberang Jaya sponsored 30 rooms to George Town Festival (GTF) 2017. In return, GTF sponsored selected show tickets throughout the festival which were given to sister property, Sunway Hotel Georgetown, to be distributed to long stay guests as a token of appreciation for their patronage.



INDIAN FAMILIARISATION TRIP BY PENANG STATE EXCO 25 September – 28 September 2017

The Penang State Exco for Tourism Development, YB Danny Law together with Malindo Airways organised a familiarisation trip for Travel Agents from India to Penang. Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown hosted a luncheon and rooms for the travel agents as part of their trip. The agents were also invited to a B2B session with selected local travel agencies as organised by the Penang Conventions and Exhibitions Bureau (PCEB) in Sunway Hotel Georgetown to develop further potential collaborations.



STARWALK 2017 PRIZE PRESENTATION 1 August 2017

Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown jointly sponsored rooms and dining vouchers to Star Media Group's annual Starwalk. The presentation ceremony included handing over the vouchers and a photo taking session with a mock cheque from General Manager, Mr Prakash Kumaran to the representative from Star Media Group. Both hotels sent representatives to join the event on 10 September 2017 to promote a healthy lifestyle among the staff.



'PINJAMKAN HATIKU' FILM ROADSHOW 11 – 12 November 2017

The film crew of local movie 'Pinjamkan Hatiku' were hosted to a one night stay at Sunway Hotel Seberang Jaya to promote their movie. Among those that stayed in the hotel includes local actors Ayda Jebat, Farid Kamil, Lia Natalia, and Normah Damanhuri. The hotel was featured as hotel sponsor during the movie crew's Penang Road Trip on 'Pinjamkan Hatiku' and Ayda Jebat's social media posts.

SUNWAY HOTEL SEBERANG JAYA MARKETING ACTIVITIES

FESTIVE CELEBRATIONS



CHRISTMAS EVE BUFFET DINNER FOOD REVIEW

15 November 2017

A total of 10 bloggers and members of the local press attended a food review to better promote both Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown's Christmas Eve Buffet Dinner. Advertisements were also published in local printed press, The Star and Kwong Wah Yit Poh for further publicity.



CHINESE NEW YEAR EVE BUFFET DINNER FOOD REVIEW

18 January 2018

A food review was held at Sunway Hotel Seberang Jaya to promote both Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown's Chinese New Year Eve Buffet Dinner. A total of 13 invited bloggers and members of the local press attended the review. Other promotional activities for the dinner include sales blitz and hanging banners around Penang.



ANNUAL CORPORATE THANK YOU PARTY 2017

22 November 2017

Both Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown jointly hosted the Annual Thank You Party to show their appreciation to the Top 20 corporate accounts of each hotel as well as the media for supporting the hotels' initiatives.



RAMADAN BUFFET DINNER FOOD REVIEW

27 March 2018

Sunway Hotel Seberang Jaya & Sunway Hotel Georgetown organised a Ramadan buffet food review and welcomed bloggers and print media at the event. A total of six publications participated in the review. Review and details of the promotion were published on respective blogs and publications. To better promote the promotion, flyers of the promotion were also distributed via sales blitz to gather more publicity and awareness of the promotion.

SUNWAY HOTEL SEBERANG JAYA MARKETING ACTIVITIES

IN-HOUSE EVENT



SUNWAY HOTEL SEBERANG JAYA 20TH ANNIVERSARY

16 - 18 February 2018

Sunway Hotel Seberang Jaya celebrated its 20th anniversary of business coincidentally on the first day of Chinese New Year 2018. The occasion was celebrated with a 20kg birthday cake at the lobby shared between both staff and guests to remember the special occasion. As part of the celebration, discounts were given to the public.



EARTH HOUR CANDLE LIGHTING AND Q&A SESSION

24 March 2018

Sunway Hotel Seberang Jaya organised a candle lighting ceremony in conjunction with Earth Hour 2018 at the hotel lobby. In the morning, guests were given glow sticks together with an invitation card that was placed in their room to invite them to the event later that evening. The event was joined by guests and staff alike with a Q&A session held during the lights off hour.



#GMID2018

11 - 13 April 2018

Sunway Hotel Seberang Jaya participated in a social media contest organised by Penang Conventions and Exhibitions Bureau (PCEB) in conjunction with the Global Meetings Industry Day 2018. The contest involved submitting as many entries as possible on the hotel's respective social media platforms showcasing the importance of meetings in the working sector.

REVIEW



BLOGGER TIMOTHY TYE HOTEL REVIEW

6 October – 8 October 2017

Mr Timothy Tye was hosted by Sunway Hotel Seberang Jaya for two nights to experience the products of services of the hotel. In return, the well-known blogger who maintain a popular blog, Penang Travel Tips published a few articles, featuring the rooms, facilities and food and beverages offerings of Sunway Hotel Seberang Jaya at <http://www.penang-traveltips.com/sunway-hotel-seberang-jaya.htm>.

PROPERTY DETAILS



A PREFERRED CITY HOTEL

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

The hotel boast 650 newly refurbished guestrooms, 15 function rooms and 4 outlets namely the Coffee House, the Atrium Lounge, Gen Japanese and Cherootz. The hotel is ideal for business travellers, tourists and MICE activities. The collection of rooms ranges from Superior room, Deluxe room, Family room, Club rooms and Suite as well as a Premier Suite.

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

Management Office

100 Jalan Putra, 50350 Kuala Lumpur, Malaysia

Tel: (603) 40409888
Fax: (603) 40430700

Email:
spkl.enquiry@sunwayhotels.com

Website:
putra.sunwayhotels.com/

650
rooms

SUNWAY PUTRA HOTEL

PROPERTY DETAILS

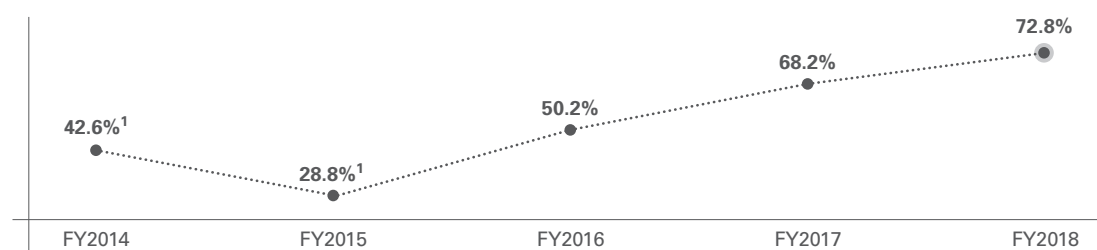
Land area (sq. ft.)	193,621 ¹
GFA (sq. ft.)	833,844
No. of rooms	650
No. of parking bays	> 1,500 ¹
Average FY2018 Occupancy (%)	72.8
Revenue (RM million) *	14.9
NPI (RM million)	13.5

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

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

HISTORICAL OCCUPANCY RATE

Average occupancy rate



¹ 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



73.8%

Leisure



26.2%

Corporate

SUNWAY PUTRA HOTEL

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	<ul style="list-style-type: none"> The variations to the Master Lease were announced on 3 July 2013 and 19 May 2014 for the 3rd and 4th Fiscal Year respectively and were made in light of the major refurbishment of the adjoining Sunway Putra Mall which was expected to adversely affect the business of Sunway Putra Hotel The total rent payable by the Lessee shall be the amount calculated in accordance with the variable rent formula for the period between 1 July 2013 to 30 June 2014 (3rd Fiscal Year) and further extended for another financial year commencing 1 July 2014 to 30 June 2015 (4th Fiscal Year). As such, guaranteed rent stated in the Master Lease shall not apply to both the 3rd and 4th Fiscal Years If the variable rent calculated is less than the Guaranteed Rent for the 3rd and 4th Fiscal Years, the difference between the guaranteed rent and the variable rent (differential sum) shall be adjusted in agreed proportions and added to the guaranteed rent from the 5th Fiscal Year until the 11th Fiscal Year The differential sum for the 3rd and 4th Fiscal Years was RM4.0 million and RM4.7 million respectively. The total differential sum of RM8.7 million shall be added to the guaranteed rent from the 5th Fiscal Year until the 11th Fiscal Year as follows:
---------------------------	--

Fiscal Year	Guaranteed Rent (RM)	Adjustment (RM)	Adjusted Guaranteed Rent (RM)
5 th	9,067,084	-	9,067,084
6 th	9,067,084	871,623	9,938,707
7 th – 10 th	9,067,084	1,743,246	10,810,330
11 th	2,266,771	871,623	3,138,394

SUNWAY PUTRA HOTEL MARKETING ACTIVITIES

FESTIVE CELEBRATIONS



CHRISTMAS MEDIA REVIEW 19 October 2017

Sunway Putra Hotel had arranged a food review which was attended by almost 30 media. It was held in conjunction with the holiday mood to promote the special Christmas Eve Buffet on 24 December 2017. Diners had the opportunity to sample an array of scrumptious delights that serve both Asian and Western cuisine.



RAMADAN MEDIA REVIEW May 2018

During the month of Ramadan, Sunway Putra served more than 100 selections of delights ranging from Malay 'lauk pauk' to Asian and Western Cuisine. Diners experienced a warm dining atmosphere with family and friends.



CHINESE NEW YEAR MEDIA REVIEW February 2018

As we usher in the Year of the Dog, Sunway Putra Hotel Kuala Lumpur brings another exciting food promotion to celebrate Chinese New Year. The reunion dinner package was available from 8 February to 3 March 2018 held at the Coffee House. Various functions rooms could also be arranged for those who opt for a more private function. There were two different reunion set for diners to choose and were specially created and prepared skillfully by Chef Chew Keng Chai and his team. The meal is complemented with Salmon Yee Sang as the starter.

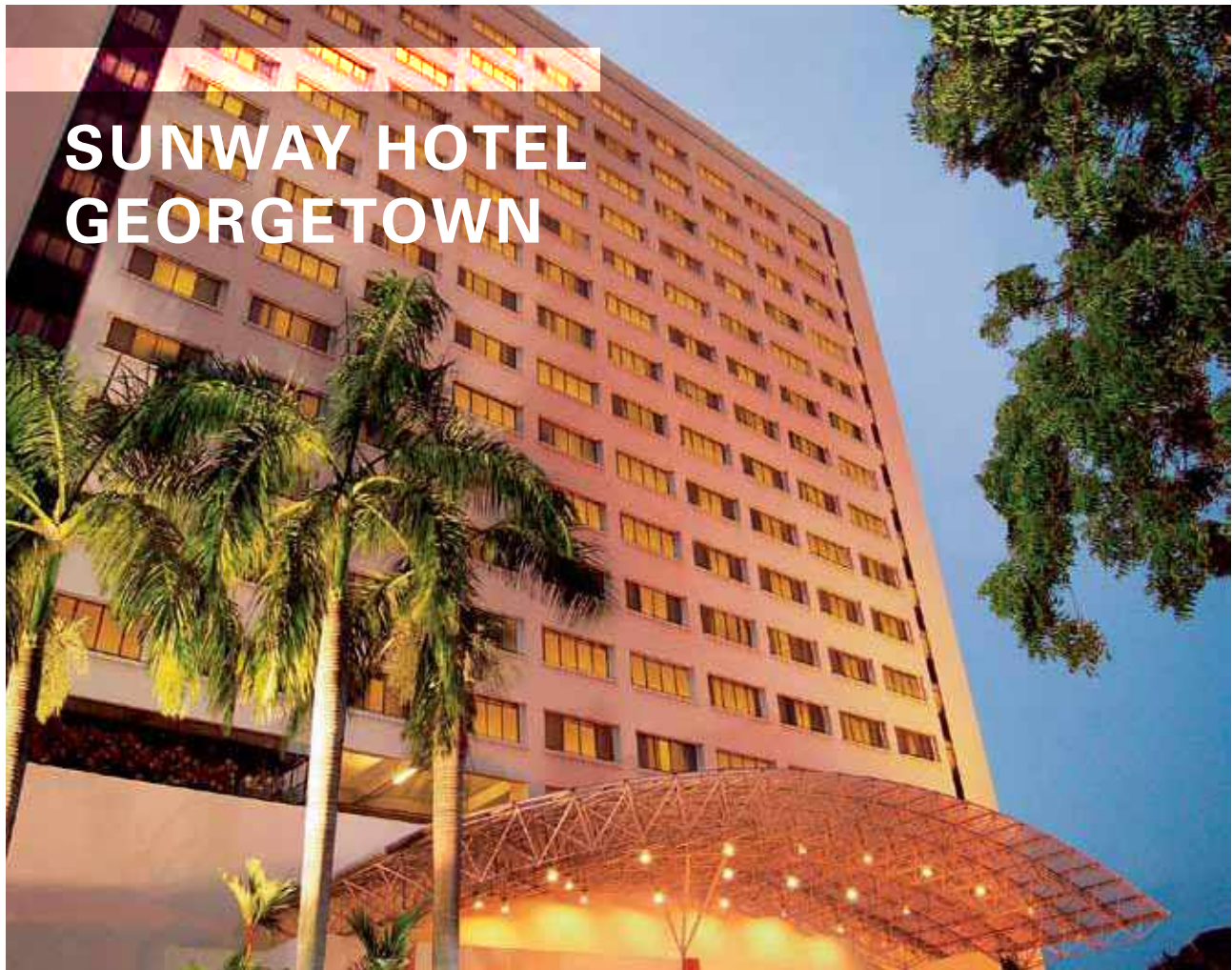
IN-HOUSE EVENT



WEDDING LUCKY DRAW CAMPAIGN November 2017

Starting from November 2017, the Hotel announced the 'FULL REFUND WEDDING CAMPAIGN' whereby couples who booked and confirmed their wedding packages were eligible and stood a chance to get FULL REFUND from their wedding reception expenses. The campaign runs until 31 December 2018.

PROPERTY DETAILS



SUNWAY HOTEL GEORGETOWN

AT THE CROSSROAD OF PENANG'S HERITAGE & COMMERCE

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

The preferences of room choices range from Deluxe, Premier, Family and Club rooms and suites with commanding views of the city to sea skyline. Our rooms welcome you with comfortable and spacious rooms, featuring a warm gold-and-earth toned furnishings with abundant light that offer comfort and relaxation to our guests.

Guests staying in our Premier, Club rooms and Suites situated on the upper most floors are able to enjoy the city's spectacular views from dawn to dusk. Among its special privileges are daily breakfast served at club lounge, a relaxing space offering complimentary breakfast, all day service of non-alcoholic beverages, evening cocktails with Hors d'oeuvres and an hour's complimentary use of the boardroom for meetings or small social gatherings.

A total of 3 meeting rooms have all been upgraded with interior and carpeting, offering a relaxed yet fresh and cosy environment. It is able to accommodate up to 200 guest with enhanced facilities and services, upgraded hardware, customisable menus and table arrangements. Other facilities included are a coffee house – Sun Café, a swimming pool, a Jacuzzi pool and a gymnasium.

Management Office

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

Tel: (604) 229 9988

Fax: (604) 228 8899

Email:

shgp.enquiry@sunwayhotels.
com

Website:

www.georgetown.
sunwayhotels.com/

250
rooms

SUNWAY HOTEL GEORGETOWN

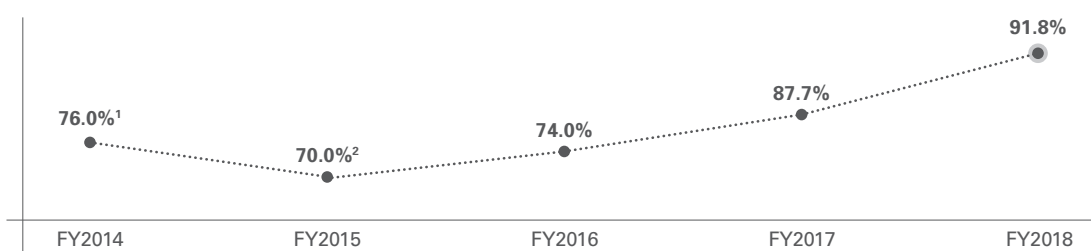
PROPERTY DETAILS

Land area (sq. ft.)	33,592
GFA (sq. ft.)	193,115
No. of rooms	250
No. of parking bays	> 100
Average FY2018 Occupancy (%)	91.8
Revenue (RM million)*	5.7
NPI (RM million)	5.5

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

HISTORICAL OCCUPANCY RATE

Average occupancy rate



¹ Historical information (FY2014) is provided by the vendor

² From completion of acquisition on 28 January 2015 to 30 June 2015

GUEST PROFILE



96.3%

Leisure



3.7%

Corporate

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

SUNWAY HOTEL GEORGETOWN MARKETING ACTIVITIES

COLLABORATION / PARTNERSHIP



GEORGE TOWN FESTIVAL 2017 (GTF 2017) 27 July to 3 September 2017

Sunway Hotel Georgetown sponsored 30 room nights to George Town Festival (GTF) 2017 and celebrated Indonesian traditional folk music group 'Gus Teja' at the hotel. In return, GTF sponsored selected show tickets throughout the festival which were distributed to long stay guests as a token of appreciation for their patronage.



THE STAR FIT FOR LIFE 2017 PRIZE PRESENTATION 31 October 2017

Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya in their effort to promote a healthier lifestyle to the public sponsored room vouchers to Star Media group's annual Fit for Life Fun Run 2017. The occasion was marked with a prize presentation ceremony.



INDIAN GTA FAMILIARISATION TRIP 8 September 2017

As part of the hotels' effort to draw in more production from India, Gullivers Travel Associates (GTA) India sales office brought in eight representatives from different travel agents from India for a familiarisation trip to Penang and hosted a dinner in Sunway Hotel Georgetown and on behalf of Sunway Hotel Seberang Jaya. The group was welcomed by the combined hotels' in-house kompang group and given a tour of the hotel. They were then given a presentation detailing the hotels' facilities and surroundings before the dinner.



COOKING DEMONSTRATION WITH CHEF DAVID MORRIS 29 April 2018

Sunway Le Cordon Bleu Institute of Culinary Arts Malaysia partnered with Sunway Hotel Georgetown and had a cooking demonstration by the school's very own Chef David Morris. The event drew approximately 80 people from both the public and staff to watch the chef prepare Red Mullet Escabeche, with a chance to taste the dish.

SUNWAY HOTEL GEORGETOWN MARKETING ACTIVITIES

IN-HOUSE EVENT



ASIAN HOT POT BUFFET DINNER FOOD REVIEW

1 November 2017

To better promote Sunway Hotel Georgetown's latest F&B promotion, the Asian Hot Pot Buffet Dinner, the hotel organised a food review for selected local bloggers and representatives of the local media. A total of nine guests attended the review.



#GMID2018

11 April to 13 April 2018

Sunway Hotel Georgetown participated in a social media contest organised by Penang Conventions and Exhibitions Bureau (PCEB) in conjunction with the Global Meetings Industry Day 2018. The contest involved submitting as many entries as possible to the hotel's respective social media platforms showcasing the importance of meetings in the working sector.



EARTH HOUR CANDLE LIGHTING AND Q&A SESSION

30 October 2017

Sunway Hotel Georgetown organised a candle lighting ceremony in conjunction with Earth Hour 2018 in the hotel lobby. In the morning, guests were given glow sticks together with an invitation card that was placed in their room to invite them to the event later that evening, as well as to enjoy an evening cocktail session at Sun Café in conjunction with Earth Hour. The event was joined by guests and staff alike with a Q&A session held during the lights off hour.

OFFICE



Sunway PFM is the property and facility management unit within the group. It functions as a centre of excellence employing a team of professional engineers and property managers; adopting the preventive maintenance and asset optimisation programmes with its unique build-own-operate strategy.

PROPERTY SUMMARY



MENARA SUNWAY

LOCATION

Selangor

DATE OF ACQUISITION

08 July 2010

ACQUISITION PRICE (RM MILLION)

128

TITLE, EXPIRY DATE & YEARS REMAINING

PN 17105 Lot 61760 - 1 April 2097
(79 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berhad
- Private Caveat by Public Bank Berhad
- Lienholder's Caveat by Public Investment Bank Berhad

YEAR OF COMPLETION

1993

APPRAISED VALUE (RM MILLION)

169

DATE OF LATEST VALUATION*

June 2018



SUNWAY TOWER

LOCATION

Kuala Lumpur

DATE OF ACQUISITION

08 July 2010

ACQUISITION PRICE (RM MILLION)

171

TITLE, EXPIRY DATE & YEARS REMAINING

Geran 45110, Lot 55, Seksyen 45

Kuala Lumpur, Wilayah Persekutuan

TENURE

Freehold

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Charged to HSBC Amanah Malaysia Berhad
- 30 years lease to Tenaga Nasional Berhad expiring 14 January 2023
- Lienholder's Caveat by Public Investment Bank Berhad

YEAR OF COMPLETION

1996

APPRAISED VALUE (RM MILLION)

123

DATE OF LATEST VALUATION*

June 2018

* Valued by C H Williams Talhar & Wong Sdn Bhd

Valued by Knight Frank Malaysia Sdn Bhd

PROPERTY SUMMARY



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 38, Seksyen 51

Kuala Lumpur, Wilayah Persekutuan

TENURE

Freehold

ENCUMBRANCE

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

YEAR OF COMPLETION

1993

APPRAISED VALUE (RM MILLION)

123

DATE OF LATEST VALUATION*

June 2018



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 (A1-A19) | • PN 21876/M1/1/3 |
| • PN 21876/M1/N1/4 | • PN 21876/M1/N1/5 |
| • PN 21876/M1/2/6 | • PN 21876/M1/8/7 |
| • PN 21876/M1/9/8 | • PN 21876/M1/10/9 |
| • PN 21876/M1/11/10 | • PN 21876/M1/12/11 |
| • PN 21876/M1/13/12 | • PN 21876/M1/14/13 |
| • PN 21876/M1/15/14 | • PN 21876/M1/16/15 |
| • PN 21876/M1/17/16 | |

29 August 2094 (76 years remaining)

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

TENURE

Leasehold - 99 years

ENCUMBRANCE

- Charged to Public Investment Bank Berhad
- Lienholder's Caveat by Public Investment Bank Berhad

YEAR OF COMPLETION

1997; Refurbished in 2013

APPRAISED VALUE (RM MILLION)

59

DATE OF LATEST VALUATION*

June 2018

* Valued by C H Williams Talhar & Wong Sdn Bhd

Valued by Knight Frank Malaysia Sdn Bhd

PROPERTY SUMMARY

OFFICE ASSETS	MENARA SUNWAY	SUNWAY TOWER	SUNWAY PUTRA TOWER	WISMA SUNWAY	TOTAL
Land Area (sq.ft.)	193,395	25,898	193,621 ¹	- ²	460,727
Gross Floor Area - Office (sq.ft.)	399,446	348,998	453,842	174,544 ²	1,373,830
Gross Floor Area - Carpark (sq.ft.)	266,696	107,606	574,588 ¹	123,440	1,072,334
Net Lettable Area (sq.ft.)	291,370	268,306	317,051	171,544 ²	1,048,271
Number of Parking Bays	> 630	> 290	> 1,500 ¹	> 380	>2,800
Number of Tenancies	52	11	13	5	81
Occupancy as at 30 June 2018 (%)	95.0	22.1	78.2	76.3	68.2
Revenue (RM million)	16.7	3.3	7.8	5.7	33.5
Net Property Income (RM million)	10.7	(0.4)	4.3	2.9	17.5
Appraised Value as at 30 June 2018 (RM million)	169 ³	123 ³	123 ⁴	59 ³	474
Value per sq.ft. (RM)	580	458	388	344	N/A
Capitalisation Rate - Current / Reversionary (%)	6.50 / 7.00	6.00 / 6.50	6.25 - 6.75 / 6.50	6.50 / 7.00	N/A

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

² The office is a stratified property. Gross Floor Area and Net Lettable Area are based on surveyed floor area

³ The properties are valued by C H Williams Talhar & Wong Sdn Bhd

⁴ The properties are valued by Knight Frank Malaysia Sdn Bhd

N/A - Not Applicable

PROPERTY DETAILS



MENARA SUNWAY

SUNWAY GROUP'S HOMEPLACE

Menara Sunway is a 19-storey office building in Sunway City 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 Sunway City. With its headquarters based in Menara Sunway, Sunway Group is the main tenant occupying 70.4% 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.

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

0.29
million
NLA (sq. ft.)

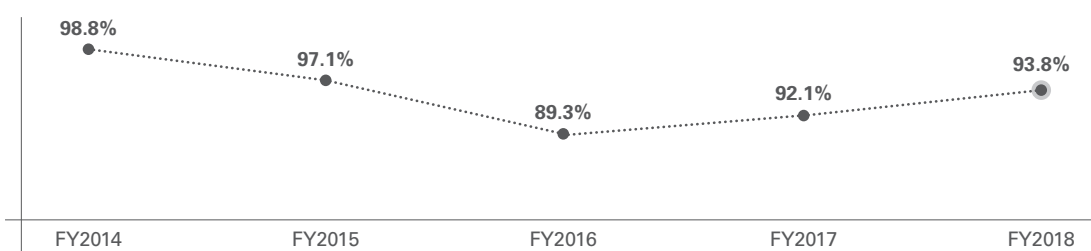
MENARA SUNWAY

PROPERTY DETAILS

Land area (sq. ft.)	193,395
GFA (sq. ft.)	Office : 399,446 Carpark : 266,696
NLA (sq. ft.)	291,370
No. of parking bays	> 630
No. of tenancies	52
Occupancy as at 30 June 2018 (%)	95.0%
Revenue (RM million)	16.7
NPI (RM million)	10.7

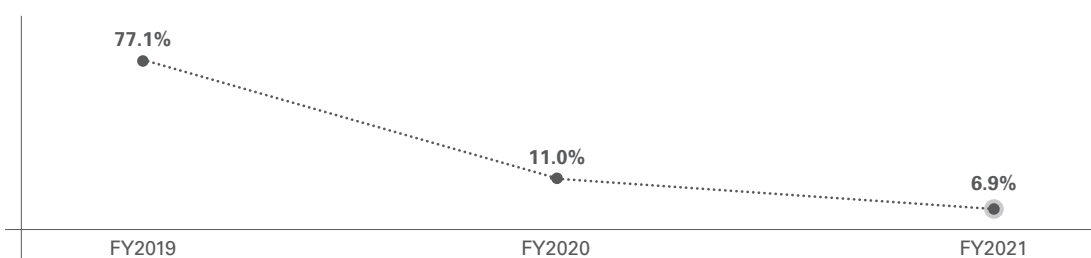
HISTORICAL OCCUPANCY RATE

Average occupancy rate



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



WEIGHTED AVERAGE LEASE EXPIRY

0.74 YEARS

MENARA SUNWAY

TENANT MIX BY TRADE SECTOR

Based on June 2018 Gross Rental Income



31.3%

Management
Services



20.2%

Property



12.9%

Others



11.1%

Construction



10.3%

Medical



5.8%

Technology



2.6%

Trading



2.0%

Marketing



2.0%

Supply &
Manufacturing



1.8%

Retail

TENANT MIX BY TRADE SECTOR

Based on June 2018 Net Lettable Area



29.6%

Management
Services



16.6%

Property



15.1%

Others



12.2%

Construction



11.2%

Medical



6.3%

Technology



2.9%

Trading



2.1%

Marketing



2.1%

Retail



1.9%

Supply &
Manufacturing

MENARA SUNWAY

TOTAL TOP TENANTS

Based on June 2018 Gross Rental Income

73.2% Total Top Tenants

20.6%

Sunway Management Sdn Bhd

17.6%

Sunway Integrated Properties Sdn Bhd

7.4%

Sunway Construction Group Bhd

7.0%

Merck Sdn Bhd

6.9%

Sunway Shared Service Sdn Bhd

3.2%

Roche Service Sdn Bhd

2.7%

Grace Generation Information Technology

2.6%

Sunway PFM Sdn Bhd

2.6%

Sunway Computer Services Sdn Bhd

2.6%

Sunway Quarry Industries Sdn Bhd

PROPERTY DETAILS

SUNWAY TOWER



CHANGING DYNAMICS

Sunway Tower is a 33-storey prime office building with close proximity to the iconic landmark of Petronas Twin Tower and Kuala Lumpur Convention Centre (KLCC). It is strategically located near the intersection of Jalan Sultan Ismail and Jalan Ampang in Kuala Lumpur which is famously known as the Golden Triangle. With excellent infrastructure connectivity, Sunway Tower is adjacently located next to Dang Wangi LRT Station, Bukit Nanas Monorail station and at the entry and exit points of the Ampang-Kuala Lumpur Elevated Highway (AKLEH) which links to major highways within and around Klang Valley. Thus, making it an excellent business address in Kuala Lumpur.

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

Tel : (603) 2032 4100
Fax: (603) 2070 4093

0.27

million

NLA (sq. ft.)

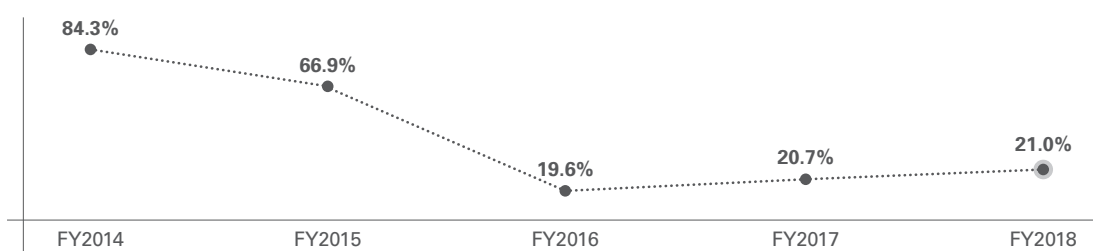
SUNWAY TOWER

PROPERTY DETAILS

Land area (sq. ft.)	25,898
GFA (sq. ft.)	Office : 348,998 Carpark : 107,606
NLA (sq. ft.)	268,306
No. of parking bays	> 290
No. of tenancies	11
Occupancy as at 30 June 2018 (%)	22.1
Revenue (RM million)	3.3
NPI (RM million)	(0.4)

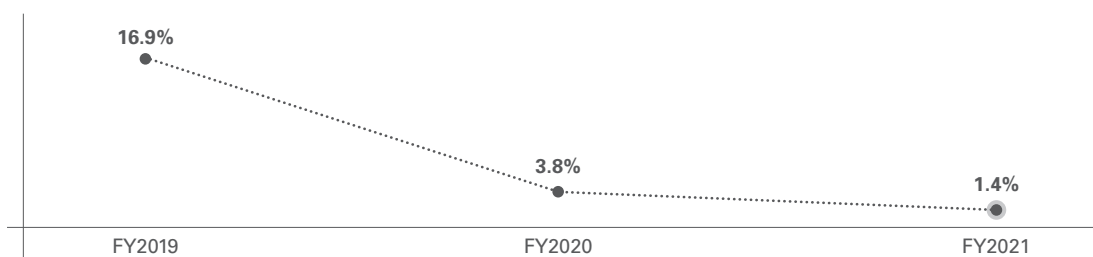
HISTORICAL OCCUPANCY RATE

Average occupancy rate



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



WEIGHTED AVERAGE LEASE EXPIRY

1.06 YEARS

SUNWAY TOWER

TENANT MIX BY TRADE SECTOR

Based on June 2018 Gross Rental Income

**50.5%**Consultancy
(Finance)**19.5%**

Consultancy

**13.0%**

Embassy

**9.1%**

Others

**7.9%**Consultancy
(Rubber)

TENANT MIX BY TRADE SECTOR

Based on June 2018 Net Lettable Area

**51.5%**Consultancy
(Finance)**21.2%**

Consultancy

**10.0%**

Others

**9.9%**

Embassy

**7.4%**Consultancy
(Rubber)

TOTAL TOP TENANTS

Based on June 2018 Gross Rental Income

99.3%Total
Top
Tenants**19.6%**WPP Business
Services Sdn Bhd**18.6%**VPO Services
Sdn Bhd**15.3%**ZJ Advisory
Sdn Bhd**13.0%**Royal Danish
Embassy**11.2%**Bexcel Shared Services
Malaysia Sdn Bhd**7.9%**R1 International
Sdn Bhd**5.4%**Eagle Eye
Technologies
Sdn Bhd**4.8%**Protellus (M)
Sdn Bhd**2.3%**Sunway Leisure
Services Sdn Bhd**1.2%**Bison Store
Sdn Bhd

PROPERTY DETAILS



SUNWAY PUTRA TOWER

LOCATED IN THE CITY

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 Public Works Department (Jabatan Kerja Raya) which is under the Ministry of Transportation. 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 Light Rail Transit (LRT), KTM Komuter Train and bus. All these infrastructure and facilities adds value to the well-established office asset.

Centre Management Office

Sunway Putra Hotel,
100, Jalan Putra,
50350, Kuala Lumpur,
Malaysia.

Tel: (603) 4042 9888
Fax: (603) 4043 8806

0.32
million
NLA (sq. ft.)

SUNWAY PUTRA TOWER

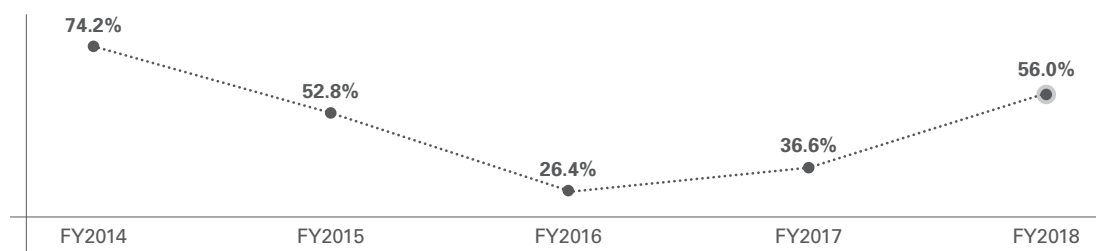
PROPERTY DETAILS

Land area (sq. ft.)	193,621 ¹
GFA (sq. ft.)	Office : 453,842 Carpark : 574,588 ¹
NLA (sq. ft.)	317,051
No. of parking bays	> 1,500 ¹
No. of tenancies	13
Occupancy as at 30 June 2018 (%)	78.2
Revenue (RM million)	7.8
NPI (RM million)	4.3

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

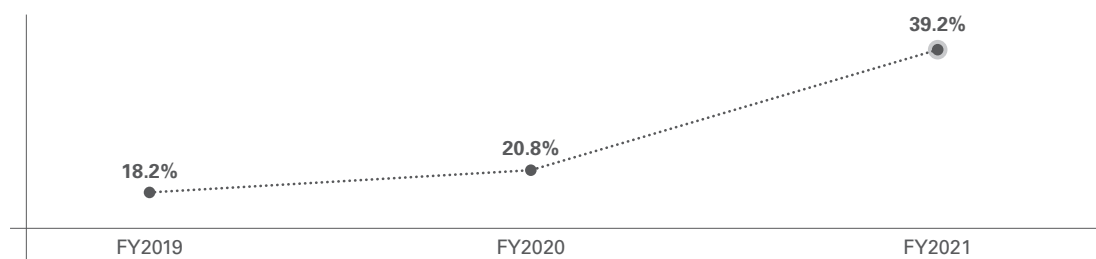
HISTORICAL OCCUPANCY RATE

Average occupancy rate



LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA




WEIGHTED AVERAGE LEASE EXPIRY

2.63 YEARS


SUNWAY PUTRA TOWER

TENANT MIX BY TRADE SECTOR
 Based on June 2018 Gross Rental Income


96.1%
 Government
Agency



1.7%
 Medical


1.5%
 Communication


0.7%
 Information
Technology

TENANT MIX BY TRADE SECTOR
 Based on June 2018 Net Lettable Area


96.3%
 Government
Agency


1.8%
 Medical


1.3%
 Communication


0.6%
 Information
Technology

TOTAL TOP TENANTS

Based on June 2018 Gross Rental Income

98.8%

 Total
Top
Tenants

37.8%
 Jabatan
Kerja Raya

20.7%
 Kementerian Perdagangan
Dalam Negeri Koperasi Dan
Kepenggunaan Malaysia

18.8%
 CIDB

5.2%
 Jabatan Perdana
Menteri (I.C.U.)

4.9%
 Pemandu
Associates
Sdn Bhd

4.4%
 Cradle Fund
Sdn Bhd

3.8%
 Construction Research
Institute of Malaysia
(CREAM)

1.7%
 Chini
Enterprise
Sdn Bhd

0.8%
 Raffcomm
Sdn Bhd

0.7%
 Yayasan
Ihsan
Rakyat

PROPERTY DETAILS

WISMA SUNWAY



STRATEGIC LOCATION - GOVERNMENT PRECINCT OF SELANGOR

Wisma Sunway is a stratified 19-storey office building¹ located in the vibrant Section 9, Shah Alam, the state government precinct of Selangor. Its location next to a hotel and a 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 is substantially tenanted by government agencies.

¹ Excluding Unit No. L2A

Management Office
No 1, Jalan Tengku Ampuan
Zabedah C 9/C
Seksyen 9, 40100 Shah Alam
Selangor Darul Ehsan

Tel: (603) 5510 1629
Fax: (603) 5510 1639

0.17
million
NLA (sq. ft.)

WISMA SUNWAY

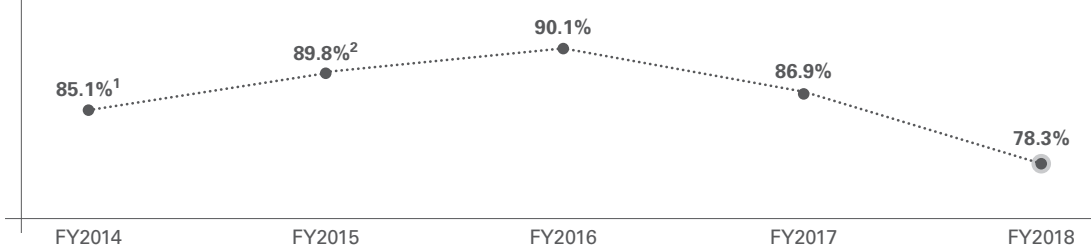
PROPERTY DETAILS

Land area (sq. ft.)	47,813
GFA (sq. ft.)	Office : 171,544 Carpark : 123,440
NLA (sq. ft.) ¹	171,544
No. of parking bays	> 380
No. of tenancies	5
Occupancy as at 30 June 2018 (%)	76.3
Revenue (RM million)	5.7
NPI (RM million)	2.9

¹Based on surveyed strata floor area

HISTORICAL OCCUPANCY RATE

Average occupancy rate

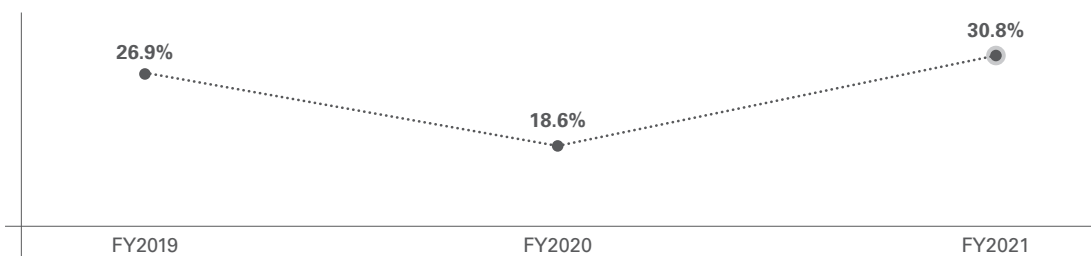


¹Historical information (FY2014) is provided by the vendor

²From completion of acquisition on 23 March 2015 to 30 June 2015

LEASE EXPIRY SCHEDULE

Expiring tenancies as % of total NLA



WEIGHTED AVERAGE LEASE EXPIRY

1.56 YEARS

WISMA SUNWAY

TENANT MIX BY TRADE SECTOR

Based on June 2018 Gross Rental Income



95.6%

Government
Agency



4.4%

Consultancy

TENANT MIX BY TRADE SECTOR

Based on June 2018 Net Lettable Area



96.0%

Government
Agency



4.0%

Consultancy

TOTAL TOP TENANTS

Based on June 2018 Gross Rental Income

99.8%

Total
Top
Tenants

38.6%

Jabatan Kesihatan
Negeri Selangor

29.6%

Jabatan
Alam Sekitar

20.4%

Lembaga Hasil
Dalam Negeri

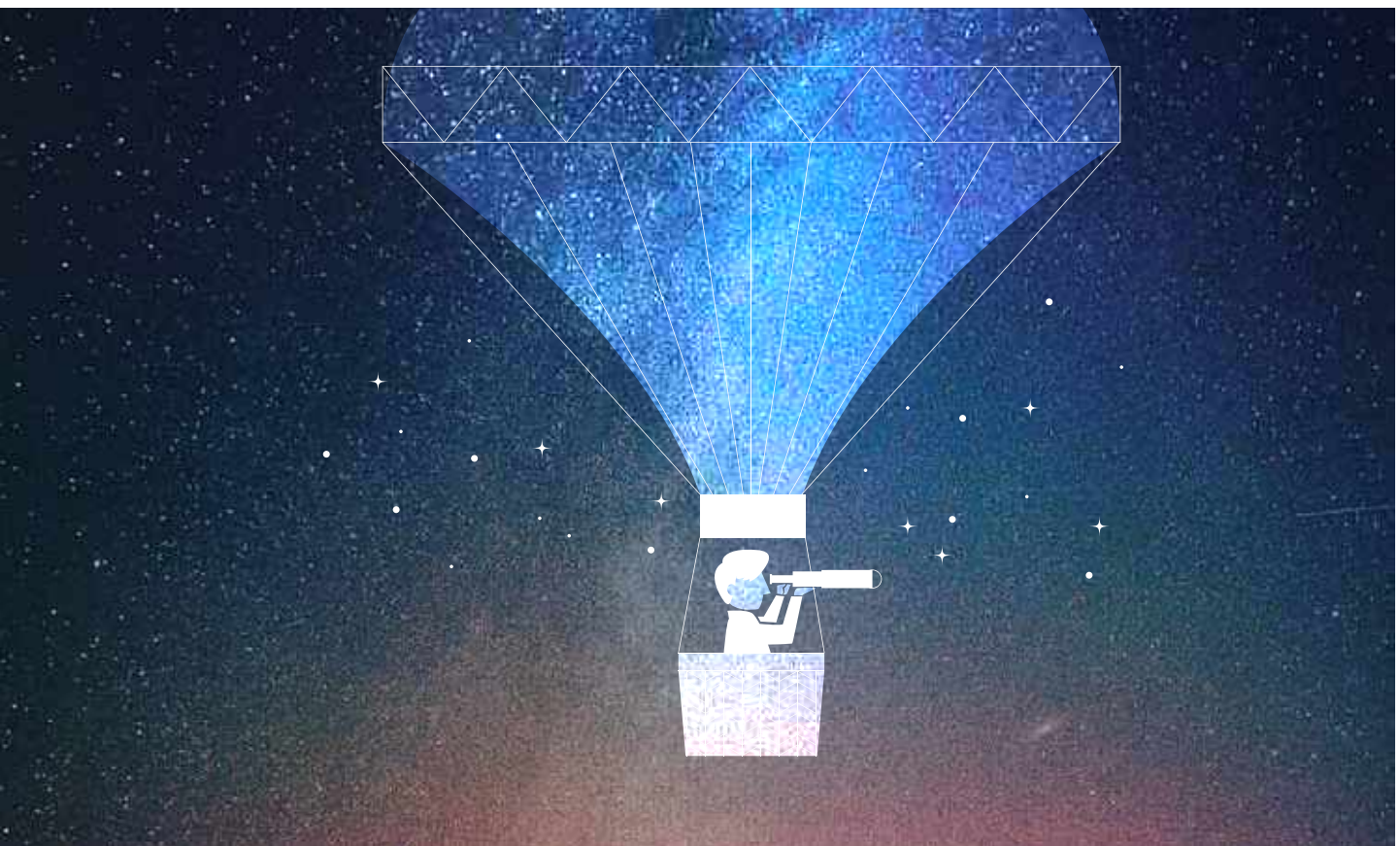
6.8%

Pejabat Tindakan
Pelancongan
Negeri Selangor

4.4%

SM Centre
(MYS) Sdn Bhd

OTHERS



PROPERTY SUMMARY



SUNWAY MEDICAL CENTRE

LOCATION

Selangor

DATE OF ACQUISITION

31 Dec 2012

ACQUISITION PRICE (RM MILLION)

310

TITLE, EXPIRY DATE & YEARS REMAINING

- PN 12549 Lot 38160 - 1 April 2097
(79 years remaining)
- PN 12550 Lot 45 - 1 April 2097
(79 years remaining)

Bandar Sunway, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

- 10 years lease to Sunway Medical Centre Sdn Bhd expiring 30 December 2022
- Charged to Public Investment Bank Berhad
- Lienholder's Caveat by Public Investment Bank Berhad

YEAR OF COMPLETION

Phase 1 - 2001; Phase 2 - 2009

APPRAISED VALUE (RM MILLION)

340

DATE OF LATEST VALUATION*

June 2018



SUNWAY REIT INDUSTRIAL – SHAH ALAM 1

LOCATION

Selangor

DATE OF ACQUISITION

1 Aug 2017

ACQUISITION PRICE (RM MILLION)

91.5

TITLE, EXPIRY DATE & YEARS REMAINING

HS(D) 132499, PT65 - 30 May 2098
(80 years remaining)

Seksyen 23, Shah Alam, Daerah Petaling, Negeri Selangor

TENURE

Leasehold - 99 years

ENCUMBRANCE

Lease to DCH Contract Manufacturing Sdn Bhd (formerly known as IDS Manufacturing Sdn Bhd) expiring 31 Dec 2034

YEAR OF COMPLETION

Phase 1 - 1993; Phase 2 - 2010

APPRAISED VALUE (RM MILLION)

92

DATE OF LATEST VALUATION*

June 2018

* Valued by C H Williams Talhar & Wong Sdn Bhd

Valued by Knight Frank Malaysia Sdn Bhd

PROPERTY SUMMARY

OTHERS	SUNWAY MEDICAL CENTRE	SUNWAY REIT INDUSTRIAL - SHAH ALAM 1	TOTAL
Land Area (sq.ft.)	195,838	673,684	869,522
Gross Floor Area (sq.ft.)	563,416	386,856	950,272
Gross Floor Area - Carpark (sq.ft.)	217,162	N/A	217,162
Number of Parking Bays	639	N/A	639
Revenue (RM million) ¹	22.7	5.1	27.8
Net Property Income (RM million)	22.7	5.1	27.8
Appraised Value as at 30 June 2018 (RM million)	340 ²	92 ³	432
Value per bed / Value per sq.ft. (RM)	921,409	238	N/A
Capitalisation Rate - Current / Reversionary (%)	6.25 - 6.75 / 6.50	5.50 - 7.00 / 7.00	N/A

¹The revenue represents rent under a master lease agreement

²The property is valued by Knight Frank Malaysia Sdn Bhd

³The property is valued by C H Williams Talhar & Wong Sdn Bhd

N/A - Not Applicable

PROPERTY DETAILS

SUNWAY MEDICAL CENTRE



IMPROVING THE LIVES WE TOUCH

Established in November 1999, Sunway Medical Centre (SMC) is a private hospital accredited by the Australian Council on Healthcare Standards (ACHS) and Malaysian Society for Quality in Health (MSQH). It is strategically located within Sunway City. As one of the leading private tertiary medical care centres in the country, Sunway Medical Centre is poised to set new standards of service for its growing clientele with a total of 369 licensed beds, 130 consultation suites and 12 operation theatres.

SMC offers a comprehensive range of medical services, which include facilities and advanced medical technologies for outpatient and inpatient specialty care, health and wellness programmes and 24-hour emergency services. These are coupled with a strong support system comprising more than 2,000 dedicated healthcare professionals including medical consultants, professional allied health staff as well as trained and dedicated nursing staff. SMC is affiliated with the Jeffrey Cheah School of Medicine & Health Sciences, Monash University Malaysia, University of Cambridge, Royal Papworth Hospital and Harvard Medical School to further meet the demands of medical education, training and research.

SMC is well connected as it enjoys easy access to Kuala Lumpur and the Klang Valley via five major highways namely New Pantai Expressway, North-Klang Valley Expressway, KESAS Expressway, Damansara-Puchong Highway and Federal Highway.

Sunway Medical Centre
No.5, Jalan Lagoon Selatan,
Bandar Sunway, 47500
Selangor Darul Ehsan,
Malaysia

Tel: +603 7491 9191 /
603 5566 9191
Fax: +603 7491 8181

Email:
smc@sunway.com.my

Website:
www.sunwaymedical.com

369
licensed
beds

SUNWAY MEDICAL CENTRE

PROPERTY DETAILS

Land area (sq. ft.)	195,838
GFA (sq. ft.)	Medical Centre : 563,416 Carpark : 217,162
No. of parking bays	639
Revenue (RM million) ¹	22.7
NPI (RM million)	22.7
Appraised Value as at 30 June 2018 (RM million) ²	340
Capitalisation rate - Current/Reversionary (%)	6.25 - 6.75 / 6.50

¹The revenue represents rent under a master lease agreement

²Valued by Knight Frank Malaysia Sdn Bhd

MASTER LEASE DETAILS

Master Lessee	Sunway Medical Centre Sdn Bhd
Duration	10 years from 31 Dec 2012 with an option to renew for another 10 years
Rental	RM19 million per annum for the 1 st year
Rental uplift	The rent is subject to yearly renewal. At each rent review date, the rent shall increase by 3.5% per annum until the remaining of the first term
Rental basis	Triple net lease

PROPERTY DETAILS

SUNWAY REIT INDUSTRIAL – SHAH ALAM 1



Sunway REIT Industrial – Shah Alam 1 (SRISA 1) is strategically located within the prime industrial hub in Section 23, Shah Alam Selangor. The industrial hub in Shah Alam houses many established multinationals, logistics and manufacturing companies. SRISA 1 is easily accessible by 3 major highways, namely Federal Highway, Elite Highway and Shah Alam Expressway as well as close proximity to the Kuala Lumpur International Airport and Port Klang, the largest sea gateway in the country.

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

**Sunway REIT Industrial –
Shah Alam 1**
Lot 6, Persiaran Perusahaan,
Section 23
40300 Shah Alam, Selangor

Tel: (603) 5541 6600
Fax: (603) 5541 6635

Website:
www.dchcmfg.com

0.39
million
GFA (sq. ft.)

SUNWAY REIT INDUSTRIAL – SHAH ALAM 1

PROPERTY DETAILS

Land area (sq. ft.)	673,684
GFA (sq. ft.)	386,856
Revenue (RM million) ¹	5.1
NPI (RM million)	5.1
Appraised Value as at 30 June 2018 (RM million) ²	92
Capitalisation rate - Current/Reversionary (%)	5.50 - 7.00 / 7.00

¹The revenue represents rent under a master lease agreement

²Valued by C H Williams Talhar & Wong Sdn Bhd

MASTER LEASE DETAILS

Master Lessee	DCH Contract Manufacturing Sdn Bhd (formerly known as IDS Manufacturing Sdn Bhd)
Duration	Initial term – expires 31 December 2034 Renewal term – automatically extended for one further term of 5 years on the same terms and conditions unless the Lessee gives written notice to the Lessor not less than 18 months prior to the end of the Initial Term that it does not wish to extend the term or that it wishes to extend the term for the period in excess of 5 years but less than or equal to 15 years
Rental	RM5.6 million per annum
Rental uplift	The rent is subject to review every 3 years and the next review date shall be 1 January 2019. At each rent review date, the rent shall be increased to the greater of the then prevailing fair market value and CPI adjustment, subject to a cap on the increase of 10%.
Rental basis	Triple net lease

CORPORATE GOVERNANCE & ACCOUNTABILITY

232
CORPORATE GOVERNANCE
STATEMENT

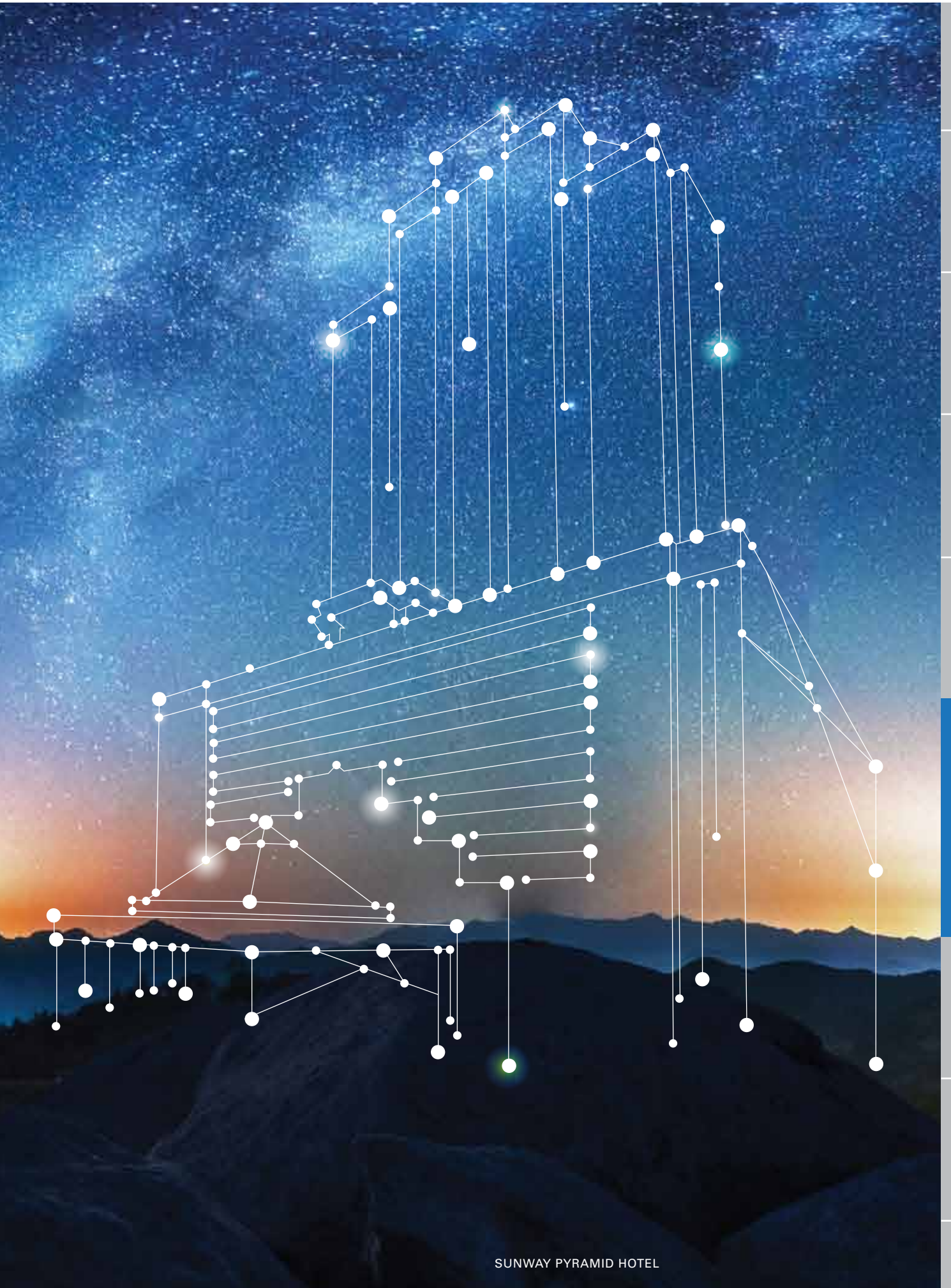
245
AUDIT COMMITTEE REPORT

252
STATEMENT ON RISK
MANAGEMENT & INTERNAL
CONTROL

257
ADDITIONAL INFORMATION

STAR STRUCTURE

Like the force that holds stars together forming constellations in the sky, a well implemented governance framework keeps righteousness and integrity within. This is how we gain the trust of our stakeholders.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement provides an overview of the Corporate Governance practices of Sunway REIT Management Sdn Bhd (the “**Manager**”), the Manager for Sunway Real Estate Investment Trust (“**Sunway REIT**”) for the financial year ended 30 June 2018 (“**FY2018**”).

This statement is to be read together with the Corporate Governance Report 2018 of the Manager.

As outlined in the Corporate Governance Report, the Manager has applied most of the principles and best practices of good governance as recommended in the Malaysia Code on Corporate Governance (“**MCCG 2017**”) and the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) to enhance its accountability, transparency and sustainability.



For more details, please refer to the Corporate Governance Report 2018 of the Manager on Sunway REIT's website at <https://www.sunwayreit.com> under Investor Relations section

MANAGER

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

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

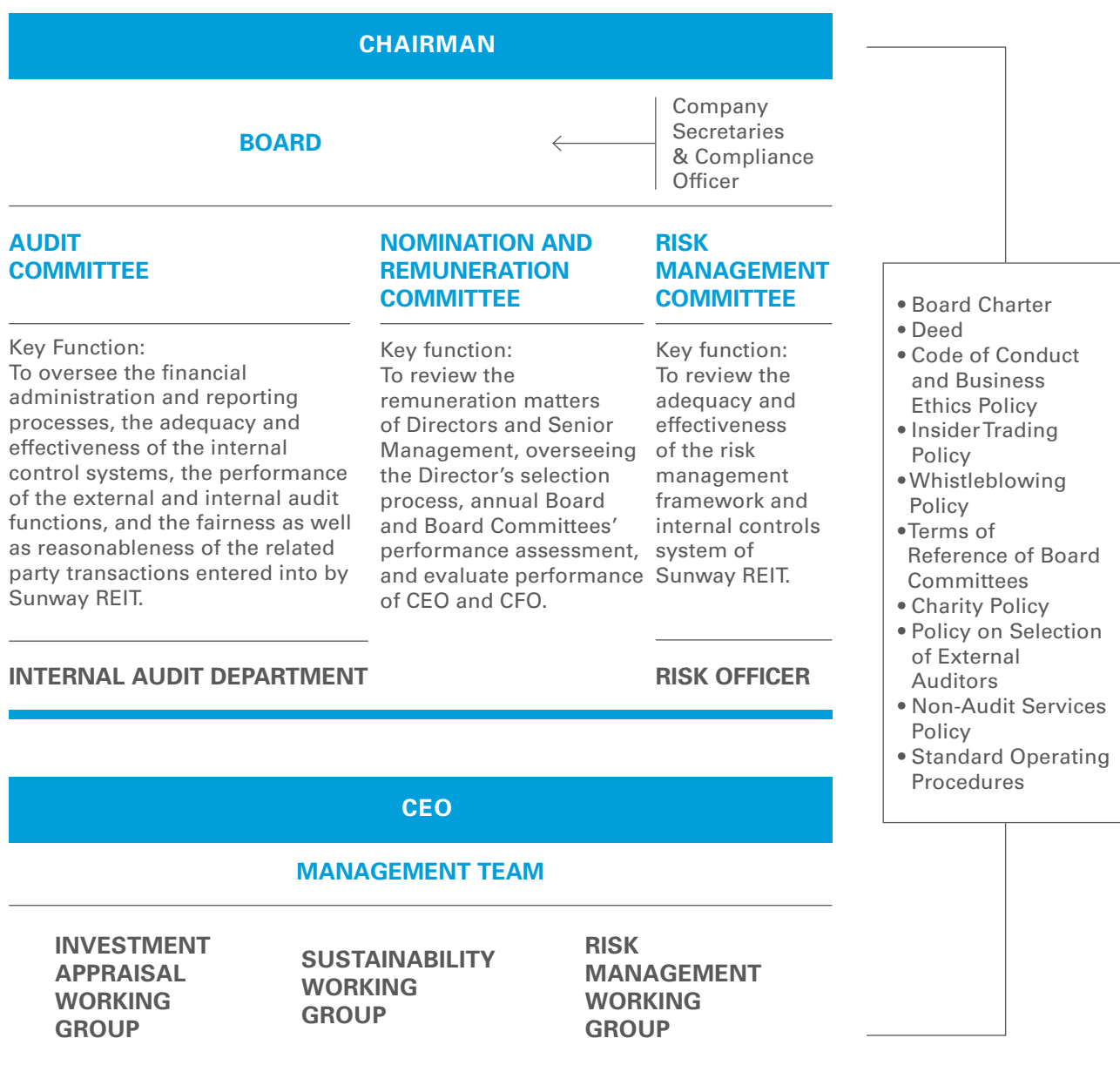
Being the Manager for Sunway REIT, the Board of Directors of the Manager (the “**Board**”) is:

- (i) ultimately responsible and accountable for managing, governing, guiding and monitoring the direction of Sunway REIT with the objective of enhancing long term sustainable value creation to the stakeholders and delivering sustainable distribution and growth;
- (ii) responsible for setting the growth strategies of Sunway REIT and mapping the strategic plans, which are reviewed on a regular basis;
- (iii) responsible for monitoring the Management’s performance against approved key performance indicators (“**KPIs**”) towards achieving the overall strategic objectives and targets of Sunway REIT; and
- (iv) unreservedly committed to applying the principles and best practices of good governance to the fullest extent where practicable.

The Manager is committed to observing the highest standards of integrity and fair dealing in managing Sunway REIT and its properties to the best and exclusive interest of unitholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

To objectively and effectively discharge its governance role and responsibilities, the Board operates within the following governance framework:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

(a) Board

The vision of Sunway REIT is to be the leading REIT in Malaysia with steadfast commitment to enhance values to stakeholders - Sustainable Growth, Environmental Stewardship and Community Engagement. The Board is mindful of its responsibilities and accountability to the unitholders and other stakeholders of Sunway REIT, and is committed to implement sound corporate governance practices throughout the Manager at all times and views this as a fundamental part of discharging its roles and responsibilities in order to steer Sunway REIT towards achieving its mission and vision as well as ensuring sustainable business growth and income distribution.

The Board is responsible for the overall governance of Sunway REIT, whilst the Management of the Manager ("**Management**") manages Sunway REIT and its properties in accordance with the Deed dated 20 May 2010 and the Supplemental Deed dated 10 June 2010 ("**Deed**") entered into between the Manager and RHB Trustees Berhad ("**Trustee**") constituting Sunway REIT. The Board bears ultimate responsibility for Sunway REIT's performances and core values.

The Manager is led and controlled by an effective Board which assumes, amongst others, the following principal roles and responsibilities in discharging its stewardship role and fiduciary and leadership functions:

- (a) reviewing and adopting a strategic plan for Sunway REIT with a view to maximising the unitholders' value;

- (b) overseeing and evaluating the conduct and performance of Sunway REIT's business against budgets;
- (c) identifying principal risks of Sunway REIT and ensuring the implementation of appropriate internal controls and mitigation measures to manage these risks;
- (d) ensuring the adequacy and the integrity of the management information and internal control systems of Sunway REIT;
- (e) considering and approving the Management's recommendations on assets acquisitions and divestments, funding options, asset enhancement initiatives, property development activities and capital expenditures;
- (f) monitoring and keeping up to date with the changes to regulations, policies, guidelines and accounting policies;
- (g) overseeing Management's performance and ensuring a sound succession plan for key positions within the Manager;
- (h) overseeing the development and implementation of the investor relations and unitholder communications policy for Sunway REIT; and
- (i) ensuring sustainable business growth in order to create sustainable long-term value creation.

In order to enhance the Board and the Management's accountability to Sunway REIT and its unitholders, the Board has established clear functions reserved for the Board and those delegated to the Board Committees, the CEO and Management. The Board operates under a Board Charter, which establishes a formal schedule of matters and outlines the types of information required for the Board's attention and deliberation at the Board meetings.



The Board Charter is available on Sunway REIT's website at <https://www.sunwayreit.com>

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In discharging its duties and responsibilities, the Board is also guided by the Code of Conduct and Business Ethics Policy (“**Code**”) of the Manager which provides the framework to ensure that the Manager conduct itself in compliance with laws and ethical values. The Board and all employees of the Manager are committed to adhering to best practices in corporate governance and observing the highest standards of integrity and behaviour in all activities conducted by the Manager, including the interaction with its customers, suppliers, employees and business partners, and within the community and environment in which the Manager and Sunway REIT operate.

The Manager is also committed to openness, probity and accountability. Sunway REIT’s Whistleblowing Policy and Procedures, provide a mechanism for all level of its employees and stakeholders to report concerns about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or abuse in a safe and confidential manner, thereby ensuring that concerns are raised without fear of reprisals. During the financial year under review, there were no whistleblowing cases reported through the appropriate channel.

Any employee or member of the public who has knowledge or is aware of any improper conduct within Sunway REIT is encouraged to report to:

Whistleblowing hotline

Tel: +603 5639 8311

E-mail: whistleblowing_S-REIT@sunway.com.my

Fax: +603 5639 9605



Both the Code and Whistleblowing Policy and Procedures are available on Sunway REIT’s website at <https://www.sunwayreit.com>

(b) Chairman and CEO

CHAIRMAN

- Responsible for the leadership, effectiveness, conduct and governance of the Board.
- Collectively with the Board, holds the CEO and Management team accountable towards meeting strategic objectives of Sunway REIT.

CEO

- Responsible for the day-to-day management of the business and operations of Sunway REIT as well as the implementation of the Board’s policies, directives, strategies and decisions.
- Accountable to the Board by ensuring the Management team contributes to strategy and manages Sunway REIT to meet its strategic objectives.

BOARD

MANAGEMENT

The positions of Chairman and CEO of the Manager are held by 2 different individuals. The Board is led by Tan Sri Ahmad Bin Mohd Don, who is the primary person setting a clear tone at the top and managing the Board’s effectiveness by focusing on strategy, governance and compliance matters of Sunway REIT, while the CEO, Dato’ Jeffrey Ng Tiong Lip, with the support of the Management Team, spearheads the business and day-to-day management of the business and operations of Sunway REIT. This crucial partnership dictates the long-term success of Sunway REIT. Based on the annual Board Effectiveness Evaluation survey, the performances of the Chairman and the CEO were rated excellent.

The division of the role and responsibilities of the Chairman and the CEO has been clearly defined in the Board Charter of the Manager.



For more details, please refer to Sunway REIT’s website under the Investor Relations and Media Relations section at <https://www.sunwayreit.com>

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(c) Board Committees

The Board has established the following committees to assist in discharging its duties and responsibilities:

- (i) Audit Committee ("**AC**");
- (ii) Nomination and Remuneration Committee ("**NRC**"); and
- (iii) Risk Management Committee ("**RMC**").

The Committees shall operate within clearly defined written terms of reference ("**TOR**") as approved by the Board.



The approved TORs of the Board Committees are available at <https://www.sunwayreit.com> under Investor Relations section

The TORs are continuously reviewed and updated to ensure their relevance to Sunway REIT's operations as well as for compliance with legislation and standards.

The Board Committees deliberate issues on a broad and in-depth basis before putting up any recommendation to the Board for decision. Notwithstanding the existence of the Board Committees and the relevant authorities granted to a Committee under its TOR, ultimate responsibility for the affairs of Sunway REIT and decision-making lies with the Board. The Board keeps itself abreast of the significant matters and resolutions deliberated by each Board Committee through the reports by the Chairman of the relevant Board Committees and the tabling of the Minutes of the Board Committee meetings at the subsequent Board meeting.

AC

The details are disclosed under Principle B: Effective Audit and Risk Management.

NRC

The Board had combined the Nomination Committee and Remuneration Committee into one Committee. The NRC comprises 4 members, all of whom are Non-Executive Directors, with a majority of them being Independent Directors.

The NRC with the assistance of Group HR Director, evaluates the performances of the CEO and CFO twice a year. Based on the performance appraisals, the NRC determines the performance bonus for the CEO and CFO. The NRC also reviews the remuneration packages of the CEO and CFO to ensure that it commensurate with their scope of responsibilities and performance achieved. It also deliberates and recommends the renewal of the terms of employment contracts for CEO, with the aim of ensuring that the Manager retains the best talent needed to run Sunway REIT successfully.

During the financial year under review, the NRC with the assistance of Group HR Director deliberated the following matters relating to the remuneration of Directors and Senior Management before recommending the same to the Board for approval:

- (i) reviewed mid-year performance of the CEO and CFO on 31 October 2017 based on the 9-months performance indicators up to 30 September 2017 against the approved KPIs;
- (ii) reviewed and recommended to the Board the approval of the proposed renewal of the employment contract for the CEO;
- (iii) on 6 February 2018, the NRC performed the following functions:
 - (a) evaluated the CEO and CFO's performance scorecard for the financial year ended 31 December 2017, and thereupon recommended to the Board the approval of the final bonuses and salary increments for the CEO and CFO. The Group HR Director was invited to present the surveys on remuneration package for similar industry for discussion and comparison;
 - (b) reviewed the proposed performance scorecard for the CEO and CFO for the financial year ending 31 December 2018; and
- (iv) on 3 May 2018, the NRC reviewed and recommended to the Board the Remuneration Policy for Directors and Senior Management.



The duties and responsibilities of the NRC are set out in the TOR of the NRC which is available at Sunway REIT's website at <https://www.sunwayreit.com>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The NRC is also responsible for overseeing the Director's selection process, annual Board and Board Committees' performance assessment and any other nomination matters in relation to the Board. During the financial year under review, the NRC carried out the following activities:

- (i) reviewed the TOR of the NRC;
- (ii) reviewed the Board and Board Committee's evaluation methodology for FY2018 and the relevant assessment survey forms prepared by the Company Secretaries;
- (iii) reviewed and endorsed the NRC report to be published in the 2017 Annual Report of Sunway REIT;
- (iv) reviewed and discussed with Group HR Director the Management succession plan for key positions in the Manager;
- (v) assessed the annual performance by each individual Director;
- (vi) assessed the continued independence of each Independent Director;
- (vii) reviewed the skills, experiences and competencies of each individual Director and based thereupon, assessed the training needs of each individual Director;
- (viii) assessed the effectiveness of the Board, the AC and other Committees of the Board; and
- (ix) endorsed the retirement and re-election of the Directors pursuant to the Articles of Association of the Manager.



The duties and responsibilities of the NRC are set out in the TOR of the NRC which is available at Sunway REIT's website at <https://www.sunwayreit.com>.

The Board was satisfied that the NRC has effectively and efficiently discharged its roles and responsibilities with respect to its nomination and remuneration functions.

RMC

During the year under review, the RMC comprised 4 members, all of whom are Non-Executive Directors; 3 being Independent Non-Executive Directors.

The RMC, assisted by the Risk Management Working Group is responsible for overseeing the risk management activities of Sunway REIT, approving appropriate risk management procedures and measurement methodologies as well as identifying, mitigating and monitoring the critical risks highlighted. The Management reports to the RMC on a half-yearly basis on all risks areas faced by Sunway REIT and the mitigating actions taken by the Management to address high risks areas.

The RMC at its meeting held on 4 June 2018 reviewed and adopted the Risk Management Framework for Sunway REIT, which encompassed the following areas:

- (i) establishes clear functional responsibilities and accountabilities for the management of risks;
- (ii) 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;
- (iii) sets risk policies consistent with the risk appetite and risk tolerance of the Manager; and
- (iv) ensures appropriate skills and resources are applied to risk management.



For more details of the Risk Management Framework and Internal Controls system of Sunway REIT, please refer to Statement on Risk Management and Internal Control

(d) Company Secretaries and Compliance Officer

The Board is supported by 2 Company Secretaries, who are qualified, experienced and competent to advise the Board on procedural and regulatory requirements to enable it to carry out its roles and responsibilities effectively. The Directors have full and unrestricted access to the advice and dedicated support services of the Company Secretaries.

The Directors are also assisted by a Compliance Officer, who reports directly to the Board. The designated Compliance Officer is to ensure compliance with the Deed, MMLR and all applicable SC guidelines and securities laws relating to Sunway REIT.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ROLE OF COMPANY SECRETARIES

- Provide advice and services to the Board to enable it to discharge its duties effectively;
- Attend all Board meetings and, together with the Directors, are responsible for the proper conduct of the meetings according to applicable rules and regulations;
- Regularly update the Board on new statutes, regulations and directives issued by regulatory authorities;
- Ensure that deliberations at Board and Board Committee meetings are properly documented, and subsequently communicated to the relevant management for their further actions; and
- Ensure that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

ROLE OF COMPLIANCE OFFICER

- Monitors and ensures compliance with the Deed, MMLR and all applicable SC guidelines and securities laws relating to Sunway REIT.

The role and responsibilities of the Company Secretaries and Compliance Officer have been clearly defined in the Board Charter of the Manager.



For more details, please refer to Sunway REIT's website under the Investor Relations section at <https://www.sunwayreit.com>.

(e) Access to Information and Advice

The Board strives to encourage a paperless environment for all Board and Board Committees meetings, where digital access is given to meeting papers to save on the distribution of hard copies.

The Board is supplied with quality and timely information, which allows it to discharge its responsibilities effectively and efficiently. The agenda for each meeting, duly endorsed by the Chairman together with a set of comprehensive meeting papers for each agenda item are distributed to the Directors at least 1 week or 5 business days prior to the meeting. The Board therefore was given sufficient time to review the matters to be deliberated and to allow for effective discussion and decision making during the meeting.

Every Director has full, free and unrestricted access to information of the Manager and Sunway REIT. Where required, the Board and its Committees are provided with independent professional advice to effectively discharge their duties, the cost of which is borne by the Manager. The Board may also seek advice from the Management or request further explanation, information or update on any aspect of Sunway REIT's operations or business concerns.

At the Board meeting, the Chairman encourages constructive, open and healthy debate and ensures that resolutions are circulated and deliberated so that all Board decisions reflect the collective view of the Board. Directors are given the chance to freely express their views or share information with their peers during deliberations at the Board. Any Director who has a direct and/or indirect interest in the subject matter to be deliberated will abstain from deliberation and voting on the same during the meeting. All deliberations at the meetings of the Board and its Committees in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

The Board has also appointed Elvin A/L Berty Luke Fernandez as its Senior Independent Director. The main duties and responsibilities of the Senior Independent Director are to serve as the point of contact between the Independent Directors and the Chairman on sensitive issues and to act as a designated contact to whom unitholders' concerns or queries may be raised, as an alternative to the formal channel of communication with unitholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Composition

During the financial year under review, the Board consisted of 6 members, comprising 1 Executive Director and 5 Non-Executive Directors (including the Chairman) of whom 3 are independent as defined by the MMLR. The Independent Directors made up 50% of the composition of the Board. Hence, the composition of the Board fulfils the prescribed requirement that 1/3 of the Board must be Independent Directors.

Under the leadership of an Independent Non-Executive Chairman, the Board has at all times acted in the best interest of Sunway REIT by striving to achieve the optimum results for stakeholders of Sunway REIT.

The composition of the Board reflects a diversity of age, academic qualifications, skills, experiences and gender in the areas of asset management, economics, finance, legal, general management and strategy. These mix of quality attributes of Directors contributes effectively in leading and directing the management and affairs of Sunway REIT.

The Board is of the opinion that as long as the Independent Directors confirmed that they remained

independent not only pursuant to the criteria of independence as defined in MMLR but practically also to remain critical and independent in thinking, such Independent Director will be allowed to serve beyond 9 years. Their relevant experiences, familiarity with the real estate industry and knowledge acquired in managing Sunway REIT's portfolio of assets will be valuable in ensuring its continued performance. During the financial year under review, none of the Independent Non-Executive Directors has reached 9 years of tenure.

The Manager is committed to encouraging diversity and inclusion in the workplace. It aims to create a culture that respects and values each other's differences, promotes equality and diversity, and encourages individuals to thrive in order to realise their full potential. Diversity and inclusion are closely tied to the Manager's core values of integrity, humility and excellence which are embedded into every facet of Sunway REIT's businesses and goals. Presently, women Directors made up 34% of the composition of the Board.

The composition of the Board and its Committees and the attendance of the Directors at the meetings of the Board and its Committees are as follows:

	MEMBERSHIP / MEETING ATTENDANCE FY2018 (ATTENDED/HELD)			
	BOARD	AC	NRC	RMC
CHAIRMAN/INDEPENDENT NON-EXECUTIVE DIRECTOR				
Tan Sri Ahmad Bin Mohd Don ⁽¹⁾	C (6/6)	M (5/5)	M (4/4)	M (1/1)
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Elvin A/L Berty Luke Fernandez ⁽²⁾	M (6/6)	C (5/5)	M (4/4)	M (1/1)
Tengku Nurul Azian Binti Tengku Shahrman	M (6/6)	M (5/5)	C (4/4)	M (1/1)
NON-INDEPENDENT NON-EXECUTIVE DIRECTORS				
Sarena Cheah Yean Tih, S.M.S	M (6/6)	-	M (4/4)	-
Ng Sing Hwa	M (6/6)	M (5/5)	-	C (1/1)
Chan Hoi Choy ⁽³⁾	M (5/5)	-	-	-
CEO/NON-INDEPENDENT EXECUTIVE DIRECTOR				
Dato' Jeffrey Ng Tiong Lip	M (6/6)	-	-	-

Notes:
C - Chairman
M - Member

⁽¹⁾ Re-designated from Chairman and Senior Independent Non-Executive Director to Chairman and Independent Non-Executive Director with effect from 31 October 2017.

⁽²⁾ Re-designated from Independent Non-Executive Director to Senior Independent Non-Executive Director with effect from 31 October 2017.

⁽³⁾ Retired as a Non-Independent Non-Executive Director on 7 May 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A brief description of the background of each Director is as set out in the Profile of Directors section of the 2018 Annual Report of Sunway REIT.
































The Board, through the NRC undertakes an annual assessment of the Board as a whole and each individual Directors' performance by way of self and peer evaluation. This includes a review of the desirable mix of competencies, qualification, knowledge, skills, expertise and personal characteristics of Directors and any gaps that exist in the optimum mix of skills required for the Board. The evaluation process was assessed internally and facilitated by the Company Secretaries. All assessments carried out by the NRC were properly documented, summarised and reported to the Board. The Board was satisfied with the current evaluation methodology as each Director was able to provide candid, frank opinion and recommendation to improve the overall governance process of Sunway REIT. As such, the Board has decided to continue with the existing practice of Board assessment. It will only

consider engaging independent experts for the annual evaluation on periodical basis in future if it is necessary.

Generally, the Directors were satisfied with the effectiveness of the Board as a whole. The Director's peer review indicated that all the Directors were of the view that each of them had performed their respective roles and functions effectively and responsibly during the FY2018. Each member was satisfied with each other's contribution in sharing their insights and were involved in active participation in Board and Board Committees' discussions. All the Board Committees were assessed to be effective in discharging their roles and responsibilities as per the approved TOR.

Based on the current diversity in the skill, experience, age and gender of the existing Board, the Board, through the NRC, has taken various actions to source for additional suitable and high calibre independent candidate(s) to the Board. The search for potential independent candidate(s) with relevant experience and skill sets is still ongoing.

The current diversity in the skill, experience, age and gender of the existing Board is as follows:

		NUMBER OF DIRECTORS	
DESIGNATION	Independent Non-Executive Directors	  	3
	Non-Independent Non-Executive Directors	 	2
	Executive Director		1
SKILL & EXPERIENCE	Accounting & Corporate Finance	    	5
	Legal		1
	Real Estate Evaluation		1
	Property / Facility Management	  	3
	Property Development	  	3
GENDER	Male	   	4
	Female	 	2
AGE GROUP	41-50		1
	51-60		1
	61-70	 	2
	71-80	 	2

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In order to govern effectively in a rapidly changing and complex business and regulatory environment, the Directors are committed to continuing education and lifelong learning to fulfil their duties and responsibilities. During the FY2018, all members of the Board attended various training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies which were relevant to Sunway REIT's operations.



Please refer to the Board of Directors section of the Manager on Sunway REIT's website at <https://www.sunwayreit.com> for the detailed of the continuing education programme that the Directors have attended for FY2018.

Remuneration

The remuneration of Directors and Senior Management are paid by the Manager and not by Sunway REIT.

The Board recognises that in order to attract, retain and motivate Directors and Senior Management of good calibre to drive and pursue the long term growth objective of Sunway REIT, it is important to have a fair and competitive remuneration package that commensurate with their experience, skills, responsibilities, performance, contribution as well as the remuneration practices and trends by other similar players in the market. In view of this, framework and guidelines provided by independent consultant and market data on the remuneration practices of comparable peers are taken into consideration in determining the remuneration package.

The Manager has in place a policy to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Manager as well as skills set and experience required. The Board is assisted by the NRC in reviewing suitable remuneration for the Non-Executive Directors, Executive Director and Senior Management whereupon recommendations are submitted to the Board for approval.



The Remuneration Policy for Directors and Senior Management is available on Sunway REIT's website at <https://www.sunwayreit.com>

For Independent Non-Executive Directors, the level of remuneration reflects their experience, level of responsibilities and industry's benchmark as well as complexity of the Manager's businesses. The remuneration of Independent Non-Executive Directors consists of fixed annual board fee, committee fee, and meeting attendance allowances for each Board or Board Committee meeting attended. The Non-Executive Directors are reimbursed for all their travelling, hotel and other expenses necessarily expended by them in carrying out their duties and responsibilities as Directors.

The remuneration structure of the Non-Executive Directors is as set out below:

	CHAIRMAN (RM'000)	MEMBER (RM'000)
Annual Director's fee:		
Board	100	80
AC	6	3
Meeting allowance per meeting:		
For each Board or Board Committee meeting	1	1

The remuneration package of Executive Director and Senior Management is:

- (i) made up of various components, primarily consisting of fixed monthly salary, performance-based remuneration, e.g. bonus, incentive pay, employee share option as well as benefits-in-kind; and
- (ii) structured on the basis of linking rewards to corporate and individual performance. The Group HR uses established HR system to facilitate performance management process for the Executive Director and Senior Management. The review is conducted on a half-yearly basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The AC is led by Mr Elvin A/L Bertly Luke Fernandez, the Senior Independent Non-Executive Director who is not the Chairman of the Board.

During the year under review, the AC comprised 4 members, all of whom are Non-Executive Directors; 3 being Independent Non-Executive Directors, who satisfied the test of independence under the MMLR and 1 Non-Independent Non-Executive Director.

During the year, the Board through NRC assessed the performance of the AC as well as the skills, experience and competencies of individual AC members through an annual AC Evaluation and AC Members' Self and Peer Evaluation. Based on the assessment, the Board was satisfied with the performance of the AC and its members where they have discharged their functions and carried out their duties and responsibilities in accordance with the TOR of the AC.



For more information, please refer to the Audit Committee Report section

Risk Management and Internal Control Framework

The Board remains committed towards maintaining a sound risk management and internal control systems, whilst the Board has overall responsibility for Sunway REIT's risk management framework and internal controls system, it has delegated the implementation of the risk management framework and internal controls system to the Management Team. The RMC has oversight responsibility to review the adequacy and effectiveness of the risk management framework and internal controls system.

In establishing and reviewing the risk management and internal control systems, the Board recognises that such systems can provide only reasonable, but not absolute, assurance against the occurrence of any material misstatement or loss.

The Board has received assurances from the CEO and the CFO that the risk management framework and internal controls system of Sunway REIT are operating adequately and effectively, in all material aspects.

Regular assessments on the adequacy and integrity of the internal controls and monitoring of compliance with policies and procedures are also carried out through internal audits. The risk-based internal audit plan that covers internal audit coverage and scope of work were presented to the AC for its consideration and approval annually. Internal audit reports encompassing the audit findings together with recommendations thereon are presented to the AC on a quarterly basis. The internal auditors and Management are tasked to ensure management action plans are carried out effectively and regular follow-up audits are performed to monitor the continued compliance.



For more details of the Risk Management Framework and internal controls system of Sunway REIT, please refer to Statement on Risk Management and Internal Control section

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board recognises the importance of maintaining transparency and accountability to the unitholders of Sunway REIT. The Board ensures that all the unitholders of Sunway REIT are treated equitably and the rights of all investors are protected. The Board provides the unitholders and investors of Sunway REIT with comprehensive, accurate and quality information on a timely and non-selective basis, in order to keep them abreast of all material business matters affecting Sunway REIT.

Timely disclosure of material information is critical towards building and maintaining corporate credibility and investor confidence. The Board recognises the importance of accurate and timely public disclosures of corporate information in order for the unitholders to exercise their ownership rights on an informed basis.

The Board through the Management oversees Sunway REIT's corporate disclosure practices and has authorised the CEO as the primary spokesperson responsible for communicating information to all stakeholders including the public.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Sunway REIT also maintains a corporate website, <https://www.sunwayreit.com> to disseminate information and enhance its investor relations. All disclosures, material information and announcements made to Bursa Securities via Bursa LINK are published on the website shortly after the same is released by the news wire service or the relevant authorities. Supplemental, non-material information will be posted on the website as soon as practicable after it is available. There is an Investor Relations section on the website which provides all relevant information about Sunway REIT, such as financial information, announcements released to Bursa Securities, general meetings materials, investor presentations, corporate governance matters, distribution information, press releases to the media and investor centre. The information is easily accessible by the public. Annual reports and circulars to unitholders are also made available at this website for review.

In addition, the Manager also announces the targeted date for release of the financial results of Sunway REIT at least 2 weeks in advance prior to each Board meeting in order to keep the unitholders of Sunway REIT or investing public aware of the timing of the release of the financial results.

The Manager recognises the need for due diligence in maintaining, updating and clearly identifying the accuracy, veracity and relevance of information on the website. All timely disclosure and material information will be clearly date-identified. The Manager has ongoing responsibility for ensuring that information in Sunway REIT's website is up-to-date.

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

In addition, the email address, name and contact number of the Manager's designated person is listed in Sunway REIT's website to enable the public to forward queries relating to Sunway REIT to the Manager. For any concerns or queries regarding Sunway REIT, the unitholders may convey to the Senior Independent Director of the Manager.

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



For more detail, please refer to Sunway REIT's website under the Investor and Media Relations section

Conduct of General Meeting

Unitholders are encouraged to attend the annual general meeting ("**AGM**") and any general meetings of Sunway REIT, which is the principal forum for dialogue between the Board and the unitholders and provides unitholders the opportunity to raise questions or concerns with regards to Sunway REIT, as well as to discuss any other important matters with the Management and the Board.

The 5th AGM of Sunway REIT was held on 25 October 2017 with the Notice of Meeting being issued on 28 August 2017, at least 28 days before the AGM, well in advance of the 21-day requirement under the Deed and the MMLR. It was held at Sunway Resort Hotel & Spa which is located within Sunway City, is easily accessible and familiar venue to most unitholders.

At the 5th AGM and Extraordinary General Meeting ("**EGM 2017**") of Sunway REIT held on 25 October 2017, all 7 Directors of the Manager were present in person to engage directly with unitholders, and be accountable for their stewardship of Sunway REIT. The Chair of the AC and the NRC were present to respond to any queries and clarifications addressed to them, if any.

In line with paragraph 8.29A of the MMLR, all the resolutions set out in the notices of the 5th AGM and EGM 2017 were put to vote by poll. Sunway REIT has appointed Sunway Management Sdn Bhd as Polling Administrator to conduct the polling process. BDO Governance Advisory Sdn Bhd was engaged as an external Independent Scrutineer to validate the poll results.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board, the Trustee, the Management Team, both internal and external auditors of Sunway REIT and the Advisers, were present at the 5th AGM and EGM 2017 to answer questions or concerns raised by unitholders. The Chairman of the 5th AGM and EGM 2017 also invited the unitholders to raise questions pertaining to Sunway REIT's financial performance and other agenda items at the meetings, before putting a resolution to vote.

In order to promote greater transparency and to allow for a more efficient and accurate voting results, Sunway REIT has leveraged on technology to facilitate electronic poll voting whereby real-time polling results are shown live on screen ("**e-Voting**"). Sunway REIT has first started the e-Voting at its 4th AGM held on 29 September 2016 and continued with the e-Voting for a second year at the 5th AGM and EGM 2017.

Upon verification of the polling results by the Independent Scrutineer, the outcome of the 5th AGM and EGM 2017 were announced to Bursa Securities on the same day the meetings were held. The Minutes of the 5th AGM and EGM 2017 were also made available on Sunway REIT's website for the information of all unitholders.



For more details, please refer to Sunway REIT's website under the Investor Relations section at <https://www.sunwayreit.com>.

The Manager aims to leverage on technology to facilitate voting in absentia and remote unitholders' participation at Sunway REIT's future general meetings. This can only be implemented once a comprehensive system fit for this purpose has been developed.

NEW INITIATIVES

In August 2017, the Board reviewed with Management the gap analysis report prepared by the Company Secretaries and Compliance Officer to evaluate the level of compliance by the Manager and Sunway REIT with the MCCG 2017. Upon due deliberations, the Board had decided on an action plan to further raise the bar of the Manager and Sunway REIT in adopting best practices of the corporate governance through various initiatives.

For FY2018, the Manager achieved 4 major corporate governance milestones:

- (i) establishment of a RMC to oversee the risk management framework and policies of Sunway REIT;
- (ii) commitment to embracing gender diversity by having at least 30% women Directors on the Board;
- (iii) formulation of a Remuneration Policy for Directors and Senior Management; and
- (iv) preparation of the Corporate Governance Report, which is voluntary for REITs.

The Manager is fully committed to apply all the practices set out in the MCCG 2017 to the fullest extent possible in order to achieve the intended outcomes. The Manager has commenced and is working on the following for financial year 2019:

- (i) to amend and update the Deed to align it with the latest MCCG 2017, the Guidelines on Listed Real Estate Investment Trusts ("**Listed REITs Guidelines**") and MMLR requirements; and
- (ii) to update and improve its existing policies to standards as required by the MCCG 2017, the Listed REITs Guidelines and the MMLR.

This Corporate Governance Overview Statement was approved by the Board on 9 August 2018.

AUDIT COMMITTEE REPORT

The Board of Directors ("**Board**") of Sunway REIT Management Sdn Bhd (the "**Manager**"), being the Manager for Sunway Real Estate Investment Trust ("**Sunway REIT**") is pleased to present the Report of the Audit Committee (the "**AC**") for the financial year ended 30 June 2018 ("**FY2018**") to provide insights into the manner in which the AC discharged its functions for Sunway REIT in FY2018.

TERMS OF REFERENCE

	AC	Internal Audit Department (IAD)			
CHAIRMAN	<ul style="list-style-type: none">Independent Director, who is not the Chairman of the Board				
COMPOSITION	<ul style="list-style-type: none">At least 3 membersMust be Non-Executive Directors, with a majority of them being Independent DirectorsMembership qualificationFinancially literateNo alternate Director				
KEY FUNCTIONS	Financial Reporting	External Audit	Internal Audit Function	Internal Controls System	Related Party Transaction ("RPT")
PERFORMANCE REVIEW	Annual Evaluation by the Board		Self and Peer Evaluation by the AC		

TERMS OF REFERENCE ("TOR")



The details of the TOR of the AC are available for reference on Sunway REIT's website at <https://www.sunwayreit.com>

COMPOSITION

The AC assists the Board to review, assess and to recommend proposals relating to financial and accounting records, internal controls, RPT and policies as well as financial reporting practices of Sunway REIT.

The AC comprises the following Non-Executive Directors, a majority of whom are Independent Directors and is chaired by an Independent Director:

- Elvin A/L Berty Luke Fernandez – Chairman**
(Senior Independent Non-Executive Director)
- Tan Sri Ahmad Bin Mohd Don**
(Independent Non-Executive Director)
- Tengku Nurul Azian Binti Tengku Shahrman**
(Independent Non-Executive Director)
- Ng Sing Hwa**
(Non-Independent Non-Executive Director)

The composition of the AC complied with the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad and the principles and practices set out in the Malaysian Code on Corporate Governance 2017 ("**MCCG 2017**"):

REQUIREMENTS COMMENTARY

Paragraphs 15.09(1) (a) & (b) of MMLR

• The AC comprised 4 members, all of whom are Non-Executive Directors; 3 being Independent Non-Executive Directors, who satisfied the test of independence under the MMLR.

Paragraph 15.09(1) (c) of MMLR

• Tan Sri Ahmad Bin Mohd Don is a Fellow of Institute of Chartered Accountants in England and Wales as well as a Member of Malaysian Institute of Certified Public Accountants.

• Ng Sing Hwa is a qualified Chartered Accountant and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

AUDIT COMMITTEE REPORT

BEST PRACTICES

COMMENTARY

Practice 8.1 of MCGG 2017 • Elvin A/L Berty Luke Fernandez is not the Chairman of the Board.

Practice 8.2 of MCGG 2017 • Since the incorporation of the Manager on 14 February 2008, none of the members of the Board were former key audit partners.

Practice 8.3 of MCGG 2017 • The AC has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Practice 8.5 of MCGG 2017 • All members are financially literate and are able to understand matters under the purview of the AC including the financial reporting process.
• They have attended various training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies on areas relevant to Sunway REIT's business, Directors' roles, responsibilities, effectiveness and/or corporate governance issues.



For more details, please refer to Corporate Governance Report 2018 of the Manager on Sunway REIT's website at <https://www.sunwayreit.com> under Investor Relations section

The Board, through its Nomination and Remuneration Committee ("**NRC**"), has reviewed the terms of office of the AC members. The NRC also assessed the performance of the AC as well as the members' skills set, experiences and competencies through an annual internal AC Evaluation and AC Members' Self and Peer Evaluation surveys facilitated by the Company Secretary. The Board was satisfied with the performance of the AC and its members in which, they have discharged their functions and carried out their duties and responsibilities in accordance with the TOR of the AC.

MEETINGS AND ATTENDANCE

A total of 5 AC meetings were held during the financial year under review. The members of the AC and their attendance are as follows:

NAME		MEMBERSHIP	ATTENDANCE (ATTENDED/HELD)
Elvin A/L Berty Luke Fernandez Senior Independent Non-Executive Director	Chairman	5/5	
Tan Sri Ahmad Bin Mohd Don Independent Non-Executive Director	Member	5/5	
Ng Sing Hwa Non-Independent Non-Executive Director	Member	5/5	
Tengku Nurul Azian Binti Tengku Shahriman Independent Non-Executive Director	Member	5/5	

AUDIT COMMITTEE REPORT

The following parties were invited to attend the AC meetings:

INVITEES	FREQUENCY OF ATTENDANCE	PURPOSE
Chief Executive Officer (“CEO”), All AC meetings Chief Financial Officer (“CFO”) and Compliance Officer	All AC meetings	Representing the Management Team to facilitate direct communication and to provide clarification on the audit issues as well as Sunway REIT’s financial and business operations.
Head of IAD	All AC meetings	To present the risk-based internal audit plan, internal audit reports and respective investigation reports.
External auditors	2 meetings	To present to the AC the audit plan, the audit findings, the independent auditors’ report as well as any other matters in respect of Sunway REIT as they considered were important for the AC’s attention.
Facilities Management Team members having charge over the relevant auditees	As and when necessary	To brief the AC on specific issues involving their respective areas of responsibility arising from the internal audit reports or any matters of interest.

The minutes of each AC meeting were recorded and tabled to the AC for adoption at subsequent AC meetings and thereafter all minutes of AC meetings were presented to the Board for discussion and notation. The Chairman of the AC reported the AC’s recommendations to the Board for its consideration and implementation as well as highlighted the significant matters and resolutions deliberated by the AC to the Board at its immediate subsequent meeting.

The AC, the CEO and the Head of IAD have also been given the responsibility by the Board to monitor the implementation of the Whistleblowing Policy and Procedures, whilst duties relating to the day-to-day administration of the policy are performed by the Head of IAD. During the financial year under review, there were no cases reported through the channel.

SUMMARY OF ACTIVITIES

The AC carried out the following activities during the FY2018:

1. Financial Reporting

(a) Annual Audited Financial Statements

The AC reviewed the financial results for the fourth quarter of FY2017 and annual audited financial statements of Sunway REIT for the financial year ended 30 June 2017 (“FY2017”) prior to submission to the Board for consideration and approval at its meeting held on 10 August 2017.

The AC discussed the significant audit findings, the key audit matters raised by the external auditors, the adoption of new accounting standards as well as the disclosure required in the Independent Auditors’ Report of Sunway REIT’s audited financial statements for FY2017.

At its meeting held on 10 August 2017, the AC deliberated on the draft annual audited financial statements with Management and external auditors. At the aforesaid meeting, the Management and external auditors confirmed that the draft annual audited financial statements were prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards, the Guidelines on Real Estate Investment Trusts (“REIT Guidelines”) issued by the Securities Commission Malaysia and the provisions of the Deed dated 20 May 2010 and the Supplemental Deed dated 10 June 2010 (“Deed”). Subsequently, the AC recommended to the Board the approval of the annual audited financial statements on 10 August 2017.

The AC also sought clarification on the Management’s representations on a range of financial reporting matters to ensure the financial reporting of Sunway REIT were accurate.

(b) Quarterly Financial Results

The AC reviewed with Management the quarterly management accounts against the approved budget where explanations, clarifications and corrective actions taken to address significant variances were reported by the Management.

AUDIT COMMITTEE REPORT

At each of the quarterly meeting held on 31 October 2017, 6 February 2018 and 3 May 2018, the AC deliberated and confirmed with the CFO that:

- (i) the accounting policies and methods of computation adopted by Sunway REIT were consistent with those adopted in the previous audited financial statements. The new amendments to the MFRS that have impact on Sunway REIT were also adopted and applied consistently;
- (ii) there were no significant and unusual issues other than those reported in the unaudited financial results;
- (iii) Sunway REIT continues to operate as a going concern; and
- (iv) the relevant accounting standards, regulatory and legal requirements had been complied with for the preparation of the unaudited financial results.

The AC reviewed the financial performance and focused its attention and probed Management on the accuracy of the reported financial figures and explanations to material variances or movements during the relevant quarters.

The AC was satisfied that the unaudited quarterly financial results of Sunway REIT had been prepared in accordance with the MFRS 134: Interim Financial Reporting, Paragraph 9.44 of the MMLR, the REIT Guidelines, the provisions of the Deed and the relevant approved accounting standards so as to give a true and fair view of the financial position of Sunway REIT and of its financial performance and cash flows for the period ended on that date.

The AC's recommendations were presented to the Board for approval at each subsequent Board meetings.

- (c) Accounting standards and other relevant regulatory requirements

The AC had on 10 August 2017 and 31 October 2017 deliberated on the applicability of the following accounting standards and approved the adoption of the same when they become effective:

- (i) MFRS 9: Financial Instruments;
- (ii) MFRS 15: Revenue from Contracts with Customers; and
- (iii) MFRS 16: Leases.

On 10 August 2017, the AC was briefed on the Bursa Issuers Communication No. 1/2017 – Guidance on Disclosure in Notes to Quarterly Report. The AC ensured that the disclosures in the quarterly results of Sunway REIT apply and comply with such requirements.

2. External Audit

- (a) On 10 August 2017, the AC reviewed with the external auditors' and Management on its report pertaining to the status of the audit for FY2017, particularly focusing on the significant audit findings and accounting issues that arose during the course of the audit, compliance with laws and regulations, key audit matters, internal controls issue, key accounting and audit adjustments as well as the Management's response thereto;
- (b) On 10 August 2017, the AC reviewed and recommended to the Board the proposed non-audit services provided by the external auditors. In considering the nature and scope of the non-audit services, the AC was satisfied that the non-audit services were not likely to create any conflict of interest nor impair the independence and objectivity of the external auditors;
- (c) Reviewed and recommended to the Board the total audit and non-audit fees paid or payable to the external auditors for FY2017;
- (d) The AC during the year, undertook an annual assessment of the performances and effectiveness of the external auditors in respect to their statutory audit services. The AC was satisfied with the timeliness and service quality rendered. There were no issues with regards to adequacy of audit manpower;
- (e) The AC conducted an annual performance evaluation of the external auditors facilitated by Company Secretary;
- (f) On 10 August 2017, the AC at its meeting reviewed the suitability of re-appointing the external auditors for the ensuing year. The independence and objectivity of the external auditors were evaluated in accordance with the Policy on Selection of External Auditors;
- (g) On 31 October 2017, the AC reviewed and discussed with the Management and external auditors, the Audit Planning Memorandum for FY2018 outlining the nature and scope of the audit plan, areas of audit emphasis, key audit matters, audit approach and methodology, engagement team, audit timeline as well as the proposed audit fees to ensure that the audit plan was comprehensive for implementation; and

AUDIT COMMITTEE REPORT

- (h) The AC conducted 2 private meetings with the external auditors on 10 August 2017 and 31 October 2017, without the presence of Management. The external auditors were given the opportunity to raise any matters of concern arising from their audit work. No major concerns were highlighted by the external auditors. The external auditors also confirmed that they had been receiving full cooperation from the Management and were given unrestricted access to the Manager and Sunway REIT's records.

3. Internal Audit

- (a) On 10 August 2017, the AC reviewed and approved the annual risk-based internal audit plan and scope of work for Sunway REIT for FY2018 ("IA Plan 2018"). The IAD assured the AC of the adequacy of resources and their competencies to carry out the internal audit assignments. The planned assignments were selected based on identification and evaluation of the respective risks and control environment.

The key emphasis areas covered under the IA Plan 2018 were as follows:

- (i) continuing internal control assurance reviews for significant properties:
 - Hospitality - continue to conduct audits on all the hotel properties, focusing on key operational processes or areas assessed to be weaker in controls or susceptible to fraud which included Front Office, Procurement, Food & Beverage, Inventories, etc.
 - Retail - continue to conduct audits on all the retail properties, focusing on key risk areas including procurement, billing and collection processes; and
 - (ii) reviewing controls over financial reporting and compliance framework of the Manager;
- (b) The AC on a quarterly basis also monitored and reviewed the IA Plan 2018 to ensure adequate audit coverage of the key risk areas of Sunway REIT regularly taking into account any developments which had an impact on the audit coverage;
- (c) The AC on a quarterly basis reviewed the internal audit reports comprising audit findings, IAD's recommendations and the Management responses and corrective actions taken;

- (d) The AC also assessed the annual performance of the IAD and reviewed its effectiveness in terms of scope and compliance with relevant regulatory standards as well as its level of collaboration with the external auditors. The AC also assessed the adequacy of resources and core skills and competencies of staff within the IAD.

From its evaluation, the AC was satisfied with the performance of the IAD and was of the opinion that the internal audit function was appropriate to its size, the nature and scope of its activities. The AC was of the view that the IAD was effective and able to function independently and able to provide the Board and the Management with pertinent information on potential weaknesses in the system of internal control and providing the Management with constructive input and ideas for remedial action; and

- (e) The AC conducted 2 private meetings on 10 August 2017 and 6 February 2018 with the internal auditors, without the presence of Management. There were no major shortcomings highlighted by the IAD in relation to the execution of their audit assignments.

4. Reviewing RPTs and Conflict of Interest Situations

- (a) During the financial year under review, the AC reviewed and deliberated on the following transactions entered into by Sunway REIT with related parties to ensure that the transactions were undertaken on an arm's length basis, on normal commercial terms and were not detrimental to the interests of the minority unitholders of Sunway REIT:
- (i) award of contracts for:
 - refurbishment of Sunway Pyramid Convention Centre;
 - appointments of new car park operator and cleaning service provider for Sunway Putra Mall;
 - car park upgrading work and replacement of building energy management system for Sunway Pyramid Shopping Mall; and
 - refurbishment of Grand Ballroom and meeting rooms for Sunway Resort Hotel & Spa;
 - provision of water supply services by Sunway REM Sdn Bhd to Sunway REIT's properties;
 - (ii) subscriptions to the commercial papers under a commercial paper/medium term note programme of up to RM2 billion issued by Sunway Berhad; and

AUDIT COMMITTEE REPORT

(iii) appointment of Sunway Construction Sdn Bhd as the Project Delivery Partner for Sunway Carnival Shopping Mall expansion project;

(b) The AC on quarterly basis also reviewed the reports relating to the RPTs entered into by Sunway REIT at its meetings held on 10 August 2017, 31 October 2017, 6 February 2018 and 3 May 2018. This is to ensure that relevant approvals have been obtained and review procedures for such transactions were adhered to; and

(c) The AC received confirmations from the CEO representing the Management during the quarterly meetings that there was no conflict of interest situations which could arise during the FY2017, including any transaction, procedure or course of conduct that raises questions of the Management integrity.

5. Internal Controls System

(a) The AC reviewed Sunway REIT's internal controls system and practices for identification and management of risks established by the Management. The AC was reasonably assured that the same were operating adequately and effectively;

(b) On 10 August 2017, the AC reviewed and deliberated on matters relating to internal control as reported by the external auditors in the course of their statutory audit of the financial statements for FY2017. At the meeting, the external auditors reported that there were no significant weaknesses in Sunway REIT's internal controls system; and

(c) The AC received assurance from the CEO and the CFO that Sunway REIT's risk management and internal controls system were operating adequately and effectively, in all material aspects.

6. Other Matters

(a) The AC reviewed the level of compliance of the Manager and Sunway REIT with the MMLR, Companies Act 2016, REIT Guidelines / Guidelines on Listed REITs, Capital Markets and Services Act 2007 as well as with the Deed.

The AC was satisfied that there were no non-compliances based on the compliance survey completed by key management of the Manager, and as reported by the Compliance Officer at the quarterly meetings during the financial year.

The AC was informed that there were no breaches of the MMLR as reported by the Company Secretary at the quarterly meetings during the financial year;

(b) Undertook a self and peer evaluation to assess whether the AC members had carried out their duties and responsibilities in accordance with its TOR. This is in addition to the annual assessment of the performance and effectiveness of the AC undertaken by the Board;

(c) On 24 July 2017, the AC met with Sunway REIT's valuer, Messrs C H Williams Talhar & Wong Sdn Bhd, an independent firm of professional valuers, together with the Management to review the valuation reports in relation to the revaluation exercise carried out on the investment properties held by Sunway REIT in FY2017, focusing on the valuation methodology and approach;

(d) On 10 August 2017, the AC reviewed the annual Statements on Corporate Governance, Risk Management and Internal Control and AC Report for publication in the 2017 Annual Report of Sunway REIT; and

(e) During the year, the AC members attended various training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies.



Please refer to the Board of Directors section of the Manager on Sunway REIT's website at <https://www.sunwayreit.com> for the details of the continuing education programme that the Directors have attended for FY2018.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The internal audit function is performed in-house by the Manager's IAD. The main role of the internal audit function is to provide the AC with independent and objective evaluation of the adequacy and effectiveness of the system of internal controls, risk management and governance framework of Sunway REIT.

The IAD consists of 6 internal auditors with relevant qualifications ranging from bachelor's degrees to professional accounting qualifications, to provide independent and objective assessment on the adequacy and effectiveness of the governance, risk management and internal control processes of Sunway REIT. The IAD is led by Ms Khong Shiyi who has 13 years of audit experience and reports directly to the AC to ensure impartiality and independence. She holds a Bachelors of Commerce Degree in Accounting and Marketing, a member of the Certified Practising Accountants Australia (CPA) and she is also a Chartered Accountant registered with the Malaysian Institute of Accountants (MIA). The IAD carried out its functions according to the standards set by recognised professional bodies.

The IAD carries out Conflict of Interest Declaration yearly to ensure that all the internal auditors are free from any relationships or conflict of interest which could impair their objectivity and independence in their audit assignments.

The IAD provide independent and objective assessment on the adequacy and effectiveness of the governance, risk management and internal control processes within Sunway REIT. Through the IAD, the Manager undertakes regular and systematic reviews of the risk management and internal controls system so as to provide reasonable assurance that such internal controls system continues to operate adequately and effectively at Sunway REIT.

The AC reviews the internal audit plans and scope of work for the year for Sunway REIT as well as the performance of the IAD in undertaking their internal audit function. Internal audit reports encompassing the audit findings together with recommendations thereon are presented to the AC on a quarterly basis. The IAD and Management are tasked to ensure management action plans are carried out effectively and regular follow-up audits are performed to monitor the continued compliance.

The AC has explicit authority to communicate directly with the IAD and vice versa the IAD also has direct access to the AC to highlight any issues of concern at any time.

During the financial year under review, the IAD conducted various internal audit engagements in accordance with the approved risk-based internal audit plans that are consistent with the corporate goal of Sunway REIT. Details of the internal audit activities carried out by the IAD are as follows:

1. prepared and presented the risk-based internal audit plan, audit strategy, scope of work and resource requirements to the AC for deliberation and approval;
2. performed audit engagements which covered reviews of internal controls system, accounting and management information systems, risk management and governance practices of Sunway REIT;
3. presented the quarterly internal audit reports to the AC and the Management which covered results of the assessments of internal controls identifying key areas of concerns as well as highlighting recommendations for improvements as well as follow-up audits carried out;
4. conducted follow-up audits on all major areas of concern and recurring themes to ensure that the corrective actions were implemented appropriately to enhance the governance, risk management and control processes within Sunway REIT;
5. evaluated and appraised the soundness, adequacy and application of financial and other controls and promoting effective controls in Sunway REIT;
6. ascertained the level of operational of Sunway REIT compliance with established policies, procedures and statutory requirements;
7. ascertained the extent to which Sunway REIT's assets are accounted for, verification of their existence and safeguarding assets from losses;
8. appraised the reliability and usefulness of information developed within Sunway REIT for management;
9. identified and recommended opportunities for improvements to the existing system of internal control, operations and processes in Sunway REIT;
10. provided the Board, through the AC, reasonable assurance of the effectiveness of Sunway REIT's risk management, internal control and governance processes; and
11. reviewed the annual Statement on Risk Management and Internal Control and the AC Report to be published in the 2017 Annual Report of Sunway REIT.

The total costs incurred by for the internal audit function of Sunway REIT for FY2018 amounted to RM704,572.

This AC Report was approved by the Board on 9 August 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of the Manager is pleased to present the Statement on Risk Management and Internal Control in compliance with Chapter 15, Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (Guidelines).

The objective for establishing a sound risk management framework and internal controls system is to safeguard unitholders' investment and assets, as stipulated by the Malaysian Code on Corporate Governance (MCCG) 2017.

THE BOARD'S RESPONSIBILITY

The Board places importance on, and is committed to maintaining a sound system of internal control and effective risk management practices in the Manager to ensure good corporate governance. The Board affirms its responsibility in continuously reviewing the adequacy and integrity of the Manager's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines, and risk management.

Notwithstanding, as with any risk management and internal control system, the Manager's system of risk management and internal control are designed to manage rather than eliminate the risk threatening the achievement of business objectives. It follows, therefore, that the system of risk management and internal control can only provide reasonable but not absolute assurance against material misstatement of financial and management information and records, or against financial losses or fraud.

The Manager has in place an on-going process of identifying, evaluating, monitoring and managing the key risk areas affecting the achievement of its business objectives and strategies throughout the period. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying the risks and assessing the potential impacts of these risks, monitors and manages the risk through suitable internal controls and mitigating action plans. The Board reviews this process on a half-yearly basis and is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement, are adequate and effective.

The Board has received assurance from the Chief Executive Officer (CEO) and Chief Financial Officer

(CFO) that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Manager.

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Monitoring Mechanisms and Management Style

Scheduled periodic meetings of the Board, Board Committees and management represent the main platform by which the Manager's performance and conduct are monitored. The daily running of the business is entrusted to the CEO and his respective management teams. Under the purview of the Non-Executive Chairman and CEO, the Facilities Management Team of the respective properties of Sunway REIT are empowered with the responsibility of managing their respective operations.

The CEO actively communicates the Board's expectations to management at the management meetings. At these meetings, risks relating to strategy, operational, financial and external environment are discussed and dealt with action plans.

The Board is responsible for setting the business direction and for overseeing the conduct of the Manager's operations through its various Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to governance, risks, internal controls and regulatory compliance.

Risk Management Framework

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

The risk management process is embedded into key activities and business processes, enabling proper risk management at operation level of each property, as well as at Sunway REIT's level. Risks identified are systematically evaluated with proper mitigating action in place, developed to manage the risks to an acceptable level and monitored on continuous basis.



The key risk areas are discussed under the Risk Management section in the Management Discussion & Analysis

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

ESTABLISHMENT OF A RISK MANAGEMENT COMMITTEE

Pursuant to Practice 9.3 of the MCGG 2017 and in line with Sunway REIT's endeavor to continuously strive for high standards of corporate governance practices, the Board of the Manager had, on 31 October 2017, established a Risk Management Committee (RMC) comprising a majority of Independent Directors to oversee Sunway REIT's risk management framework and policies.

The scope of responsibilities of the RMC is outlined in its terms of reference, as approved by the Board of the Manager on even date.

At the first meeting held on 4 June 2018, the RMC affirmed its commitment to the risk management framework above and assessed the key risks, controls and action plans identified to mitigate and manage the risk exposure.



Please refer to Sunway REIT's website at www.sunwayreit.com for terms of reference of the RMC

These key risks encompass the fund level as well as the respective operating segments and include, but are not limited to, those in the risk categories relating to external, financial and operations.

Whistleblowing Policy

The Audit Committee (AC) has implemented the whistle-blowing policy and procedures. This whistle-blowing policy has been established to promote fraud awareness. The objective of whistle blowing policy is to encourage the employees of the Manager and other stakeholders, to report on suspected fraud, corrupt practices, abuses, or other similar matters relating to Sunway REIT. The employees are encouraged to report such matters in good faith, with the confidence that they will be treated fairly and shall be protected from reprisal.

The procedures provide employees of the Manager, the unitholders and other stakeholders, accessible channels to whistleblow on the concerns relating to Sunway REIT, and for independent investigation of these reports and appropriate follow-up actions.

THE COMPOSITION OF THE RMC IS AS FOLLOWS:

1

Ng Sing Hwa
Chairman
(Non-Independent
Non-Executive
Director)

2

Tan Sri Ahmad Bin Mohd Don
(Independent
Non-Executive
Director)

3

Elvin A/L Berty Luke Fernandez
(Senior Independent
Non-Executive
Director)

4

Tengku Nurul Azian Binti Tengku Shahrman
(Independent Non-Executive Director)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.	Comprehensive policies and procedures manuals that provide guidelines on, and authority limits over various operating, financial, human resources and health and safety matters.	The Board with appropriate management reporting mechanisms which enable the Board to review the performance of Sunway REIT.
The use of the intranet as an effective means of communication and knowledge sharing.	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.	Regular management meetings involving the review of the operations and financial performance of each property.
The AC with formal terms of reference clearly outlining its functions and duties delegated by the Board.	Investment strategies and criteria which are agreed and formulated by the Investment Appraisal Working Group and recommendation on any acquisition or divestment would be presented to the Board for approval before escalating to the Trustee for approval.	Communication of policies and guidelines in relation to human resources matters to all employees through a staff handbook which is also available on the intranet.
A systematic performance appraisal system for all levels of staff.	Relevant training provided to personnel across all functions to maintain a high level of competency and capability.	The internal audit function which carries out internal audits based on an annual risk-based audit plan approved by the AC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ASSURANCE MECHANISMS

The AC, with the assistance of the Internal Auditors is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the system of internal controls. In carrying out its responsibilities, the AC relies significantly on the support of the internal audit function, which carries out internal audits based on a risk-based audit plan approved annually by the AC.

Based on these audits, the AC is provided with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal controls. In addition, the AC also reviews and deliberates on any matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

The Manager has a designated Compliance Officer to ensure the compliance with the Deed and all applicable SC Guidelines and securities laws relating to Sunway REIT. The Compliance Officer monitors compliance based on the framework within the policy manual and compliance guidelines, procedures, guidance and assessment questionnaires that are in place for the compliance of the REIT Deed, SC Listed REIT Guidelines, SC Licensing Handbook, the Capital Markets and Services Act 2007 and the Main Market Listing Requirements.

This is further strengthened with the establishment of the RMC, assisted by a Risk Management Working Group inclusive of a designated Risk Officer, who is responsible for overseeing the risk management activities of Sunway REIT, approving appropriate risk management procedures and measurement methodologies as well as identification and management of strategic business risks of Sunway REIT.

ASSURANCE MECHANISM		
PARTY	ROLE	TIMING
Facilities Management Team / the Manager	Identifies, evaluates, monitors and manages key risks through suitable internal controls and mitigating action plans	Embed into daily business processes/ activities
Internal Auditor	Review and monitor effectiveness of system of internal control	Periodic
Audit Committee		Quarterly
Risk Management Working Group	Oversees risk management framework and policies, and approves appropriate risk management procedures	Half-yearly
Risk Management Committee		
Risk Officer	Ensures compliance with the risk management framework	As required & Quarterly
Compliance Officer	Ensures compliance with the Deed, all applicable SC guidelines and securities laws at the fund level	
Board of Directors	Sets strategic business directions, reviews risk management process, adequacy and integrity of internal control systems	Quarterly

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE BOARD'S COMMITMENT

The Board recognises that Sunway REIT operates in a dynamic business environment in which risk management and internal control systems must be responsive in order to be able to support its business objectives. To this end, the Board remains committed towards maintaining a sound risk management and internal control systems and believes that a balanced achievement of its business objectives and operational efficiency can be attained.

REVIEW BY EXTERNAL AUDITORS

The Board has ensured that this Statement on Risk Management and Internal Control is reviewed by External Auditors in accordance with Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The External Auditors have performed limited assurance procedure on the Statement pursuant to the scope set out in the Audit and Assurance Practice Guide 3 ("AAPG 3") *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report* issued by the Malaysian Institute of Accountants, and reported to the Board that nothing has come to their attention that causes them to believe the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

THE BOARD'S CONCLUSION

The Board is pleased to report that the state of the internal control system and risk management practices are able to meet the objectives of the Manager and Sunway REIT to ensure good corporate governance. There was no material control failure or weakness that would have material adverse effect on the results of Sunway REIT for the period under review.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 9 August 2018.

ADDITIONAL INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Securities Berhad and Securities Commission's Guidelines on Listed Real Estate Investment Trusts:

1. SANCTIONS OR PENALTIES

There was no public sanction or penalty imposed on Sunway REIT, Directors or the Manager by the relevant regulatory bodies during the financial year.

2. UTILISATION OF PROCEEDS

There were no proceeds raised from corporate proposals during the financial year.

3. AUDIT AND NON-AUDIT FEES

During the financial year ended 30 June 2018, the total audit and non-audit fees incurred for services rendered to Sunway REIT by the external auditors were RM137,900 and RM27,500 respectively.

SUSTAINABILITY
STATEMENT

260
INTRODUCTION

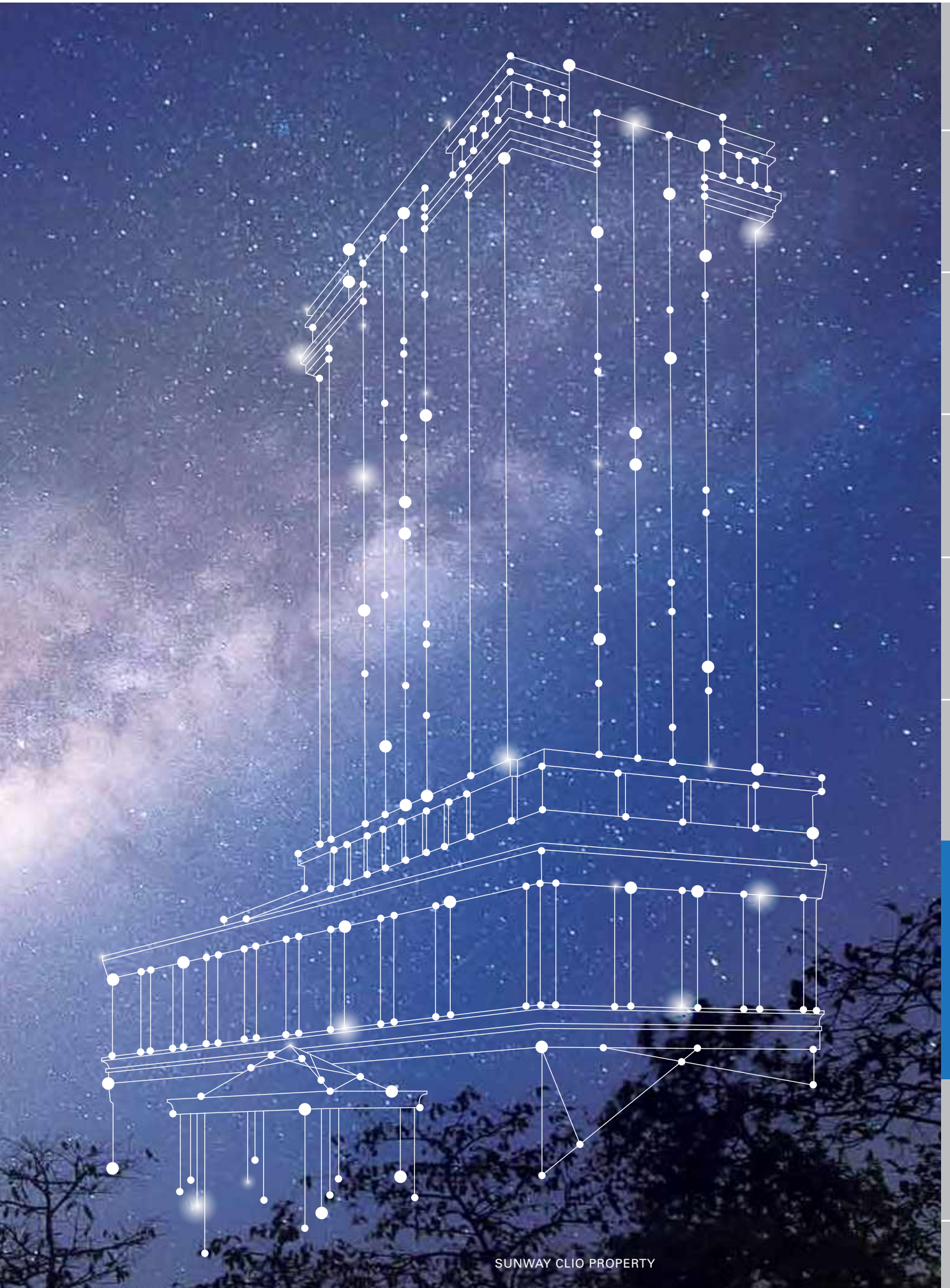
266
ECONOMIC

274
ENVIRONMENTAL

291
SOCIAL

SEEING A SUSTAINABLE FUTURE

As the stars fade and the sun rises, we see sustainable development as a way of brightening up the future. We remain committed in improving the quality of life and the environment for generations to come



SUNWAY CLIO PROPERTY

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY JOURNEY

Sustainability is an integral part of Sunway REIT and the enlarged Sunway Group's DNA. Being one of the largest REITs in the nation with sizeable portfolio of properties, embracing sustainability practices has come a long way. Our sustainability strategies are embedded into the business operations, as demonstrated by the efficiency in our building management and large array of social community activities in the past decades.

Our sustainability journey has been enriching for the past 3 years. Since initiating our sustainability reporting three years ago, we recognised the importance of instilling the right sustainability culture that starts within the organisation where we initiated employee awareness project for employees, Facilities Management Team and hotel operator to align Sunway REIT's sustainability objectives and goals.

With conscious strategy, our aim is to prioritise development of sustainability programmes that is self-sustained over one-off activities as we believe this will lead to positive economic, environmental and societal impacts. In this financial year, we revitalised our sustainability strategies to focus on material sustainability initiatives aligned to the 17 United Nations Sustainability Development Goals (UN SDG) that generate lasting and measurable impacts. We further enhanced the data collection process to achieve the measurability and veracity of the value creation in our sustainability programmes.

SUNWAY REIT'S SUSTAINABILITY VALUE CREATION PROCESS



INTEGRATED APPROACH TO SUSTAINABILITY REPORTING

Our sustainability reporting is principally guided by Sustainability Reporting Guide in accordance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and Global Reporting Initiative (GRI) Standards, a globally recognised sustainability reporting framework.

A year ago, we have incorporated the UN SDGs into the report with our key sustainability initiatives attached to the identified UN SDG.

SUSTAINABILITY STATEMENT

REPORTING PERIOD

1 July 2017 to 30 June 2018

REPORTING CYCLE

Annual

COVERAGE

The report covers Sunway REIT, a publicly listed REIT on the Main Market of Bursa Malaysia Securities Berhad. In view that the Trust does not consist of employees, information reported in relation to employees are made reference to the employees of the Manager. Economic and environmental indicators reported are generated from all the properties owned by Sunway REIT with the exception of Sunway Medical Centre, SunCity Ipoh Hypermarket and Sunway REIT Industrial – Shah Alam 1. The exclusion is primarily due to the 3 properties are being leased to external tenants where Sunway REIT neither has involvement nor influence in the operation of the business of these properties. This report also covers social initiatives undertaken by the Facility Management Team and hotel operator in the course of the operation of the said properties.

GUIDELINES AND REFERENCES

PRINCIPAL GUIDELINE

Global Reporting Initiative (GRI) Standards

ADDITIONAL GUIDELINES

- Bursa Malaysia's Sustainability Reporting Guide
- United Nations Sustainability Development Goals
- International Organisation for Standardisation (ISO) 26000:2010 Guideline on Social Responsibility
- FTSE4Good Bursa Malaysia Index
- Other local or international sustainability ratings
- Judges feedback from various sustainability reporting awards

CONSTITUENT OF FTSE4GOOD BURSA MALAYSIA INDEX

Sunway REIT is a constituent of the FTSE4Good Bursa Malaysia Index since June 2016 and remains as a constituent of the said index in the latest evaluation cycle in June 2018.



SUNWAY REIT SUSTAINABILITY GOVERNANCE STRUCTURE

The Sustainability Working Group (SWG) was established in conjunction with the formalisation of Sunway REIT Sustainability Framework in April 2015. The SWG reports material economic, environmental and social (EES) initiatives to the Board of Directors on a quarterly basis. The working group oversees and monitors the execution of Sunway REIT's sustainability strategies as well as monitors any EES risks associated with the business operations and properties. Further progress was made in this financial year through the formation of Sustainability Taskforce at the respective segments representing the retail, hotel and office segments to facilitate the implementation of initiatives at the property levels.

Overarching the sustainability framework, the SWG and the taskforces in consultation with the relevant stakeholders, champion and determine the Key Performance Indicators (KPI) for the sustainability projects for the properties.

SUSTAINABILITY STATEMENT

BOARD OF DIRECTORS



SUSTAINABILITY WORKING GROUP MEMBERS



Dato' Jeffrey Ng Tiong Lip



Irene Sin May Lin



Sarena Cheah Yean Tih, S.M.S.
(Alternate: Loo Hoey Theen)



Cheng Jew Keng



Chan Hoi Choy
(Alternate: Kevin Tan Gar Peng)



Crystal Teh Lay Ling



SUSTAINABILITY TASKFORCE

RETAIL

HOTEL

OFFICE



INSTITUTIONAL RESEARCH



SUSTAINABILITY STATEMENT

SUSTAINABILITY FRAMEWORK



VISION

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



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 communication with various stakeholders such as unitholders, tenants, media, industry associations, etc.

Process and resource efficiency

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

Environmental stewardship

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

Giving back to communities socially and economically

- Community engagement
- Youth development
- Capital market development

SUSTAINABILITY STATEMENT

MATERIALITY ASSESSMENT

In our endeavour to understand the material concerns of our stakeholders from a holistic perspective, we expanded our assessment coverage from sustainability focused to include business model, leadership and risks issues which may be of concerns to stakeholders. We believe these findings are valuable insights that guide Sunway REIT's strategic priorities going forward.

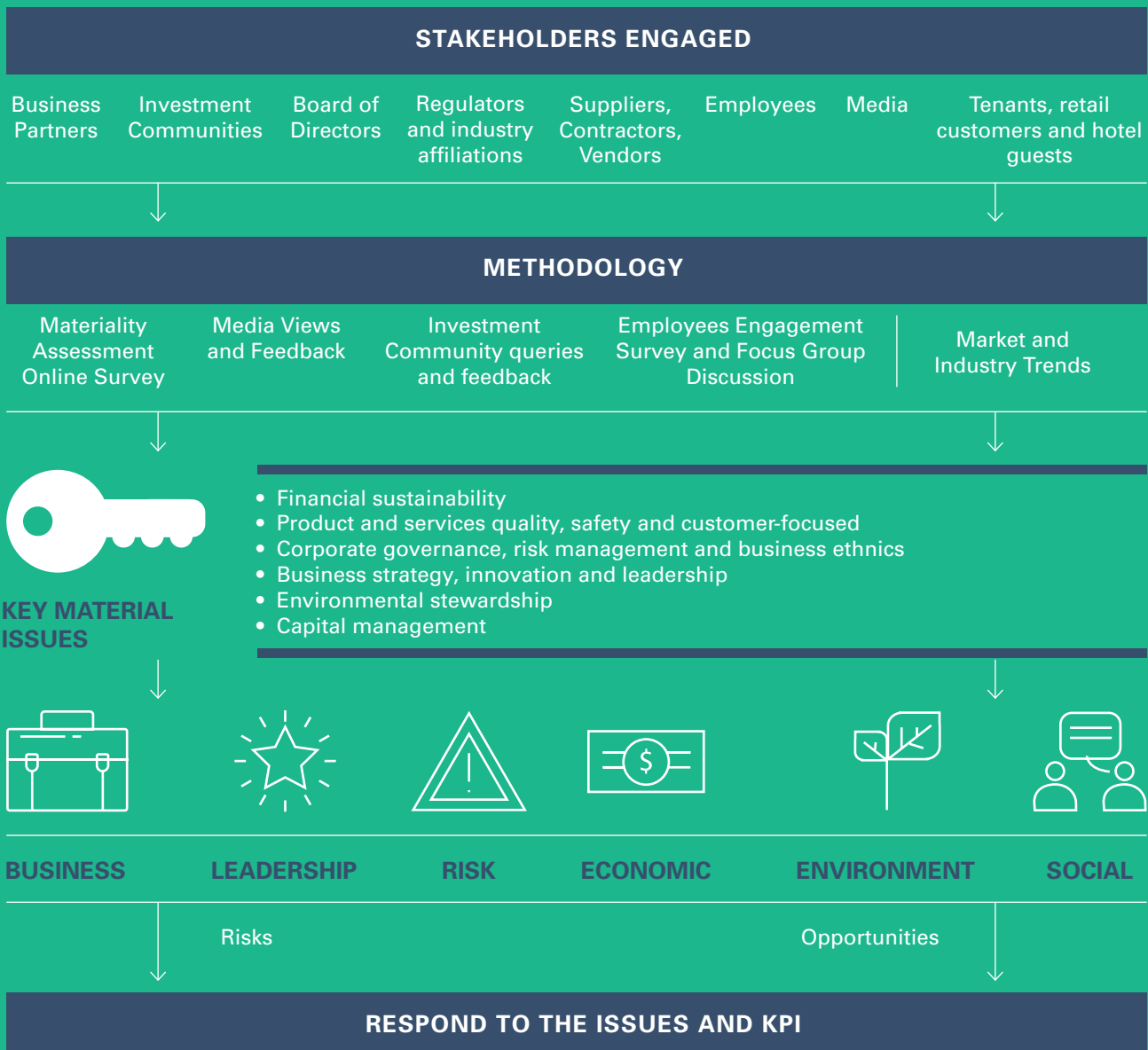
The materiality assessment survey is conducted annually to reflect prevailing factors which concern stakeholders. This year, we refined the materiality assessment methodology to expand the scope of assessment to understand our stakeholders better. In addition to the materiality online survey which we have performed for the past 2 years, we incorporated

feedback and queries from the investment community, employee engagement survey, employees engagement focus group, media views and feedback. Market and industry trends were also considered in the assessment process. A total of 43 material issues were presented to participants to respond in the materiality survey. The findings from all the surveys and feedback were consolidated further into key material issues as presented in the Materiality Matrix Diagram. We mapped the key material issues to the Business, Leadership, Risk, Economic, Environment and Social pillars and address these concerns by evaluating the risks and opportunities that may present to Sunway REIT as well as our approach in addressing these issues.

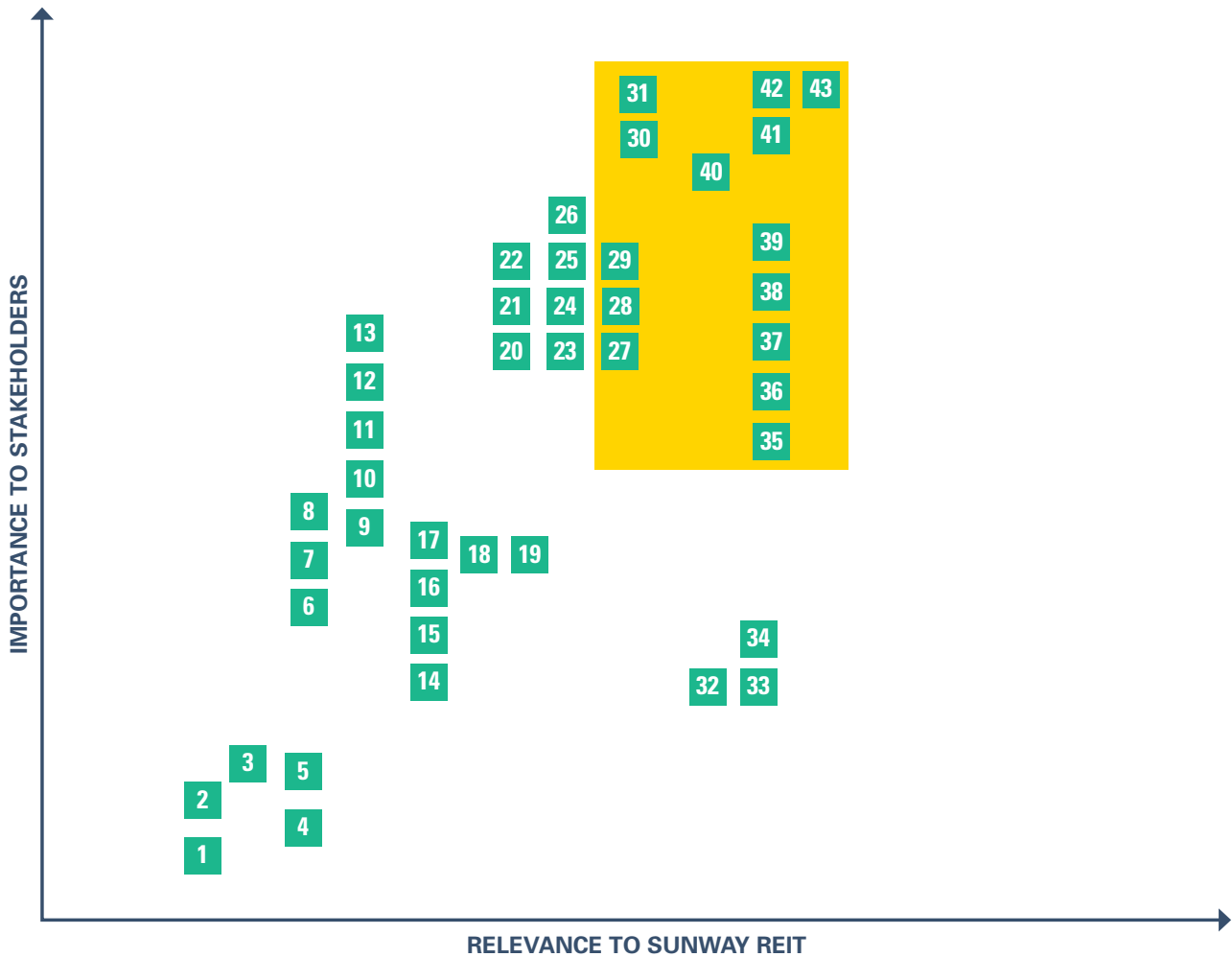


For more details, please refer to Material Factors section

MATERIALITY ASSESSMENT APPROACH



SUSTAINABILITY STATEMENT



1. Nation-building
2. Environmental impact from transformation
3. Supplier training
4. Capital market development
5. Green building
6. Ozone-depleting substance
7. Community investment
8. Community engagement
9. Human rights
10. Protecting employees' rights
11. Non-discrimination
12. Employment & benefits
13. Employee training, education & career development
14. Marketing & communication
15. Fair competition
16. Sustainable procurement

17. Internal engagement & communication
18. Brand management & oversight
19. Market presence
20. Climate change
21. Emission
22. Environmental cost
23. Business innovation
24. Water management
25. Waste management
26. Energy management
27. Business strategy
28. Leadership
29. Succession planning
30. Customer privacy
31. Customer satisfaction
32. Capital structure (Debt profile) (Fixed vs Floating)

33. Capital structure (Debt maturity profile)
34. Diversity, inclusion and equal career opportunities
35. Business ethics & transparency
36. Anti-corruption & bribery
37. Corporate governance
38. Risk management
39. Health, safety & security
40. Capital structure (Gearing level)
41. Quality
42. Financial sustainability (Sustainable DPU growth)
43. Financial sustainability (Stable DPU)

SUSTAINABILITY STATEMENT

EES SUSTAINABILITY FOCUS AREAS

ECONOMIC

NATION BUILDING

INDUSTRY LEADERSHIP AND CAPITAL MARKET DEVELOPMENT

YOUTH DEVELOPMENT PROGRAMME

ECONOMIC

Echoing this year's Annual Report theme, Sunway REIT has a place in the REIT industry to contribute positively towards economic prosperity and nation building. In pursuit of creating values to our stakeholders, Sunway REIT commits to sustainable and responsible practices.

NATION BUILDING



Our Business Activities Contributed Towards Economic Prosperity

Sunway REIT owns a portfolio of 16 properties strategically located in Malaysia and receives rental income from the operation of these properties. These properties generated a revenue of RM560.4 million and net realised income of RM281.9 million in FY2018. Our value creation ensures that the properties operate optimally to remain competitive in the marketplace. Since IPO, we have completed asset enhancement initiatives amounting to RM728 million and allocated RM353 million for property development activities and RM51 million asset enhancement initiatives for the next 3 years.

In addition, in pursuit of growing DPU to unitholders, Sunway REIT completed 2 acquisitions in FY2018 with a combined value of RM436 million. Our proactive strategy translated into fair value gain of RM144.7 million in FY2018.

In 4Q FY2018, we have commenced construction works for the expansion of Sunway Carnival Shopping Mall in the mainland of Penang. The new wing of Sunway Carnival Shopping Mall incorporates key sustainability features such as energy efficient chiller, rainwater harvesting system, electric car charging station, LED lightings and ecowalk connecting the mall to Sunway Hotel Seberang Jaya amongst others.

The investment into the mainland of Penang does not only add vibrancy to the retail market in the northern state of Malaysia, more importantly, creating sustainable employment opportunities to the community.

QUICK FACTS ABOUT SUNWAY CARNIVAL SHOPPING MALL (INCLUSIVE NEW WING)



NLA

830,000
sq.ft.



Tenants

450



NEW AMENITIES

children's play area, baby room equipped with a private nursing room, child-friendly basins and diaper changing shelves at all restrooms in the mall



SUSTAINABILITY FEATURES

Energy efficient chiller, rainwater harvesting system, electric car charging station, LED lightings and ecowalk connecting the mall to Sunway Hotel Seberang Jaya

SUSTAINABILITY STATEMENT

Economic Activities In FY2018



Net realised income

RM282
million



Acquisitions

RM436
million



Future asset
enhancement initiatives

RM51
million

ECONOMIC ACTIVITIES IN FY2018



Fair value gain

RM145
million

Property development
activities

RM353
million

Employment Opportunities and Tourism Activities

Sunway REIT directly generates employment opportunities through its Manager, Facilities Management Team and Hotel Operator. Indirect employment opportunities are generated via its retail and commercial tenants. Housing in excess of 2,000 employees under the arm of the Manager, Facilities Management Team and Hotel Operator as well as 1,500 tenants, the commercial activities of Sunway REIT generates tremendous economic and employment benefits.

Notwithstanding that, Sunway City, where 73% of Sunway REIT's properties are located, is a vibrant integrated township and tourist destination that attracts

42 million visitations a year, from local and abroad. Sunway City is the home to world class retail, hospitality, commercial, education, healthcare, leisure facilities and services as well as home to a 200,000 population.

Aligning itself with digital evolution, Sunway is currently embarking in transforming itself to a Sustainable Smart City status by CY2020. Key amongst the transformational journey includes moving towards sustainable transportation system such as the Bus Rapid Transit (BRT), provision of a safe environment and digital transformation to the community in Sunway City. Today, Sunway City is Wi-Fi enabled in all public spaces, providing free wireless connectivity to the public.



SUSTAINABILITY STATEMENT

INDUSTRY LEADERSHIP AND CAPITAL MARKET DEVELOPMENT

Active Participation in Industry Affiliations

As one of the leading REITs in Malaysia, Sunway REIT is committed to contribute towards promoting the growth of the industry. Our efforts are channelled via active participation in industry affiliations such as the Malaysian REIT Managers Association (MRMA). Dato' Jeffrey's active involvement in the association as the Chairman of MRMA leads the initiatives championed by the association.

Industry Affiliations at the Manager's Level

During the year, MRMA has championed numerous initiatives to enhance the competitiveness of M-REITs in relation to tax, regulatory and property management matters. Pursuant to the implementation of Securities Commission's revised Guidelines on REITs, the association has organised numerous engagement sessions with industry and legal experts to facilitate the implementation process for M-REITs players.



Briefing session by LHAG Law Firm



MRMA Annual General Meeting 2017

SUSTAINABILITY STATEMENT

Our Commitment to Capital Market Development

Both Sunway REIT and MRMA are committed to promote REIT as an investment asset class to retail investors. We recognised the need to reach out to this group of investors to provide the necessary educational support. As a continuation to retail investors advocacy programme, Sunway REIT, through MRMA, actively participated in investors educational programme series. Sharing the fundamental of investing in REITs, we hope to equip retail investors with basic understanding of REIT investment and ultimately translate into higher retail participation in M-REITs.

The Manager has participated in the Bursa MidS Investors workshop series in collaboration with Bursa Malaysia Securities Berhad and RHB Investment Bank Berhad. In addition, we have participated in Invest Fair 2017 organised by ShareInvestor.com, an investment fair opened to the public and targeting primarily retail investors. Alongside with Sunway REIT, other MRMA members have also participated in these workshops too.

DATE	EVENT	VENUE	No. OF PARTICIPANTS
22 July 2017	Bursa Malaysia CPE Products Workshop	Kota Kinabalu, Sabah	80
27 August 2017	Share Investor Invest Fair 2017	Kuala Lumpur	15
18 May 2018	Bursa MidS Investor Workshop	Miri, Sarawak	100
11 August 2018	Bursa MidS Investor Workshop	Teluk Intan, Perak	88



Bursa Malaysia CPE Products Workshop

In October 2017, the launch of Bursa Malaysia REIT Index marked a significant milestone for the industry. The index, which was instituted by Bursa Malaysia Securities Berhad and MRMA, aimed to have a full representation of all 18 listed REITs in the country and to enhance the visibility of M-REITs as an investment asset class. The index serves as a performance benchmark to investors and it is the first step towards promoting the investibility in M-REITs. It is our aspiration to see M-REITs playing a more prominent role in the Malaysian capital market. We believe there are opportunities to improve the depth and breadth of M-REITs by growing the number of players, market capitalisation, liquidity and property value which will ultimately lead to higher investibility for the investment community and by-products such as exchange traded funds.

SUSTAINABILITY STATEMENT



The launch of Bursa Malaysia REIT Index

Industry Thought Leader

The Manager advocates sharing of industry knowledge and expertise with peers, related industries under the umbrella of REIT business, media and business partners. In FY2018, Sunway REIT was invited to share its views on “What is the future of REITs in Malaysia and the key success factors?” in the CEOThinkTank Lab 2018 organised by the Persatuan Pengurusan Kompleks Malaysia (PPK) (Malaysia Shopping Malls Association).

Throughout the year, Sunway REIT continued to share its views and thought leader opinions via media engagement sessions. By leveraging on media engagements, we wish to extend our views to the public to facilitate them in making informed investment decisions through those insights shared with the members of media.



CEOThinkTank Lab 2018



Engagement with Media

SUSTAINABILITY STATEMENT

ENGAGING THE YOUTH



Sunway REIT has identified youth development as one of the focus areas under the economic pillar, particularly in the areas of business and leadership development. The Manager and Facilities Management Team volunteered their time and commitment in various institutions and bodies to engage the youth in relevant topics to equip them with the relevant knowledge prior to joining the workforce. These activities are in line with the UN SDG Goal #4 which aim to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. This is further supported by UN SDG Goal #8 that promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small-and medium-sized enterprises, including access to financial services.

DATE	SPEAKER	TOPIC	INSTITUTION / EVENT	No. OF PARTICIPANTS
16 November 2017	Dato' Jeffrey Ng	How to establish a REIT in Malaysia	University of Reading Malaysia, Iskandar, Edutity	50
19 January 2018	Loo Hoey Theen	A Dialogue on Industry Trends with Senior Directors	Sunway University	70
21 April 2018	Kevin Tan	What it takes to join the C-Suites?	Intercampus Career Fair	50



Youth engagement session with University of Reading Malaysia

SUSTAINABILITY STATEMENT

Sustainable Supply Chain

Sunway REIT embedded economic, environmental and social considerations in its supply chain management. Our supply chain and procurement principles emphasise procurement activities which are performed in an ethical, legal, transparent and socially responsible practices.

The Code of Conduct transparently outlines the main principles in the areas of labour standards, employees welfare, environmental impact, ethical behaviours and business continuity. Besides adhering to the principles, suppliers are encouraged to cascade these guidelines to the sub-contractors and business partners in the value chain.

PRE-QUALIFICATION ASSESSMENT

The pre-qualification criteria screens suppliers' financial strength, health and safety records along with preferred certifications such as ISO, Occupational Health and Safety Assessment Series (OHSAS) and other local and international standards. Suppliers failing the pre-qualification screening will be disqualified from participating in the tender.

TENDER

The second screening is conducted during the tendering stage for all new suppliers. Our procurement team evaluation committee comprises expertise related to the project, procurement team representatives and business process owners who evaluate the suppliers based on costs and quality using points system.

EXECUTION

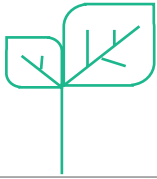
All suppliers are expected to fully comply with prevailing governing laws and regulations such as the Employment Act, Occupational Safety and Health Act (OSHA) and relevant environmental laws.

EVALUATION

Suppliers' performance is closely monitored through site inspections, audits and reviews. In the event of compliance breaches, the necessary actions are taken while rectification of the issue is required which may lead to further action such as termination.

Sunway REIT's adheres to fair, equitable and ethical welfare practices across all vendors, sub-contractors and business partners with non-discrimination policy to any parties. Sunway Group does not have a formal policy to comply with all locally based suppliers. The procurement and tendering processes are opened to all suppliers, both locally and internationally. That said, all of our suppliers are local organisations or international organisations with local presence. Likewise, the prevailing procurement policy does not incorporate the requirement for all raw materials and products to be locally sourced or produced.

SUSTAINABILITY STATEMENT



Sunway REIT endeavours to support the local economy and environment by employing local suppliers and encouraging the use of locally produced and environmental-friendly products subject to suitability, relevance upon fulfilling the cost-benefit considerations.

SUPPLIERS WELFARE GUIDELINES



Compensation and Remuneration Packages

In compliance with:

- The Worker's Compensation (Foreign Workers Compensation Scheme) (Insurance) Order 1996 and/or
- The Social Security Insurance and/or
- Employer's Liability Insurance and/or
- Any other insurance with statutory limits as required by Malaysian Laws
- Fair remuneration in accordance to Minimum Wage Order 2016



Transportation

Provision of transportation to and from the site or provision of accommodations that are conveniently accessible by public transportation



Work Permits

Possess legal work permits in accordance with Malaysian Immigration and Labour Laws



Environmental Protection

Sunway REIT is committed to efficient use of resources, supporting renewable energy and purchasing high-quality carbon offsets. Likewise, suppliers are encouraged to adopt the best environmental protection practices such as:

- Reduce the impact of their operations by consciously managing emission, biodiversity impacts, waste disposal and other operational practices that may harm the environment



Fair Overtime

Payment of overtime for additional labour hours performed in accordance with the Labour Laws



Occupational Safety and Health

- Workers must not be exposed to hazards or risks in the course of performing their duties
- Persons committing hazardous activities will be sanctioned

SUSTAINABILITY STATEMENT

ENVIRONMENT

Sunway REIT's environmental stewardship premised on the core principle of environmental protection and resource conservations across our business practices and operations. As a sizeable property owner in the country, we protect the planet through consciously improving the efficiency of our energy management, water management, waste management and emissions which would result in a reduction of our carbon footprint.

ENVIRONMENT

ENERGY MANAGEMENT

WATER MANAGEMENT

WASTE MANAGEMENT

EMISSIONS

ENERGY MANAGEMENT



Energy management is inevitably the primary focus in our sustainability practices as our properties are large consumers of energy. Currently, the electricity that is consumed in our properties are not from renewable sources, hence the upstream generation process and transmission of electricity cause environmental harm. Our responsible energy consumption reduces our

carbon footprint and ultimately minimises the impact on climate change.

To ensure the efficiency of our building management, our properties are equipped with building management system (BMS) or building automation system (BAS). To optimise the property's performance, the BAS is used to control the monitors and sensors which enable energy and resource savings within the property. This is further complemented by computerised maintenance management system (CMMS) which monitors and records the performance of the property which allows planning for preventive maintenance to be carried out.

Our Smart Sustainable Building Management Value Chain

eRequest System

An eRequest System manages work orders with mobile tablets and drives optimal building performance.

CMMS

A Computerised Maintenance Management System (CMMS) collects data for:

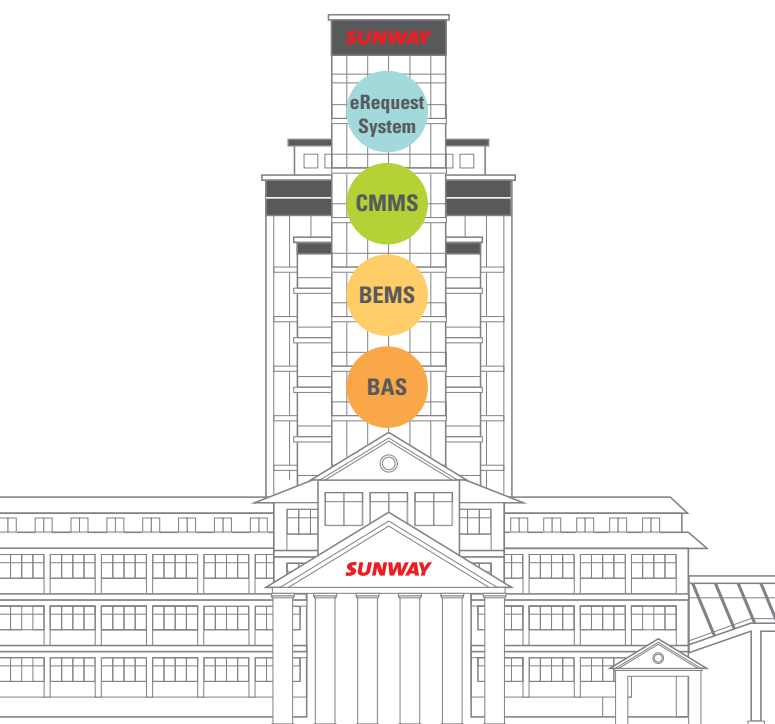
- Work order management
- Preventive maintenance
- Corrective maintenance
- Effective maintenance

BEMS

A Building Energy Management System (BEMS) will monitor and control the building's energy needs, balancing demand and supply.

BAS

The Building Automation System (BAS) monitors and controls the building's ventilation, air-conditioning, lifts, lighting and other systems.



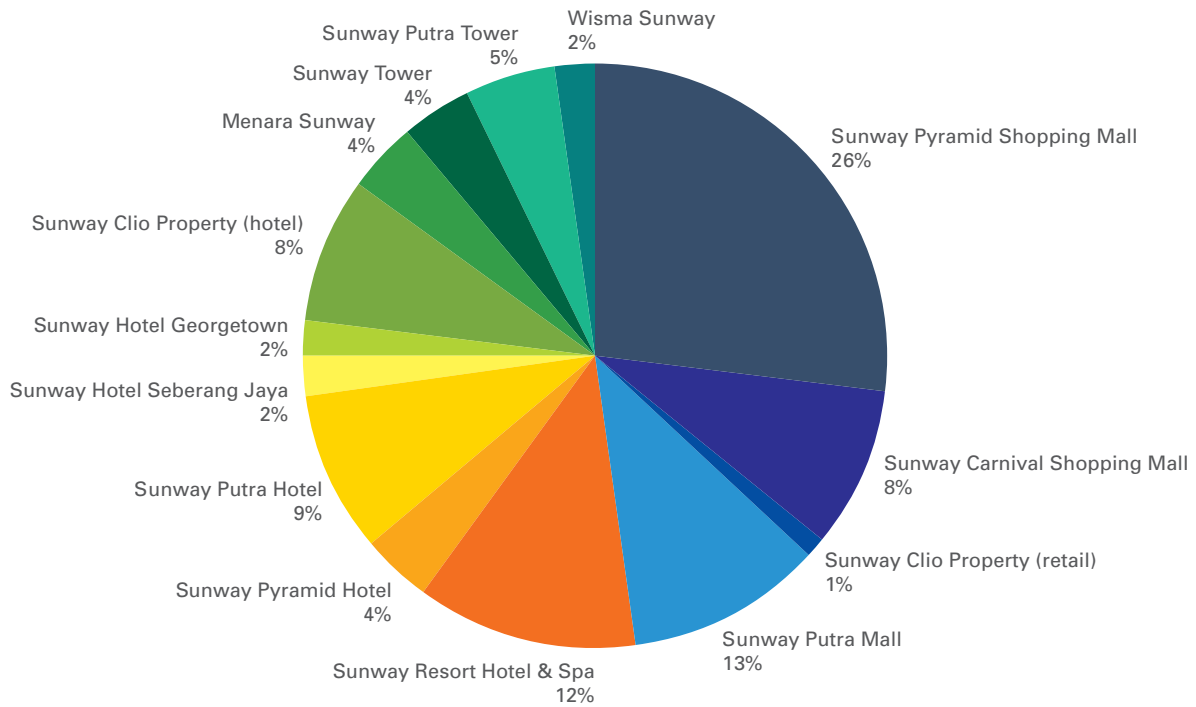
SUSTAINABILITY STATEMENT

Energy Consumption for FY2016 to FY2018 (kWh)

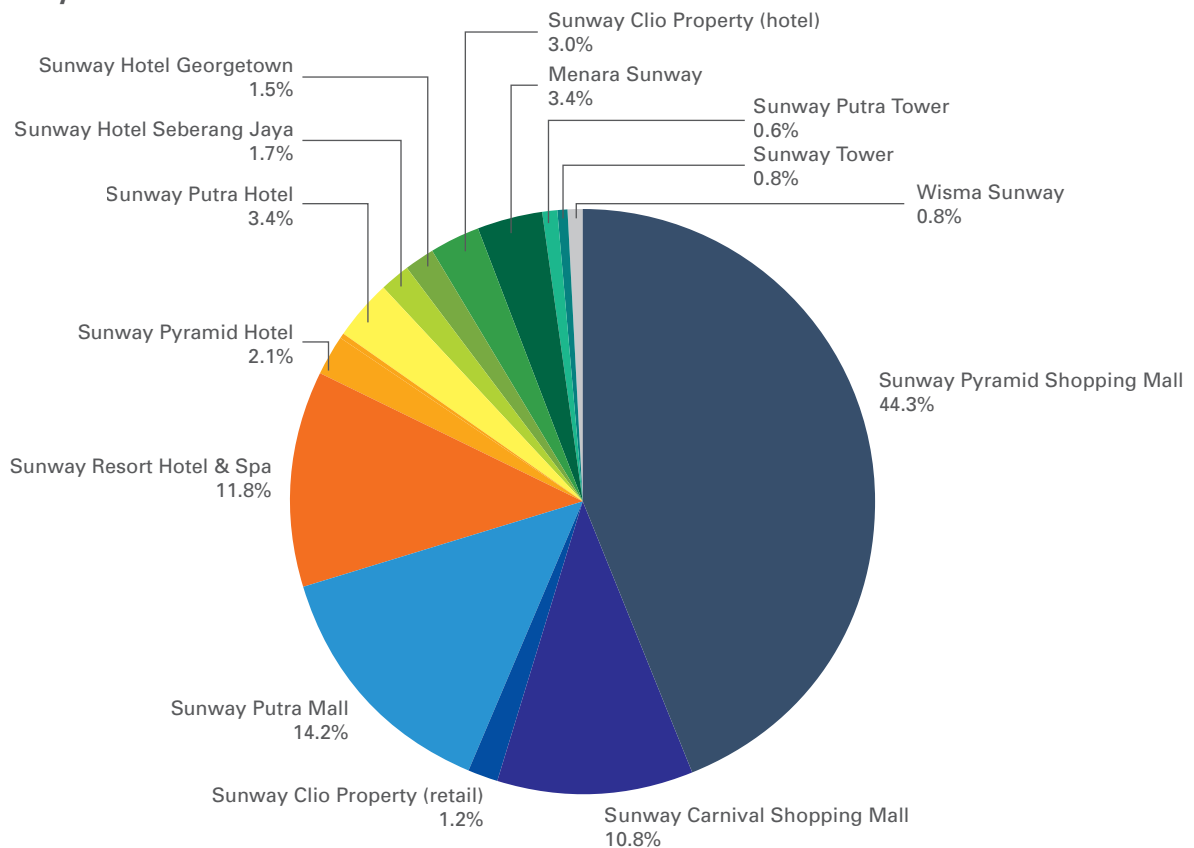
SEGMENT	PROPERTY	GFA (sq.ft.)	MWH PER ANNUM		
			FY2016	FY2017	FY2018
Retail	Sunway Pyramid Shopping Mall	2,454,795	87,939	83,282	79,870
	Sunway Carnival Shopping Mall	769,546	19,729	19,527	19,443
	Sunway Clio Property (retail)	99,882	1,633	2,594	2,751
	Sunway Putra Mall	1,248,216	24,743	25,369	25,583
Hotel	Sunway Resort Hotel & Spa	1,130,177	20,063	19,799	21,305
	Sunway Pyramid Hotel	356,888	6,387	4,270	3,852
	Sunway Putra Hotel	833,844	6,030	6,213	6,213
	Sunway Hotel Seberang Jaya	174,800	3,089	3,138	3,110
	Sunway Hotel Georgetown	193,115	2,798	2,872	2,784
	Sunway Clio Property (hotel)	698,880	5,155	5,768	5,390
Office	Menara Sunway	399,446	6,352	6,017	6,193
	Sunway Tower	348,998	1,397	1,467	1,488
	Sunway Putra Tower	453,842	1,089	1,041	1,108
	Wisma Sunway	174,544	1,458	1,370	1,361
Total		9,336,973	187,862	182,727	180,451

SUSTAINABILITY STATEMENT

GFA Attribution FY2018



Electricity Attribution FY2018



Note: In view that Sunway Clio Property (hotel and retail) was opened in February 2016, any data for Sunway Clio Property in FY2016 was only reported for a duration of 5 months (Feb 2016 – June 2016). This data has been reported in an annualised manner for a fair comparison.

SUSTAINABILITY STATEMENT

BUILDING ENERGY INTENSITY (BEI)

In this sustainability statement, we have incorporated additional energy efficiency parameters and more in-depth analysis on the efficiency of the properties' electricity consumption by understanding the building energy intensity (BEI) trends.

Electricity Consumption and Building Energy Intensity (BEI) Trend (3-year)

SEGMENT	ELECTRICITY CONSUMPTION					
	FY 2016		FY 2017		FY2018	
	Bulk (MWh)	Intensity (kWh/m ²)	Bulk (MWh)	Intensity (kWh/m ²)	Bulk (MWh)	Intensity (kWh/m ²)
Retail	134,044	372	130,771	348	127,648	330
Hotel	43,522	226	42,060	182	42,654	184
Office	10,296	158	9,895	141	10,151	130
Total	187,862	292	182,726	270	180,453	260

Ongoing energy conservation and efficiency enhancements carried out with a combination of high impact energy savings projects as well as low impact energy savings projects as highlighted below:

Energy Efficiency Projects

PROPERTY	ACTIVITY DESCRIPTION	IMPLEMENTATION YEAR	ESTIMATED ENERGY REDUCTION
Sunway Pyramid Shopping Mall	Retrofitting of old chillers	2013	6,976 MWh per annum or 30 kWh/m ² /year
	LED replacements in common areas	2017	170 MWh per annum or 0.7 kWh/m ² /year
Menara Sunway	Redesigned building façade lighting from conventional SON flood lights to LED amber linear lights	2017	
	Rescheduling of chiller	2016	

SUSTAINABILITY STATEMENT



OVERALL

RETAIL

HOTEL

OFFICE

↓1.2% ↓2.4% ↑1.4% ↑2.6%¹

Change in electricity consumption in FY2018

¹ Bulk consumption shows increase, due to an increase in GFA/occupancy. (Energy intensity (below) shows a less impactful increase/decrease.)



OVERALL

RETAIL

HOTEL

OFFICE

↓4.0%¹ ↓5.1%¹ ↑0.9%¹ ↓7.3%¹

Change in BEI in FY2018

¹ The above percentages for energy intensity are based on GFA values which have been corrected according to occupancy rates.

DISCLOSURE	TYPE OF ACTIVITY	BULK ELECTRICITY CONSUMPTION PER YEAR (MWh)		
		FY 2016	FY 2017	FY 2018
Within the organisation [302 – 1]	Company Owned Vehicles	185	123	290
	Electricity Consumption	187,862	182,727	180,451
	Total	188,047	182,850	180,741
Outside the organisation [302 – 2]	Business Travel (Flights)	68	165	87
	Travel Claims (Mileage)	63	65	60
	Total	131	230	147

GRI 302 – 1 and 302 – 2 explained:

Based on the GRI standards, a company is to report their energy consumption using 2 different categories, namely “energy consumption within the organisation (302 – 1) and “energy consumption outside the organisation.”

The energy consumption within the organisation is defined as the non – renewable and renewable fuel consumed, electricity, heating, cooling, and steam purchased for consumption or generated by the company for its own consumption. The electricity consumed by the buildings as well as the energy consumed by company vehicles have been considered in this category.

The energy consumption outside the organisation is the energy used by the company indirectly, which is required for the company to operate, however, the energy is consumed by 2nd and 3rd party assets. For this report, only 2 activities have been included, which are business travel and employee commuting.

SUSTAINABILITY STATEMENT

Energy Conservation Initiatives



Retail

- Big-S fan regulates air movement in the malls
- Double glass door at all malls prevent heat from entering the building in the most effective and energy efficient manner
- Air curtains positioned strategically at the entrances of all malls to prevent heat from entering
- Two-layer entrance doors using automatic sliding mechanism provide air compartment to minimise air-conditioned air from escaping the malls



Hotel

- Variable speed drives on lifts and escalators
- BAS system for lighting, chiller, Air Handling Unit (AHU) and Fan Coil Unit (FCU) time schedule
- LED lights in all guests rooms, corridors and public areas
- A key card system in all guest rooms
- Motion sensors in all public restrooms
- Timers control car park lighting
- Chiller setting increased from 6°C to 8°C
- Lift landing FCU setting increased from 21°C to 25°C
- Guestroom corridor's FCU setting increased from 20°C to 23°C
- Guestrooms' air condition precool setting increased from 23°C to 25°C



Office

- Inverter system for domestic pump and storm pump
- Switching off non-essential lighting at the car park during non-peak hours
- Motion sensors in the restrooms and meeting rooms

Tracking the Energy Management Targets and Future Plans

KEY PERFORMANCE INDICATORS	TARGET	OUTCOME AND STATUS
5-year energy savings target (FY2017 – FY2022)	1% to 3% per annum	1.2%
	Renewable solar energy	The first phase of photovoltaic solar panel was installed along The Ecowalk which was completed in June 2018.
	Co-generation plant using natural gas which minimises carbon dioxide (CO ₂) emission and air pollution. Waste heat from co-generation plant can be used to produce chilled and hot water.	Planning Stage

SUSTAINABILITY STATEMENT

OUR COMMITMENT TO REDUCE CARBON FOOTPRINT



Climate Change is a global phenomenon with the potential to be a threat multiplier to human well-being and the ecosystem. Carbon dioxide (CO₂) and other human-emitted greenhouse gasses are some of the main culprits to global warming. In December 2015, parties to the United Nations Framework Convention on Climate Change (UNFCCC) launched the Paris Agreement, bringing all nations into a common cause to combat climate change.

Our commitment to climate change is demonstrated through our ongoing effort to reduce our carbon footprint. In this financial year, Sunway REIT acquired Sunway Clio Property (comprising a 401-room hotel and approximately 88,000 sq.ft. NLA retail podium) which is a Green Building Index (GBI) certified and Green Mark Gold certified property.

PROMOTING GREEN MOBILITY



As part of the plan to transform Sunway City into a Sustainable Smart City, Sunway City is currently one of the most connected cities in Malaysia, linking to the public road network with the nation's first elevated Bus Rapid Transit (BRT) which operates with eco-friendly electric bus. In addition, Sunway Group have invested more than RM300 million in enhancing the connectivity, accessibility, landscaping and green initiatives within Sunway City.

Sunway Group's commitment in promoting green mobility continued with the completion of The Ecowalk, a 350-metre long elevated walkway connecting Menara Sunway to Sunway Medical Centre. The Ecowalk is integrated with the existing canopy walk in Sunway City. Both The Ecowalk and canopy walk provide convenience to pedestrians commuting between properties located in Sunway City in a safe environment. Promoting green mobility is supportive of UN SDG Goal #3 of promoting good health and wellbeing.

The Ecowalk is also the maiden solar panel initiative within the township, marking our maiden venture into renewable energy.



THE ECOWALK AT SUNWAY CITY

SUSTAINABILITY STATEMENT

Green Landscaping

Sunway City is a unique green township with 40% of greenery, planted with 31,799 native and 142,291 adaptive species. Sunway REIT's properties' green landscaping is not only aesthetically pleasing but also reduces the island heat effect and promotes photosynthesis, which in turn increases the oxygen levels within the city.



Paradise Garden at Sunway Pyramid Shopping Mall

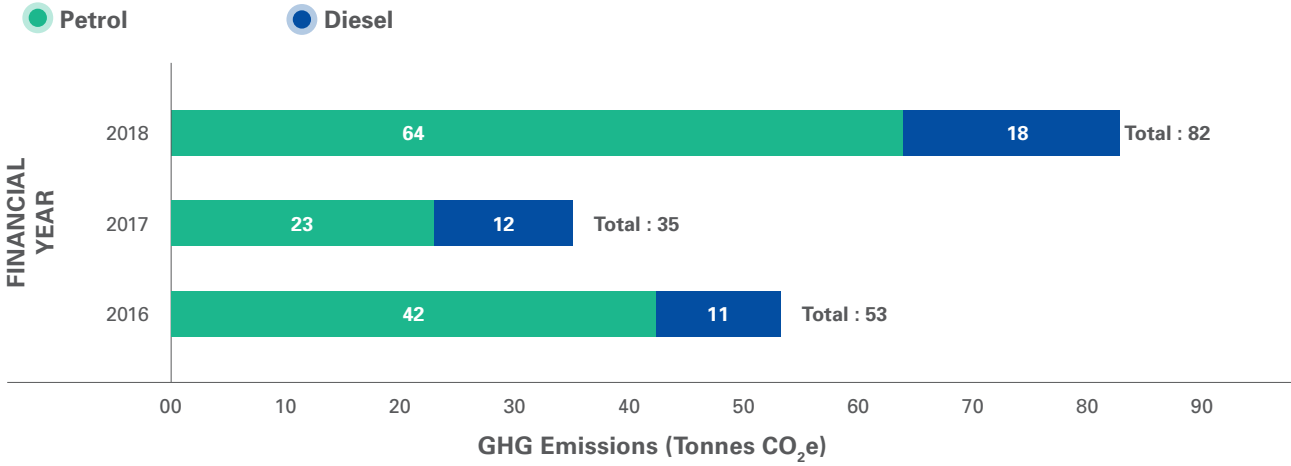


The emission reporting in this financial year includes data from Sunway REIT, Facilities Management Team and Hotel Operator based on internationally recognised GRI Standards. The emission factors are derived from the UK Government Conversion Factors for GHG reporting (2018) and Mobile Combustion: GHG Emissions Calculation Tool Version 2.6.

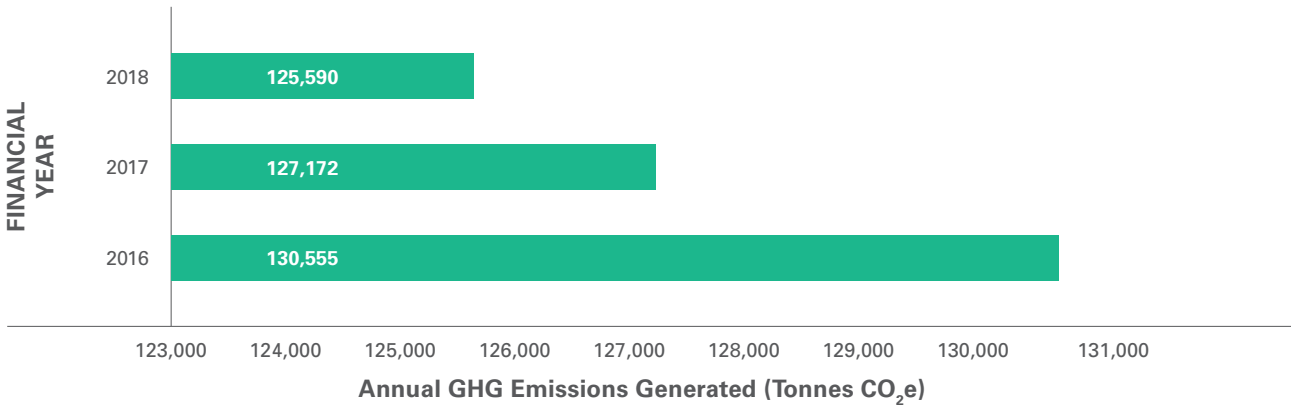
SCOPE	DEFINITION	REPORTED ACTIVITIES
Scope 1	Direct GHG emissions	Company owned vehicles
Scope 2	Indirect GHG emissions	Electricity
Scope 3	Other indirect GHG emissions	Business travel and landfill

SUSTAINABILITY STATEMENT

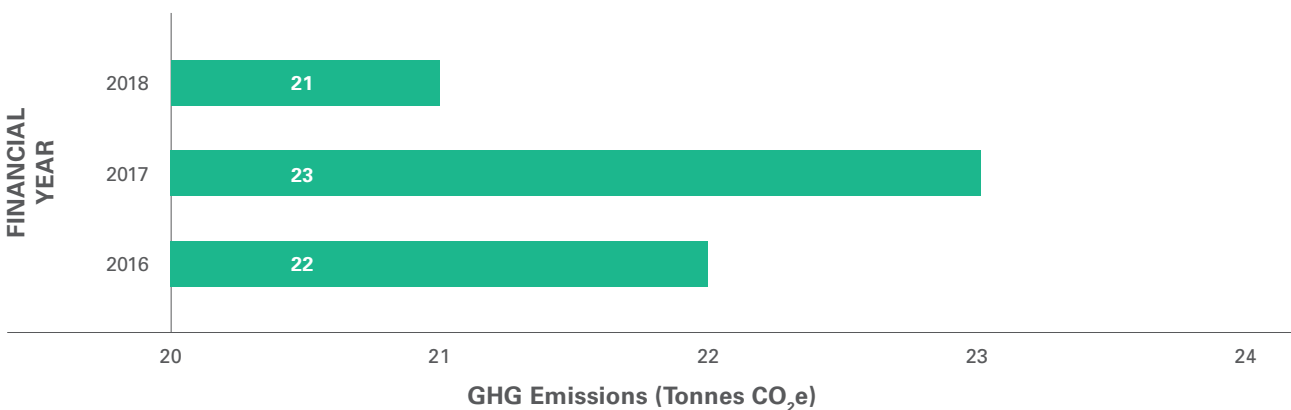
SCOPE 1: SUNWAY REIT REPORTS ITS EMISSIONS BASED ON COMPANY OWNED CARS FOR BOTH PETROL AND DIESEL



SCOPE 2: SUNWAY REIT REPORTS ITS EMISSIONS BASED ON ELECTRICITY CONSUMPTION FROM THE RETAIL MALLS, HOTELS AND OFFICES

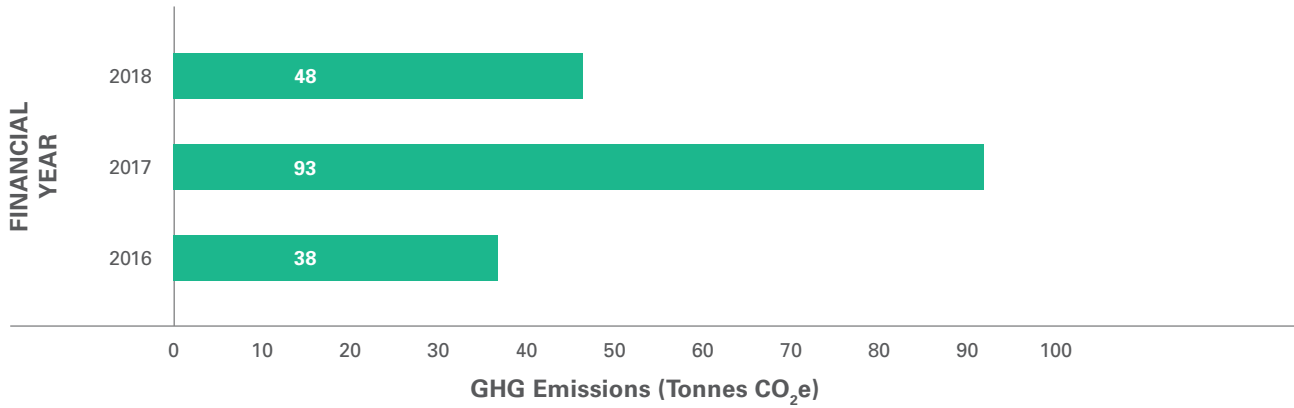


SCOPE 3: SUNWAY REIT REPORTS ITS EMISSIONS BASED ON MILEAGE CLAIMS



SUSTAINABILITY STATEMENT

SCOPE 3: SUNWAY REIT REPORTS ITS EMISSIONS BASED ON FLIGHTS CLAIMS



OVERALL

Scope 1&2

Scope 3

↓1.2%¹↓1.2%¹↓40.5%¹

GHG emissions in FY2018

¹ Scope 3 does not include emissions from landfill as this was not reported in FY 2017

Calculation Considerations

- Radiative forcing (RF) has also been taken into account where relevant. DEFRA calculation tool 2018 was used to obtain the emissions, unless stated otherwise.
- Well-to-tank (WTT) conversion factors for passenger vehicles and business travel on land and air were used to report the upstream Scope 3 emissions associated with extraction, refining and transportation of the raw fuels before they were used to power the transport mode. WTT was not calculated for company owned vehicles as the data available for this activity was in litres of petrol/diesel, for which the conversion factors were unavailable as the conversion factors found in the DEFRA calculation tool for WTT 2018 was in relation to mileage.
- Company owned vehicles' emissions were calculated by utilising the data from the MYCarbon GHG Reporting Guidelines Version 1.5.

SUSTAINABILITY STATEMENT

RESPONSIBLE WATER CONSUMPTION



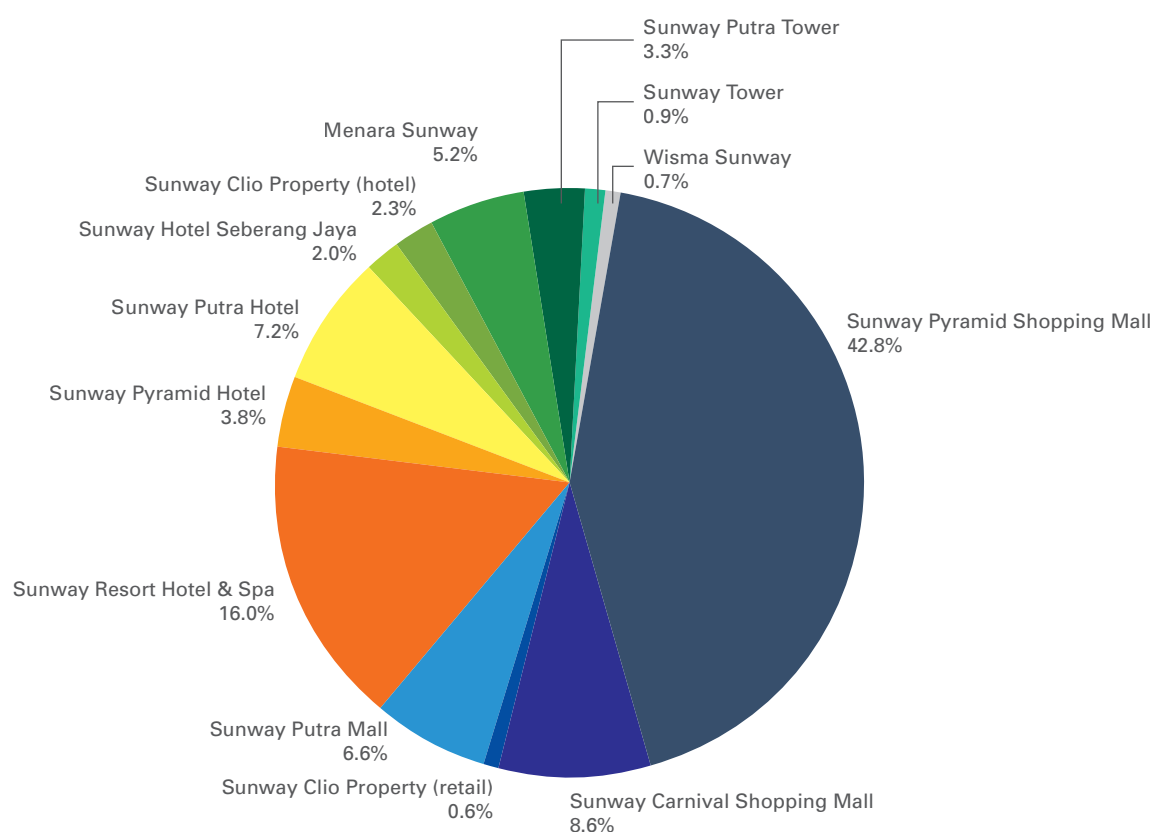
Sunway REIT manages its water consumption through conversation and active monitoring on the level of efficiency. A centralised environmental data system was established by the Sunway Sustainability Solutions to actively monitor the efficient use of resources.

A key initiative milestone achieved in Sunway City this year was the completion of the water treatment plant in Sunway South Quay Lake with a capacity of up to 8,400 m³. This treated water will be distributed to selected properties within Sunway City, equivalent to approximately 56% of water demand in Sunway City. By having a water treatment plant near to the properties, it reduces water loss during the transmission process and contributes to saving this precious resource. Besides, the water treatment plant addresses water overflow situation at the lake which consumes additional energy to pump excess water from the lake. The commissioning of the water treatment plant is pending final approval from the local authority.

SEGMENT	PROPERTY	M ³ PER ANNUM		
		FY 2016	FY 2017	FY 2018
Retail	Sunway Pyramid Shopping Mall	829,772	1,003,560	928,208
	Sunway Carnival Shopping Mall	173,123	185,639	185,057
	Sunway Clio Property (retail)	NA	14,222	13,497
	Sunway Putra Mall	102,957	130,159	142,494
Hotel	Sunway Resort Hotel & Spa	359,260	382,553	344,784
	Sunway Pyramid Hotel	73,709	49,165	81,656
	Sunway Putra Hotel	122,546	135,382	156,817
	Sunway Hotel Seberang Jaya	41,963	46,090	42,291
	Sunway Hotel Georgetown	41,017	50,787	49,257
Office	Sunway Clio Property (hotel)	79,158	114,530	111,843
	Menara Sunway	68,876	80,225	71,980
	Sunway Tower	7,606	10,778	4,153
	Sunway Putra Tower	17,145	15,282	20,479
	Wisma Sunway	14,805	13,815	15,744
Total		1,931,937	2,232,188	2,168,260

Note: In view that Sunway Clio Property (retail & hotel) was opened in February 2016, data for Sunway Clio Property (hotel) in FY2016 was only reported for a duration of 4 months (March 2016 – June 2016). As there were no records of water data before October 2016 for Sunway Property (retail), water consumption was only reported from FY 2017 onward and the data for Sunway Clio Property (retail) in FY 2017 was only reported for a duration of 9 months. This data has been reported in an annualised manner for a fair comparison.

SUSTAINABILITY STATEMENT



Water Consumption by Sector and Water Intensity Trend (3-year)

SEGMENT	MUNICIPAL CONSUMPTION					
	FY 2016		FY 2017		FY2018	
	Bulk (m ³)	Intensity (m ³ /m ²)	Bulk (m ³)	Intensity (m ³ /m ²)	Bulk (m ³)	Intensity (m ³ /m ²)
Retail	1,105,852	3.07	1,333,580	3.55	1,269,256	3.28
Hotel	717,653	3.30	778,507	3.36	786,648	3.38
Office	108,432	1.66	120,100	1.71	112,356	1.44
Total	1,931,937	3.00	2,232,188	3.29	2,168,260	3.11

Water Facts

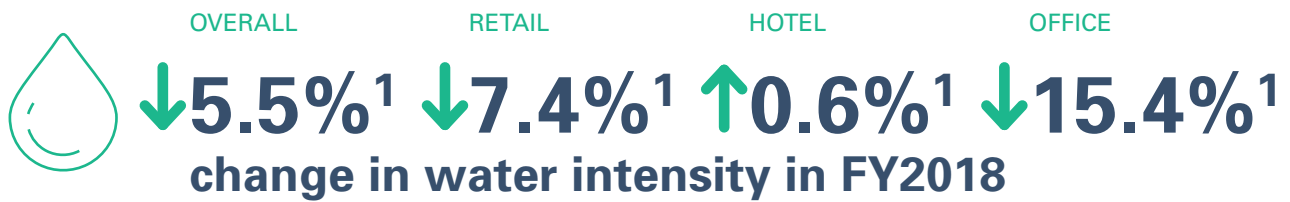
Sunway REIT does not disclose data on water sources significantly affected by withdrawal of water because it is not applicable to the nature of our business. Likewise, this is applicable to water recycled and reused.

SUSTAINABILITY STATEMENT

Water Consumption – bulk (m³)



Water Consumption – intensity (m³/m²)



¹ The numbers for change in water consumption for water intensity have been derived from GFA and occupancy corrected values for a fairer apple to apple comparison.

Tracking the Energy Management Targets and Future Plans

KEY PERFORMANCE INDICATORS	TARGET	OUTCOME AND STATUS
5-year water savings target (FY2017 – FY2022)	1% to 3% per annum	A reduction of 2.9%
	<ul style="list-style-type: none"> Supply of clean water from Sunway South Quay water treatment plant 	<ul style="list-style-type: none"> Completed pending approval from authority to commission
Future Plans	<ul style="list-style-type: none"> Rainwater harvesting for Menara Sunway's façade planter, basement and open garden 	<ul style="list-style-type: none"> To be implemented in FY2019

SUSTAINABILITY STATEMENT

WASTE MANAGEMENT



Waste management is a focus area in Sunway REIT's sustainability endeavour in this financial year. We have actively engaged the Facilities Management Team and commissioned initiatives to improvise the current waste management practices to preserve the environment and reduce the waste disposal cost. In line with the UN SDG Goal #12, Sunway REIT advocates best waste management practices through reduction, recycling and reuse in our daily operations where feasible.

Continuous engagement and collaborative efforts with the Facilities Management Team in this area have resulted in an improvement in our data collection, allowing us to deduce our recycling rate to be 4.6% for this financial year. We believe the recycling of waste activities will continue to improve over the years as we continue to educate our employees, tenants and other stakeholders on the importance of responsible consumption and protection of the environment.

During the year, the malls and offices have placed recycling bins at common areas to facilitate employees, tenants, shoppers amongst others to place recyclable items to be collected by housekeepers at the refuse chambers or collection centres. Coupled with ongoing recycling awareness programmes, the trend for collection of recyclable items remains encouraging.

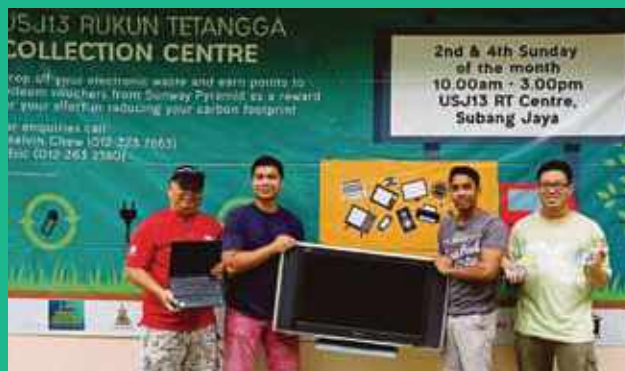
The Facilities Management Team is in collaboration with iCycle, a solution provider of waste separation and recycling which performs separation of clean, dry and mixed recyclables. Separated recyclables are subsequently sent to respective registered recycling companies.



Sunway REIT is currently exploring the feasibility study on investing in food composting facilities for the mall and hotels in Sunway City. During the financial year, Sunway Smart Sustainable Development Committee has conducted a 2-week food audit from a sample of tenants. Pending the outcome of the feasibility study, food composting is in our wish list to further improve the waste management process.

Supporting e-Waste Recycling

In this financial year, Sunway Pyramid Shopping Mall, in collaboration with KitaReward and Rukun Tetangga of SS14 and SS13 in Subang Jaya, launched an e-waste recycling campaign, known as Re-Tech. Participants were rewarded with shopping vouchers in exchange for the e-waste recycled. While recycling of paper is common, this initiative also acts as an awareness campaign for e-waste recycling which may not be common to the public. Since the launch of the campaign in April 2018, a total of 1,896 of e-waste was collected.



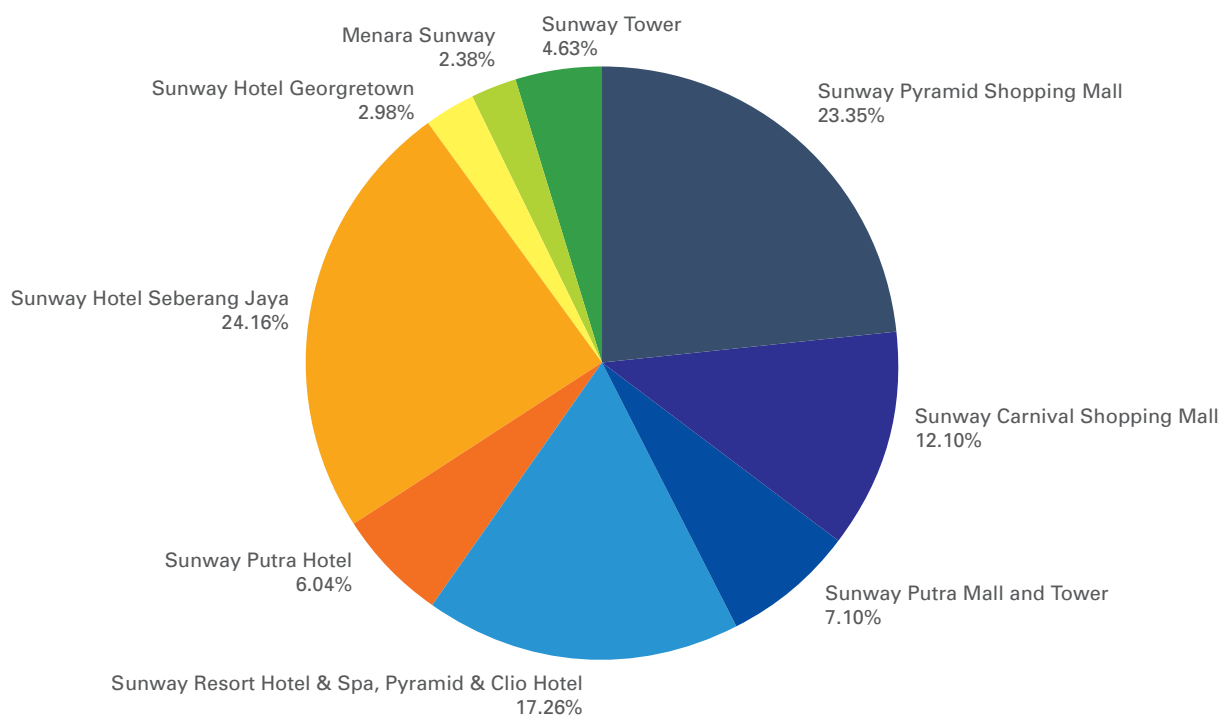
SUSTAINABILITY STATEMENT

Waste Generated from FY2016 to FY2018 (tonnes)

SEGMENT	PROPERTY	WASTE GENERATED IN FY 2018 (TONNES)
Retail	Sunway Pyramid Shopping Mall	4,233
	Sunway Carnival Shopping Mall	731
	Sunway Clio Property (retail)	No waste, sharing with Sunway Pyramid Hotel
	Sunway Putra Mall	858
Hotel	Sunway Resort Hotel & Spa, Pyramid & Clio Hotel	1,137
	Sunway Putra Hotel	259
	Sunway Hotel Seberang Jaya	730
	Sunway Hotel Georgetown	17
Office	Menara Sunway	197
	Sunway Tower	31
	Sunway Putra Tower	No waste, sharing with Sunway Putra Mall
	Wisma Sunway	144
Total		8,337

Note: Comprehensive data for waste is reported in FY2018 and FY2018 being the baseline for future years' comparison

Waste Generation Attribution FY2018



SUSTAINABILITY STATEMENT

Total Waste by Segment (FY2018)

SEGMENT	TOTAL WASTE	WASTE TO LANDFILL		RECYCLED [ORGANIC + INORGANIC]	
	Tonne	Tonne	kg/m ²	Tonne	Recycling Rate
Retail	6,146	5,822	15.34	324	5.27 %
Hotel	2,217	2,143	7.10	74	3.34 %
Office	380	373	2.97	7	1.98 %
Total	8,743	8,337	10.40	405	4.64 %

Calculated from DEFRA Conversion Factors 2018

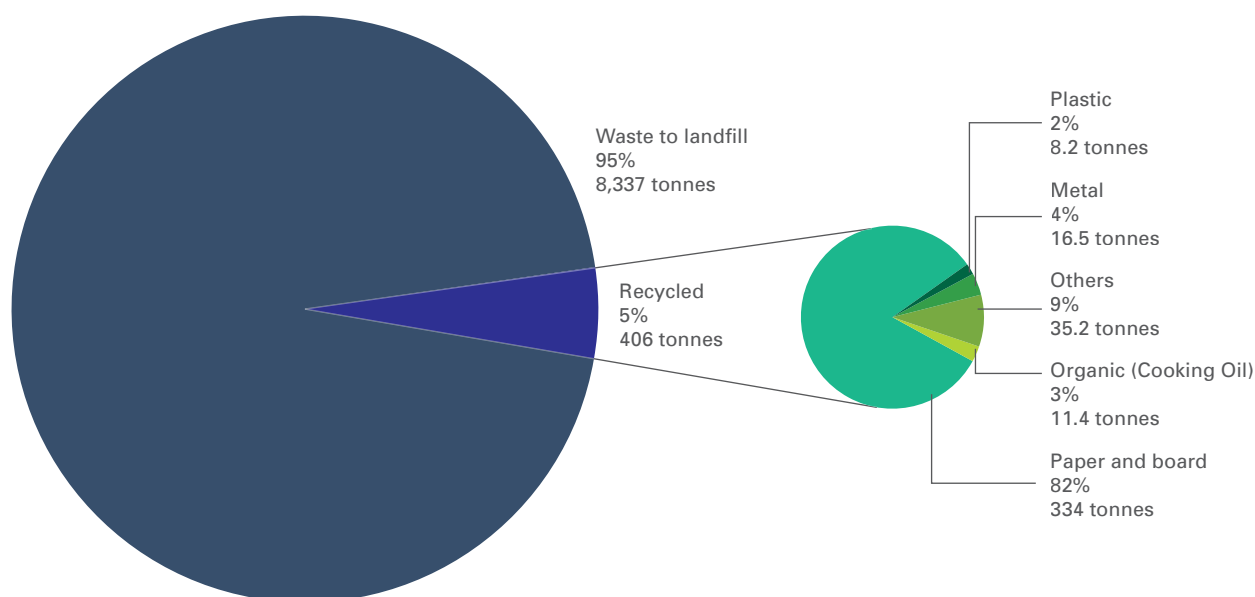
RECYCLED ITEMS (INORGANIC & ORGANIC) FROM SUNWAY REIT PROPERTIES

MATERIAL	COOKING OIL	PAPER AND BOARD	PLASTIC	METAL	Others	TOTAL
Tonne	11	334	8	16	35	405
Percentage	3%	82 %	2 %	4 %	9 %	100 %

Calculated from DEFRA Conversion Factors 2018

SUSTAINABILITY STATEMENT

Overall general waste and recycled waste



Paper and board are the most recycled items. For FY2018, our overall recycling rate was recorded at 4.6%. This rate includes the recycling of organic waste, of which 11,406 kg of used cooking oil from the hotels, was recycled. Waste data for previous years is unavailable as no comprehensive records were made before January 2017. Hence, FY2018 will be used as the base year for future reports in regards to general waste and recycled waste.

Waste Facts

- The reporting is made based on disposal to landfill and recycling activities.
- No disclosure is made in relation to water discharged by quality and destination, significant spills, hazardous waste and water bodies affected by water discharges in view that these data is not relevant to the nature of Sunway REIT's business operations.



OVERALL

4.6%

RETAIL

5.3%

HOTEL

3.3%

OFFICE

2.0%
Recycling rates for FY2018

SUSTAINABILITY STATEMENT

SOCIAL

POWERED BY OUR PEOPLE

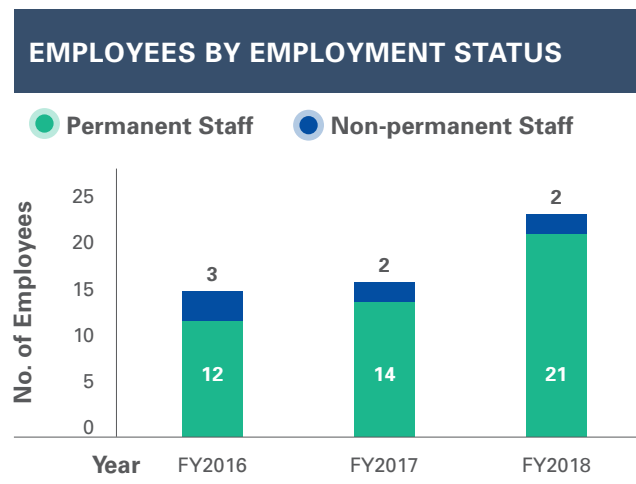
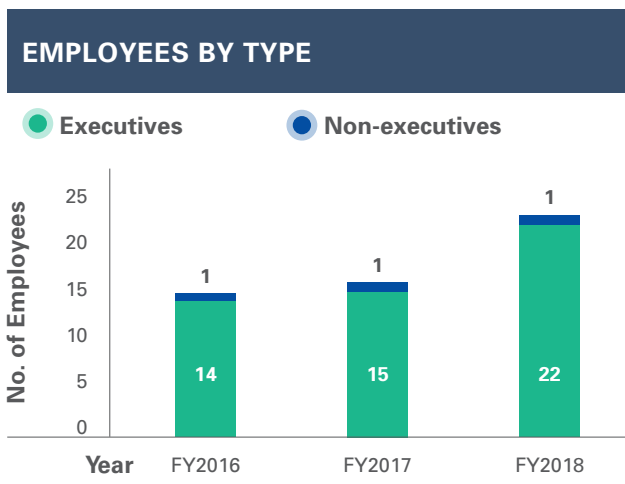


The Manager acknowledges that people is the bedrock of our success. We practice non-discriminatory employment policy with conscious effort in promoting inclusivity and diversity. Intertwining Sunway's core values of Integrity, Humility and Excellence into our corporate culture, the achievements of Sunway REIT and its Manager are built upon by a group of dedicated, talented, motivated and engaged workforce who commits to common organisational goals and values.

In FY2018, The Manager has enhanced its employees' performance appraisal by using the SAP SuccessFactors, a full Human Capital Management software solution that encapsulates performance management, learning management, recruitment management, talent management and succession planning. The systems promote reciprocal and open communications between employees and superiors to deliberate the performance measurement and evaluation process.

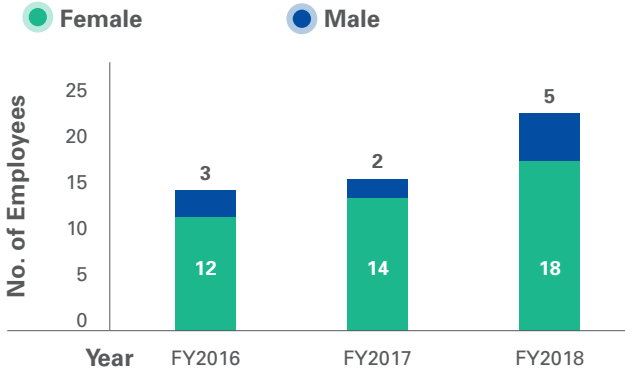
Recognising the importance of having a group of motivated employees towards contribute to organisation success, we made conscious effort to proactively engage the employees through employees' engagement survey and focus groups discussions. In this financial year an Employees Engagement Champion (EEC) was appointed as the ambassador to activate action plans to address employees' feedback through career progression planning, training and development, mentoring and others. In FY2018, the Manager achieved an employee retention rate of 96%.

The information below is based on the number of employees of the Manager.

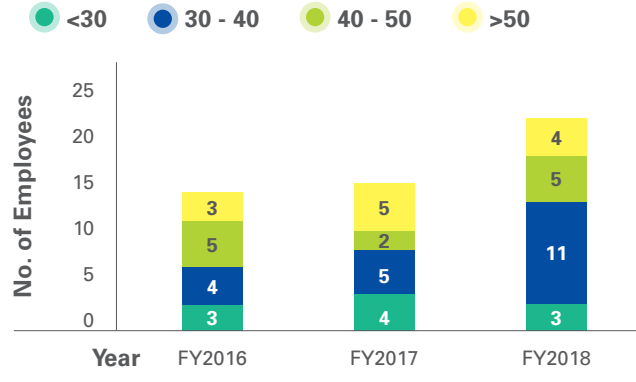


SUSTAINABILITY STATEMENT

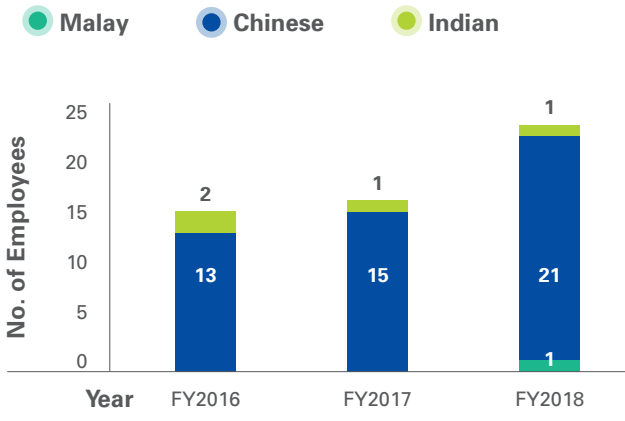
EMPLOYEES BY GENDER



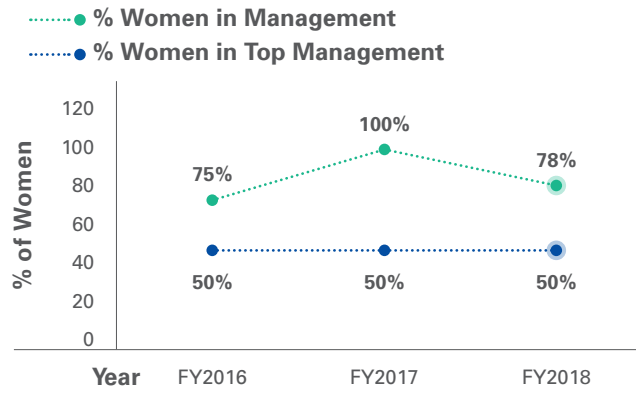
EMPLOYEES BY AGE GROUP



EMPLOYEES BY ETHNICITY



FEMALE REPRESENTATIVES IN THE MANAGEMENT AND TOP MANAGEMENT



A CARING ORGANISATION

The Group Human Resource (Group HR) in Sunway Group continues to place social and family considerations into enhancing the Group HR policies. Over the years, the Group HR has launched women and family related welfares to support women in the workforce and encourage the return of non-working mothers back into the workforce. Taking into consideration the demand of working families, the Group HR policies are enhanced to support working parents.

SUSTAINABILITY STATEMENT

PARENTAL WELFARE IN SUNWAY REIT

Mother-friendly amenities	<ul style="list-style-type: none"> • Designated carparks for expectant mothers • Mothers room • Escorted assistance in the office vicinity
Extended maternity leave	In addition to the statutory 60 days of maternity leave, new mothers are offered an extended 30 consecutive days of unpaid maternity leave up to 5 surviving children.
Paternity leave	Introduced paternity leave for male employees, appreciating parental bonding needs and supporting their partners during this period.
Preschool and child care centre	Sunway, in a strategic alliance with R.E.A.L. Kids preschool, established a preschool and child care centre in Sunway City. The preschool and child care centre offers the convenience for working parents during working hours.
Child care subsidy	Sunway offers partial subsidy for R.E.A.L Kids Sunway tuition fees for up to 2 children per family. Employees are entitled to a maximum of RM200 per month per child.
Child care and /or Parental care leave	An enhanced benefit introduced in this financial year which is extended to parental care of up to 2 working days to take care of the special needs of young children and/or parents.
Flexible work arrangement	Taking into consideration family commitment, the flexibility is offered to facilitate the time management of working parents.

NON-DISCRIMINATION POLICY

The 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 Sunway REIT 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.

SUSTAINABILITY STATEMENT

PRODUCT RESPONSIBILITY

Our services are enjoyed by millions of people each year and their safety and security could not be more important. We aim to provide the very best customer service and their feedback is important to us. This allows us to continue making shoppers and guests' lives easier and improve our service offerings.

SAFETY AND SECURITY IS SUNWAY REIT'S PRIORITY

Sunway REIT believes designing an effective security programme is a high priority. Tenants and their employees, shoppers, hotel guests and patrons must feel safe and welcome while patronising our assets.

The management has been working closely with the Royal Malaysia Police (PDRM) to ensure the safety of areas close to our assets and for crime reduction.

Our auxiliary police are highly trained and equipped to keep all patrons of the properties and car park safe and secure. Armed auxiliary police regularly patrol the bridge and building perimeter. All auxiliary police are required to attend:

- Monthly training organised by our Group Security
- At least 2 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.
- 2 months training at our Police Training Centre.

Security officers patrol all sections of the mall on a personal transporter, giving 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 5 minutes and help those in need of assistance.

SUNWAY REIT CLEAN AIR PROJECT



Sunway Group has set an ambitious target for all Sunway-owned buildings to achieve a 100% smoke-free status by 2018. In supporting the aspiration,

Sunway REIT's Clean Air Project, a community sustainability programme, sponsored the Smoking Cessation Programme since 2017. The programme is in collaboration with Sunway Medical Centre and Johnson & Johnson, having sponsored 7 smokers to undergo the smoking cessation programme. The programme has achieved a success rate of 57% where the smokers have quit totally or reduce dependency on tobacco.

Testimonies

I applaud Sunway REIT for the programme and its commitment to assist smoker in quitting. I was determined to quit smoking after my consultation with the medical practitioners. With my determination and following the guidance provided, I managed to quit since 2017 to date.

Mr Steven Khiew

I have tried to quit smoking cold turkey for 3 times before joining Sunway REIT's Smoking Cessation Programme in collaboration with Sunway Medical Centre. Dr Anza and Ee Lin gave me thorough explanation and support to address my nicotine addiction. I am smoke free for almost a year now. Thanks to Sunway REIT and Sunway Medical Centre team!

Mr Muhammad Razif bin Abd Razak

EAT WELL, FEEL GREAT PROGRAMME



The hustle and bustle of urban working population often neglect the necessity of eating healthily because of the demanding lifestyles. In this financial year, the Manager launched an "Eat Well, Feel Great" programme to cultivate healthy lifestyle amongst employees. The objective of the programme is to cultivate a healthy lifestyle in each employee as we believe that healthy employees will ultimately contribute towards higher productivity. Once a month, employees are treated with a healthy lunch.

SUSTAINABILITY STATEMENT

ALIGNING SOCIAL COMMUNITY PROJECTS WITH UN SDG

ZERO FOOD WASTAGE AND ZERO POVERTY



Our support to combat social issues such as poverty and hunger is addressed through Sunway Resort Hotel & Spa's social community initiatives. In collaboration with Kechara Soup Kitchen, the hotel, through the Zero Food Wastage project donated surplus food from the buffet to feed the homeless and urban poor. The food surplus are cooked warm food but have yet to be served in the buffet spread.

During festive season, the hotel participated in distribution of bubur lambuk and groceries donation to communities.

ACTIVITY	DESCRIPTION	UN SDG GOALS
SUNWAY PYRAMID SHOPPING MALL		
Bring your own Bag	Redeem an eco-friendly bag from the concierge with a minimum spend of RM100 in 3 receipts	
Creative Design (Creative Design Department)	Recycle of Props during Event Setup <ul style="list-style-type: none">• 2016 Halloween 60% of props recycle from previous event• 2017 Halloween 70% of props recycle from previous event• 2017 Deepavali 90% of event setup is recycled props• 2016 & 2017 CNY reuse of push cart and glass display box	
Sunway Putra Mall		
Food Bank Initiative	Since 2016, Sunway Putra Mall has continuously provided a platform for public and shoppers to donate food items / household essentials for the underprivileged families	
Fruit Day Wednesday	HR Department distributes fruits every Wednesday for all staffs	
Collaboration with Kloth Lifestyle	Recycling useable clothes for donations and non-useable cloth to create a man-made lantern	
Sunway Carnival Shopping Mall, Sunway Hotel Georgetown and Sunway Hotel Seberang Jaya		
Penang Flood Aid	Shoppers and tenants were encouraged to donate much-needed items like cleaning tools at the mall's collection point to help Penang flood victims. All donated items were delivered to the Central Seberang Perai District and Land Office at Jalan Betek on 13 November 2017. Besides that, 500 packet meals were also delivered to flood victims at Surau Taman Haji Mohd Amin, Permatang Pauh on 6 November 2017 and 50 goody bags contained food items were delivered to villagers at Kampung Sungai Lokan.	
Rise Against Hunger	A project championed by the Sunway Group, the hotels participated in a meal packing event held in Sunway Hotel Seberang Jaya. A total of 150 volunteers from the combined Sunway Penang business units took 2 hours to pack 60,000 meal rations that were distributed to 1,000 orang asli in the northern region.	

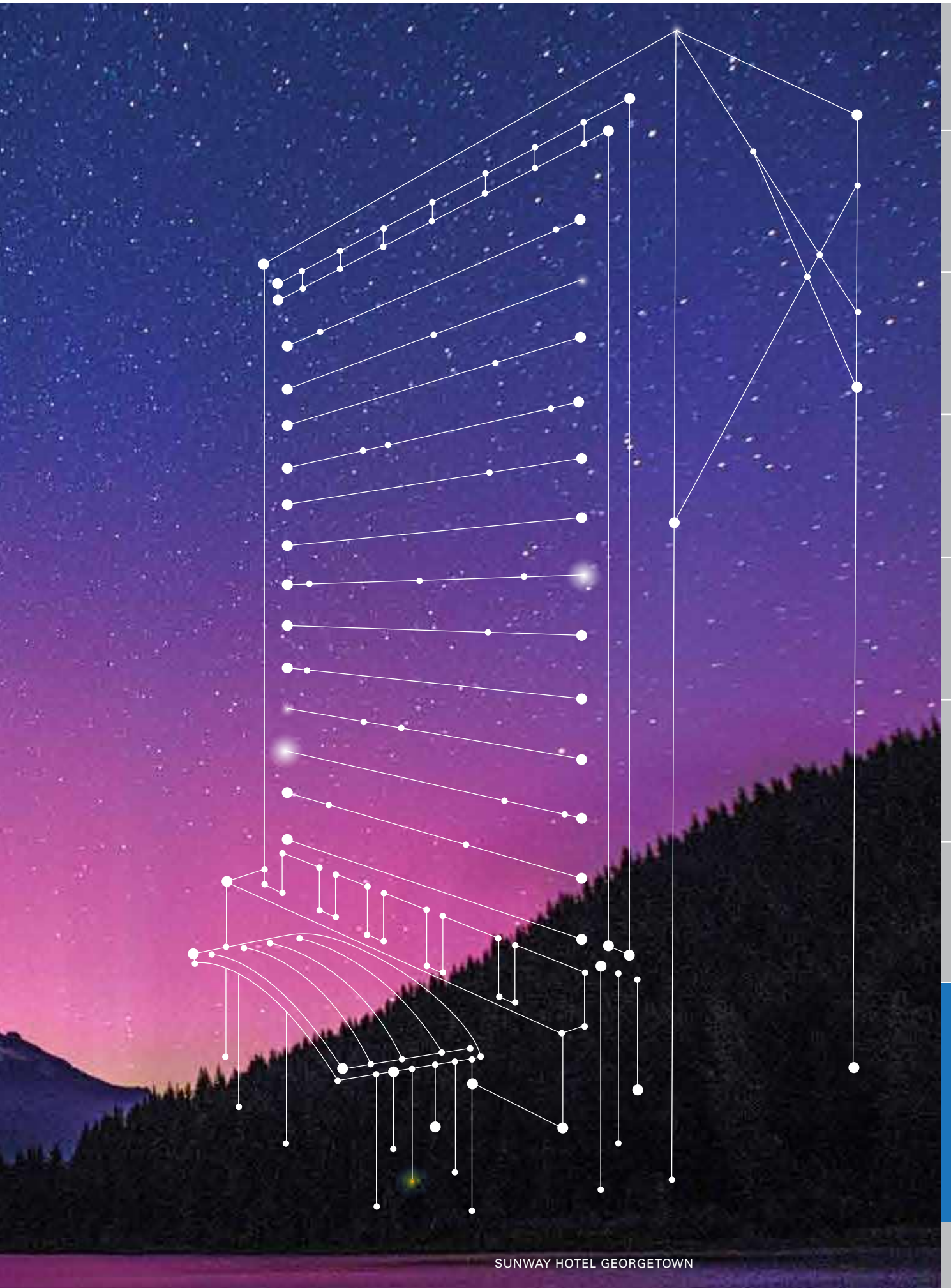
FINANCIAL INSIGHTS

298

FINANCIAL STATEMENTS

A COSMIC ENERGY THAT EMPOWERS OUR EFFORTS

We will continue aiming for the stars to ensure a sustainable financial performance. We dedicate an immeasurable amount of effort and energy towards achieving a higher level of consistency in every aspect.



SUNWAY HOTEL GEORGETOWN

MANAGER'S REPORT

Sunway REIT Management Sdn. Bhd., the Manager for Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund"), has pleasure in presenting its report together with the audited financial statements of the Group and of the Fund for the financial year ended 30 June 2018.

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 the Manager and RHB Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010.

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

Sunway REIT seeks to achieve its investment objective via the following broad strategies:

- (a) active asset management strategy;
- (b) acquisition growth strategy;
- (c) capital and risk management strategy; and
- (d) asset enhancement initiatives, including property development activities.

The Manager is of the view that it has achieved the investment objective for the financial year ended 30 June 2018. There was no change in the strategies and policies employed during the financial year with the exception of (d) above.

DIRECTORS

The Directors of the Manager who have held office during the financial year until the date of this report are as follows:

Tan Sri Ahmad Bin Mohd Don
 Dato' Ng Tiong Lip
 Elvin A/L Bertly Luke Fernandez
 Sarena Cheah Yean Tih, *S.M.S.*
 Ng Sing Hwa
 Tengku Nurul Azian Binti Tengku Shahrman
 Chan Hoi Choy (retired on 7 May 2018)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager was a party, whereby the Directors of the Manager might acquire benefits by means of the acquisition of units in or debentures of Sunway REIT.

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit, by reason of a contract made by the Manager or a related corporation with any Director of the Manager or with a firm of which the Director of the Manager is a member of, or with a company in which the Director of the Manager has substantial financial interest.

MANAGER'S REPORT (CONT'D.)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Manager under Section 59 of the Companies Act 2016 in Malaysia, the interests of Directors of the Manager in office at the end of the financial year in units in Sunway REIT during the financial year were as follows:

	NUMBER OF UNITS			
	AS AT 1.7.2017 UNIT '000	ACQUIRED UNIT '000	SOLD UNIT '000	AS AT 30.6.2018 UNIT '000
Direct interest:				
Elvin A/L Bertly Luke Fernandez	90	-	-	90
Indirect interests:				
Sarena Cheah Yean Tih, S.M.S.*	1,217,338	104,500	(117,757)	1,204,081
Ng Sing Hwa**	4,730	-	(4,730)	-

* Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Active Equity Sdn. Bhd., Sungei Way Corporation Sdn. Bhd., Sunway Berhad, Sunway REIT Holdings Sdn. Bhd. and spouse.

** Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Millennium Pavilion Sdn. Bhd..

The other Directors of the Manager in office at the end of the financial year did not have any interests in units in Sunway REIT during the financial year.

SOFT COMMISSION

There was no soft commission received by the Manager during the financial year from any broker or dealer by virtue of transactions conducted for Sunway REIT.

OTHER INFORMATION

- (a) Before the financial statements of the Group and of the Fund were made out, the Manager took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to their estimated realisable values.
- (b) At the date of this report, the Manager is not aware of any circumstances which would:
 - (i) necessitate the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Fund inadequate to any substantial extent; and
 - (ii) render the values attributed to the current assets in the financial statements of the Group and of the Fund misleading.

MANAGER'S REPORT (CONT'D.)

OTHER INFORMATION (CONT'D.)

- (c) At the date of this report, the Manager is not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.
- (d) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Fund misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Fund which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability of the Group or of the Fund which has arisen since the end of the financial year.
- (f) In the opinion of the Manager:
 - (i) the results of the operations of the Group and of the Fund during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature;
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Fund for the financial year in which this report is made; and
 - (iii) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months (12) after the end of the financial year which would or may affect the ability of the Group or of the Fund to meet their obligations when they fall due.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 35 to the financial statements.


MATERIAL LITIGATIONS

Material litigations are disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 9 August 2018.



Dato' Ng Tiong Lip



Sarena Cheah Yean Tih, S.M.S.

STATEMENT BY THE MANAGER

The Manager acknowledges its responsibilities for the preparation and fair presentation of the financial statements of Sunway Real Estate Investment Trust. In the opinion of the Manager, the financial statements set out on pages 306 to 363 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 Listed Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 9 August 2018.



Dato' Ng Tiong Lip



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

STATUTORY DECLARATION

I, Irene Sin May Lin (CA 15332), being the officer primarily responsible for the financial management of Sunway Real Estate Investment Trust, do solemnly and sincerely declare that the accompanying financial statements set out on pages 306 to 363 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Irene Sin May Lin
at Petaling Jaya in the State of Selangor
Darul Ehsan on 9 August 2018



Irene Sin May Lin

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 2018.

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 306 to 363, 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 Listed Real Estate Investment Trusts in Malaysia and the applicable securities laws.

We have ensured that the procedures and processes employed by the Manager to value/price the units of Sunway REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 30 June 2018 are in line with and are reflective of the objective of Sunway REIT.

For and on behalf of the Trustee,
RHB Trustees Berhad



Lee Yit Cheng
Head, Group International
Operations Support &
Trustees Operations

Kuala Lumpur, Malaysia
9 August 2018



Mohd Sofian Bin Kamaruddin
Vice President

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund"), which comprise the statements of financial position as at 30 June 2018 of the Group and of the Fund, and the statements of profit or loss and other comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 306 to 363.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2018, 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 requirements of the Securities Commission's Guidelines on Listed Real Estate Investment Trusts in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Fund in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Fund for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Fund as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTIES

As disclosed in Note 15 to the financial statements, the Group's and the Fund's investment properties were carried at RM7,280,225,000 as at 30 June 2018.

There were significant judgements and estimates involved in relation to the valuation of the Group's and Fund's investment properties including allowance for void, term yield rates, reversionary yield rates, capitalisation rates and discount rates.

Our audit procedures included the following:

- Assessed and discussed with management their process for reviewing the work of the independent valuers.
- Assessed the competency, independence and integrity of the independent valuers.
- Obtained the valuation reports and discussed with the independent valuers the results of their work.
- Tested the integrity of the data provided to the independent valuers to underlying lease agreements.
- Benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the allowance for void, term yield rates, reversionary yield rates, capitalisation rates and discount rates.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST (CONT'D.)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF MANAGER AND TRUSTEE FOR THE FINANCIAL STATEMENTS

The Manager of the Fund is responsible for the preparation of financial statements of the Group and of the Fund so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts in Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Group and of the Fund that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

In preparing the financial statements of the Group and of the Fund, the Manager is responsible for assessing the ability of the Group and of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Group or the Fund or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Fund.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF SUNWAY REAL ESTATE INVESTMENT TRUST (CONT'D.)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (cont'd.)

- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the Unitholders of the Fund in accordance with the trust deed of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.



BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
9 August 2018



Lum Chiew Mun
03039/04/2019 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	NOTE	GROUP		FUND	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross revenue	6	560,406	522,868	560,406	522,868
Property operating expenses	7	(140,476)	(134,051)	(140,476)	(134,051)
Net property income		419,930	388,817	419,930	388,817
Interest income	8	6,231	3,238	6,231	3,238
Other income	9	2,070	5,058	2,070	5,058
Changes in fair value of investment properties	15	144,701	152,073	144,701	152,073
Net investment income		572,932	549,186	572,932	549,186
Manager's fees	10	(34,463)	(31,650)	(34,463)	(31,650)
Trustee's fees		(1,012)	(1,266)	(959)	(1,226)
Auditors' remuneration:					
- Statutory audits		(138)	(134)	(135)	(131)
- Other services		(30)	-	(30)	-
Tax agent's fee		(33)	(27)	(30)	(26)
Valuation fees		(565)	(346)	(565)	(346)
Other trust expenses		(2,354)	(1,984)	(2,463)	(2,028)
Finance costs	11	(105,646)	(89,295)	(105,596)	(89,295)
Total expenses		(144,241)	(124,702)	(144,241)	(124,702)
Profit before tax		428,691	424,484	428,691	424,484
Income tax expense	12	(1,000)	-	(1,000)	-
Profit for the financial year		427,691	424,484	427,691	424,484
Profit for the financial year comprises the following:					
Realised		281,947	270,586	281,947	270,586
Unrealised		145,744	153,898	145,744	153,898
		427,691	424,484	427,691	424,484
Basic earnings per unit (sen):	13				
Realised		9.57	9.19	9.57	9.19
Unrealised		4.95	5.22	4.95	5.22
		14.52	14.41	14.52	14.41
Distribution per unit (sen)	14	9.57	9.19	9.57	9.19

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 2018

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Profit for the financial year	427,691	424,484
Other comprehensive income to be reclassified to profit or loss in subsequent periods*:		
Cash flow hedge - fair value of derivative	(29,497)	26,570
Cash flow hedge reserve recycled to profit or loss	28,700	(26,250)
Total comprehensive income for the financial year	426,894	424,804
Realised profit for the financial year is arrived at as follows:		
Profit for the financial year	427,691	424,484
Less: Changes in fair value of investment properties	(144,701)	(152,073)
Add: Deferred tax expense on fair value gain of investment properties	1,000	-
Less: Net changes in fair value of derivative financial instrument	(1,978)	(1,725)
(Less)/Add: Unrealised foreign exchange (gain)/loss (hedged item)	(28,700)	26,250
Add/(Less): Cash flow hedge reserve recycled to profit or loss	28,700	(26,250)
Less: Others	(65)	(100)
Realised profit for the financial year	281,947	270,586

* There is no tax effect arising from each of the components of the other comprehensive income.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

INCOME DISTRIBUTION

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Realised profit for the financial year, representing income available for distribution for the financial year	281,947	270,586
Brought forward undistributed income available for distribution	447	513
Total income available for distribution	282,394	271,099
Distribution to unitholders during the year:		
Distribution of 2.27 sen per unit for period from 1 July 2016 to 30 September 2016	-	(66,853)
Distribution of 2.28 sen per unit for period from 1 October 2016 to 31 December 2016	-	(67,147)
Distribution of 2.37 sen per unit for period from 1 January 2017 to 31 March 2017	-	(69,799)
Final income distribution of 2.27 sen per unit for period from 1 April 2017 to 30 June 2017	-	(66,853)
Distribution of 2.67 sen per unit for period from 1 July 2017 to 30 September 2017	(78,633)	-
Distribution of 2.38 sen per unit for period from 1 October 2017 to 31 December 2017	(70,093)	-
Distribution of 2.37 sen per unit for period from 1 January 2018 to 31 March 2018	(69,799)	-
Proposed final income distribution of 2.15 sen per unit for period from 1 April 2018 to 30 June 2018 ¹	(63,319)	-
Balance undistributed arising from rounding difference	550	447

¹ The proposed final income distribution will be recognised and paid in the financial year ending 30 June 2019.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTE	GROUP 2018 RM'000	2017 RM'000
Assets			
Non-current assets			
Investment properties	15	7,280,225	6,689,200
Plant and equipment	16	13,591	9,063
		7,293,816	6,698,263
Current assets			
Trade receivables	18	21,423	17,397
Other receivables	19	10,669	19,117
Derivatives	22	10,766	8,112
Short term investment	20	129,625	-
Cash and bank balances	21	57,559	100,544
		230,042	145,170
Total assets		7,523,858	6,843,433
Financed by:			
Unitholders' funds			
Unitholders' capital	23	2,727,829	2,727,829
Undistributed income		1,625,407	1,483,891
Total Unitholders' funds		4,353,236	4,211,720
Non-current liabilities			
Borrowings	24	299,750	-
Long term liabilities	26	77,519	65,724
Deferred tax liability	27	6,896	5,896
Derivatives	22	-	529
		384,165	72,149
Current liabilities			
Borrowings	24	2,602,750	2,343,759
Trade payables	28	2,096	3,366
Other payables	29	181,583	210,962
Derivatives	22	28	1,477
		2,786,457	2,559,564
Total liabilities		3,170,622	2,631,713
Total equity and liabilities		7,523,858	6,843,433

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D.)

AS AT 30 JUNE 2018

	NOTE	GROUP	
		2018 RM'000	2017 RM'000
Units in circulation ('000)	23	2,945,078	2,945,078
Net asset value ("NAV"):			
Before income distribution		4,353,236	4,211,720
After income distribution		4,289,917	4,144,867
NAV per unit (RM):			
Before income distribution ¹		1.4781	1.4301
After income distribution ²		1.4566	1.4074

¹Before the proposed final income distribution of 2.15 sen per unit (2017: 2.27 sen per unit)

²After the proposed final income distribution of 2.15 sen per unit (2017: 2.27 sen per unit)

STATEMENTS OF FINANCIAL POSITION (CONT'D.)

AS AT 30 JUNE 2018

	NOTE	FUND	
		2018 RM'000	2017 RM'000
Assets			
Non-current assets			
Investment properties	15	7,280,225	6,689,200
Plant and equipment	16	13,591	9,063
Investments in subsidiaries	17	- ¹	- ¹
		7,293,816	6,698,263
Current assets			
Trade receivables	18	21,423	17,397
Other receivables	19	10,669	19,117
Derivatives	22	10,766	8,112
Short term investment	20	129,625	-
Cash and bank balances	21	57,529	100,514
		230,012	145,140
Total assets		7,523,828	6,843,403
Financed by:			
Unitholders' funds			
Unitholders' capital	23	2,727,829	2,727,829
Undistributed income		1,625,410	1,483,894
Total Unitholders' funds		4,353,239	4,211,723
Non-current liabilities			
Amount due to a subsidiary	25	299,750	-
Long term liabilities	26	77,519	65,724
Deferred tax liability	27	6,896	5,896
Derivatives	22	-	529
		384,165	72,149
Current liabilities			
Borrowings	24	1,602,750	1,309,800
Trade payables	28	2,096	3,366
Other payables	29	173,533	203,435
Amounts due to subsidiaries	25	1,008,017	1,041,453
Derivatives	22	28	1,477
		2,786,424	2,559,531
Total liabilities		3,170,589	2,631,680
Total equity and liabilities		7,523,828	6,843,403

¹ Value less than RM1,000

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D.)

AS AT 30 JUNE 2018

	NOTE	FUND	
		2018 RM'000	2017 RM'000
Units in circulation ('000)	23	2,945,078	2,945,078
Net asset value ("NAV"):			
Before income distribution		4,353,239	4,211,723
After income distribution		4,289,920	4,144,870
NAV per unit (RM):			
Before income distribution ¹		1.4781	1.4301
After income distribution ²		1.4566	1.4074

¹Before the proposed final income distribution of 2.15 sen per unit (2017: 2.27 sen per unit)

²After the proposed final income distribution of 2.15 sen per unit (2017: 2.27 sen per unit)

STATEMENTS OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

GROUP

	UNITHOLDERS' CAPITAL RM'000	< UNDISTIBUTED INCOME > REALISED RM'000	UNREALISED RM'000	UNITHOLDERS' FUNDS RM'000
At 1 July 2017	2,727,829	(312)	1,484,203	4,211,720
Total comprehensive income				
Profit for the financial year	-	281,947	145,744	427,691
Other comprehensive income:				
- Cash flow hedge - fair value loss on derivative	-	-	(29,497)	(29,497)
- Cash flow hedge reserve recycled to profit or loss	-	-	28,700	28,700
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	281,635	1,629,150	4,638,614
Unitholders' transactions				
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 14)	-	(218,525)	-	(218,525)
- Income distribution proposed in prior year but paid in current year	-	(66,853)	-	(66,853)
Decrease in net assets resulting from unitholders' transactions	-	(285,378)	-	(285,378)
At 30 June 2018	2,727,829	(3,743)	1,629,150	4,353,236

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 2018

GROUP (CONT'D.)

	UNITHOLDERS' CAPITAL RM'000	< UNDISTRIBUTED INCOME > REALISED RM'000	UNREALISED RM'000	UNITHOLDERS' FUNDS RM'000
At 1 July 2016	2,725,933	(4,688)	1,329,985	4,051,230
Total comprehensive income				
Profit for the financial year	-	270,586	153,898	424,484
Other comprehensive income:				
- Cash flow hedge - fair value gains on derivative	-	-	26,570	26,570
- Cash flow hedge reserve recycled to profit or loss	-	-	(26,250)	(26,250)
Total comprehensive income, representing the increase in net assets resulting from operations	2,725,933	265,898	1,484,203	4,476,034
Unitholders' transactions				
Creation of units (Note 23):				
- Manager's fees paid in units	1,896	-	-	1,896
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 14)	-	(203,799)	-	(203,799)
- Income distribution proposed in prior year but paid in current year	-	(62,411)	-	(62,411)
Increase/(decrease) in net assets resulting from unitholders' transactions	1,896	(266,210)	-	(264,314)
At 30 June 2017	2,727,829	(312)	1,484,203	4,211,720

STATEMENTS OF CHANGES IN NET ASSET VALUE (CONT'D.) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

FUND

	UNITHOLDERS' CAPITAL RM'000	< UNDISTIBUTED INCOME > REALISED RM'000	UNREALISED RM'000	UNITHOLDERS' FUNDS RM'000
At 1 July 2017	2,727,829	(309)	1,484,203	4,211,723
Total comprehensive income				
Profit for the financial year	-	281,947	145,744	427,691
Other comprehensive income:				
- Cash flow hedge - fair value loss on derivative	-	-	(29,497)	(29,497)
- Cash flow hedge reserve recycled to profit or loss	-	-	28,700	28,700
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	281,638	1,629,150	4,638,617
Unitholders' transactions				
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 14)	-	(218,525)	-	(218,525)
- Income distribution proposed in prior year but paid in current year	-	(66,853)	-	(66,853)
Decrease in net assets resulting from unitholders' transactions	-	(285,378)	-	(285,378)
At 30 June 2018	2,727,829	(3,740)	1,629,150	4,353,239

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 2018

FUND (CONT'D.)

	UNITHOLDERS' CAPITAL RM'000	< UNDISTRIBUTED INCOME > REALISED RM'000	UNREALISED RM'000	UNITHOLDERS' FUNDS RM'000
At 1 July 2016	2,725,933	(4,685)	1,329,985	4,051,233
Total comprehensive income				
Profit for the financial year	-	270,586	153,898	424,484
Other comprehensive income:				
- Cash flow hedge - fair value gains on derivative	-	-	26,570	26,570
- Cash flow hedge reserve recycled to profit or loss	-	-	(26,250)	(26,250)
Total comprehensive income, representing the increase in net assets resulting from operations	2,725,933	265,901	1,484,203	4,476,037
Unitholders' transactions				
Creation of units (Note 23):				
- Manager's fees paid in units	1,896	-	-	1,896
Distribution to unitholders:				
- Income distribution declared and paid in current year (Note 14)	-	(203,799)	-	(203,799)
- Income distribution proposed in prior year but paid in current year	-	(62,411)	-	(62,411)
Increase/(decrease) in net assets resulting from unitholders' transactions	1,896	(266,210)	-	(264,314)
At 30 June 2017	2,727,829	(309)	1,484,203	4,211,723

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	NOTE	GROUP		FUND	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Cash receipts from customers		617,849	599,159	617,849	599,159
Refundable security deposits from customers		2,284	2,688	2,284	2,688
Cash paid for operating expenses		(240,243)	(242,883)	(240,243)	(242,883)
Net cash from operating activities		379,890	358,964	379,890	358,964
Cash flows from investing activities					
Acquisition of plant and equipment	Note a	(6,336)	(2,164)	(6,336)	(2,164)
Deposit for acquisition of investment property		-	(9,150)	-	(9,150)
Acquisition of investment properties	15	(422,350)	(17,200)	(422,350)	(17,200)
Incidental costs on acquisition of investment properties	15	(4,639)	(307)	(4,639)	(307)
Subsequent expenditure of investment properties	Note b	(30,439)	(93,761)	(30,439)	(93,761)
Investment in short term money market instrument		(821,000)	-	(821,000)	-
Redemption of short term money market instrument		691,000	-	691,000	-
Interest received		6,857	3,196	6,857	3,196
Net cash used in investing activities		(586,907)	(119,386)	(586,907)	(119,386)
Cash flows from financing activities					
Proceeds from issuance of commercial papers		284,600	165,000	-	-
Proceeds from issuance of unrated medium term notes		300,000	-	-	-
Drawdown of revolving loans		14,530,100	9,194,400	14,530,100	9,194,400
Repayment of commercial papers		(318,600)	(131,000)	-	-
Repayment of revolving loans		(13,818,600)	(9,086,400)	(13,818,600)	(9,086,400)
Repayment of term loan		(422,000)	-	(422,000)	-
Interest paid		(106,090)	(84,543)	(106,090)	(84,543)
Net change in inter-company balances		-	-	266,000	33,970
Distribution paid		(285,378)	(266,210)	(285,378)	(266,210)
Net cash from/(used in) financing activities		164,032	(208,753)	164,032	(208,783)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	NOTE	GROUP		FUND	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (decrease)/increase in cash and cash equivalents		(42,985)	30,825	(42,985)	30,795
Cash and cash equivalents at beginning of financial year		100,544	69,719	100,514	69,719
Cash and cash equivalents at end of financial year (Note 21)		57,559	100,544	57,529	100,514
Note a:					
Additions of plant and equipment	16	6,439	1,973	6,439	1,973
Additions via deferred payment		(139)	(81)	(139)	(81)
Payment of plant and equipment purchased via deferred payment in prior years		36	272	36	272
Cash outflow for acquisition of plant and equipment		6,336	2,164	6,336	2,164
Note b:					
Subsequent expenditure of investment properties	15	10,185	86,620	10,185	86,620
Over accrued subsequent expenditure in prior years		10,748	11,794	10,748	11,794
Interest capitalised		(193)	(214)	(193)	(214)
Additions via deferred payment		(6,288)	(10,223)	(6,288)	(10,223)
Payment of subsequent expenditure of investment properties incurred via deferred payment in prior years		15,987	5,784	15,987	5,784
Cash outflow for subsequent expenditure of investment properties		30,439	93,761	30,439	93,761

STATEMENTS OF CASH FLOWS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Note c: Reconciliation of liabilities arising from financing activities

	COMMERCIAL PAPERS (NOTE 24)		TERM LOAN (NOTE 24)		UNRATED MEDIUM TERM NOTES (NOTE 24)		REVOLVING LOANS (NOTE 24)	
	GROUP RM'000	FUND RM'000	GROUP RM'000	FUND RM'000	GROUP RM'000	FUND RM'000	GROUP RM'000	FUND RM'000
At 1 July 2017	33,959	-	429,400	429,400	1,000,000	-	880,400	880,400
Cash flows	(34,000)	-	(422,000)	(422,000)	300,000	-	711,500	711,500
Non-cash flows:								
- Effect of foreign exchange	-	-	(7,400)	(7,400)	-	-	10,850	10,850
- Discount on commercial papers	41	-	-	-	-	-	-	-
- Unamortised transaction costs	-	-	-	-	(250)	-	-	-
At 30 June 2018	-	-	-	-	1,299,750	-	1,602,750	1,602,750

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 Securities Commission's Guidelines on Listed Real Estate Investment Trusts ("Listed REIT Guidelines"). The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

There has been no significant change in the nature of the principal activity during the financial year.

The consolidated financial statements comprise the Fund and its subsidiaries (the "Group").

The financial statements for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution by the Board of Directors of the Manager on 9 August 2018.

Sunway REIT has entered into several service agreements in relation to the management of the Fund and its property operations. The fee structures of these services are as follows:

1.1 Manager's fees

Pursuant to the Deed, the Manager of Sunway REIT is entitled to receive the following fees from Sunway REIT:

- (a) Base fee of 0.3% per annum of the total assets value;
- (b) Performance fee of 3% per annum of net property income, but before deduction of fees payable to the Property Manager;
- (c) Acquisition fee of 1% of the acquisition price of any future assets of Sunway REIT or a Single-Purpose Company acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest in Real Estate or Single-Purpose Company purchased by the Trustee for Sunway REIT); and
- (d) Divestment fee of 0.5% of the sale price of any future assets of Sunway REIT or a Single-Purpose Company sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the assets of Sunway REIT sold).

The Manager's fee shall be net of all applicable tax, duties and levies imposed by the relevant authorities in Malaysia. The Manager shall be paid the base fee and performance fee which may be in the form of cash, new units or a combination thereof, with the initial applicable proportion to be 50% in the form of cash and 50% in the form of new units, such proportion which may be varied at the discretion of the Manager. The Manager's fees are payable quarterly in arrears.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

1. FUND INFORMATION (CONT'D.)

1.2 Property management fees

The Property Manager, AREM (Malaysia) Sdn. Bhd. ("AREM"), is entitled to receive a fixed fee for managing the retail and office properties owned by Sunway REIT. AREM and/or its service providers shall be reimbursed in full for the property expenses which include the employment and remuneration costs of the centralised team of employees of AREM and/or its service providers as provided in the Property Management Agreement dated 11 August 2016. The property management fees and reimbursements are payable monthly in arrears.

1.3 Trustee's fees

Pursuant to the Deed, the Trustee of Sunway REIT is entitled to receive a fee of up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, calculated on a monthly accrual basis, based on a year of 12 months and is payable monthly in arrears.

For CY2018 and onwards, the fee has been revised from 0.03% to 0.015% per annum of net asset value of Sunway REIT and the fee is subject to a maximum of RM700,000 per annum.

The trustee of SunREIT Capital Berhad, PBTrustee Services Berhad, is entitled to receive a predetermined annual fixed fee.

The trustee of SunREIT Unrated Bond Berhad, AmanahRaya Trustees Berhad, is entitled to receive a predetermined annual fixed fee.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Fund have been prepared in accordance with the provisions of the Deed, the Listed REIT Guidelines in Malaysia, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The financial statements of the Group and of the Fund have been prepared under the historical cost convention, except as otherwise stated in the financial statements and on a going concern basis.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless when otherwise stated.

The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 37(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. BASIS OF ACCOUNTING

The Group and the Fund have net current liabilities (excluding derivatives at fair value) of RM2,567,153,000 and RM2,567,150,000 respectively as at 30 June 2018.

The following matters have been considered by the Manager in determining the appropriateness of the going concern basis in the preparation of the financial statements of the Group and of the Fund:

- (a) RM71,475,000 relates to accrual for subsequent expenditure of investment properties of which will be funded by the existing debt facilities of the Group and of the Fund. The Group (held through its subsidiaries) has sufficient debt facilities limit available to be utilised within the gearing allowed under the Listed REIT Guidelines for the next twelve months;
- (b) RM2,602,750,000 relates to borrowings, of which RM1,403,750,000 are secured by the investment properties as mentioned in Note 15 to the financial statements and borrowings as at 30 June 2018 (included secured and non-secured) are likely to be refinanced with the existing debt programme underpinned by the strength of the underlying assets and adequate liquidity in the debt market; and
- (c) the Group and the Fund generated net operating cash inflows of RM379,890,000 for the financial year ended 30 June 2018. The Manager projects continued profitability and operating cash inflows for the Group and the Fund in the next twelve months.

4. SEGMENT INFORMATION

- (a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the product and services produced. Secondary information is reported geographically. The investment properties are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

- (b) Business segments

The Group comprises the following main major business segments:

- (i) Retail - renting of retail premises to tenants
- (ii) Hotel - leasing of hotel premises to hotel operators
- (iii) Office - renting of office premises to tenants
- (iv) Others - leasing of a medical premises to a hospital operator and an industrial premises to a lessee

- (c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. The Group's four main 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, leasing of a medical premises to a hospital operator and leasing of an industrial premises to a lessee.
- (ii) Kuala Lumpur - the operations in this area are principally renting of retail and office premises and leasing of a hotel premises to a hotel operator.
- (iii) Penang - the operations in this area are principally renting of a retail premises and leasing of hotel premises to hotel operators.
- (iv) Perak - the operation in this area is principally renting of a retail premises.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. SEGMENT INFORMATION (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

Business segments

	2018				
	RETAIL RM'000	HOTEL RM'000	OFFICE RM'000	OTHERS RM'000	TOTAL RM'000
Revenue					
Rental income	382,363	3,316	32,338	-	418,017
Master lease income	-	76,404	-	27,777	104,181
Car park rental income	22,057	2,909	1,130	-	26,096
Other operating income	12,101	8	3	-	12,112
Gross revenue	416,521	82,637	33,471	27,777	560,406
Segment net property income	296,943	77,719	17,491	27,777	419,930
Interest income					6,231
Other income					2,070
Changes in fair value of investment properties	122,982	18,241	(23)	3,501	144,701
Total expenses (excluding finance costs)					(38,595)
Finance costs					(105,646)
Profit before tax					428,691
Income tax expense					(1,000)
Profit for the financial year					427,691

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. SEGMENT INFORMATION (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments: (cont'd.)

Business segments (cont'd.)

	----- 2018 -----					
	RETAIL RM'000	HOTEL RM'000	OFFICE RM'000	OTHERS RM'000	TOTAL RM'000	NOTE
Assets						
Segment assets	4,699,399	1,719,715	476,318	433,920	7,329,352	
Unallocated assets					194,506	
Total assets					7,523,858	
Liabilities						
Segment liabilities	202,721	26,135	10,730	-	239,586	
Unallocated liabilities					2,931,036	
Total liabilities					3,170,622	
Other segment information						
Capital expenditure	23,455	(8,872)*	2,041	-	16,624	A
Depreciation	1,846	8	54	-	1,908	
Other significant non-cash income/(expenses)	122,982	18,241	(23)	3,501	144,701	
Unallocated					143	
					144,844	B

*Over accrued subsequent expenditure in prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. SEGMENT INFORMATION (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments: (cont'd.)

Business segments (cont'd.)

	2017				
	RETAIL RM'000	HOTEL RM'000	OFFICE RM'000	OTHERS RM'000	TOTAL RM'000
Revenue					
Rental income	371,554	1,780	30,320	-	403,654
Master lease income	-	60,775	-	21,884	82,659
Car park rental income	20,041	1,907	1,153	-	23,101
Other operating income	13,450	-	4	-	13,454
Gross revenue	405,045	64,462	31,477	21,884	522,868
Segment net property income	289,856	60,568	16,509	21,884	388,817
Interest income					3,238
Other income					5,058
Changes in fair value of investment properties	156,367	(20,279)	5,985	10,000	152,073
Total expenses (excluding finance costs)					(35,407)
Finance costs					(89,295)
Profit before tax					424,484
Income tax expense					-
Profit for the financial year					424,484

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. SEGMENT INFORMATION (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments: (cont'd.)

Business segments (cont'd.)

	----- 2017 -----					
	RETAIL RM'000	HOTEL RM'000	OFFICE RM'000	OTHERS RM'000	TOTAL RM'000	NOTE
Assets						
Segment assets	4,551,298	1,361,467	475,743	337,966	6,726,474	
Unallocated assets					116,959	
Total assets					6,843,433	
Liabilities						
Segment liabilities	198,782	49,542	9,541	-	257,865	
Unallocated liabilities					2,373,848	
Total liabilities					2,631,713	
Other segment information						
Capital expenditure	13,290	80,285	(4,982)*	-	88,593	A
Depreciation	1,550	7	51	-	1,608	
Other significant non-cash income/(expenses)	156,672	(20,279)	6,046	10,000	152,439	
Unallocated					1,825	
					154,264	B

*Over accrued subsequent expenditure in prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. SEGMENT INFORMATION (CONT'D.)

The following table provides an analysis of the Group's revenue, net property income, capital expenditure and assets by geographical segments:

Geographical segments

	----- 2018 -----				
	SELANGOR RM'000	KUALA LUMPUR RM'000	PENANG RM'000	PERAK RM'000	TOTAL RM'000
Gross revenue	423,311	77,084	55,625	4,386	560,406
Segment net property income	335,131	43,217	37,508	4,074	419,930
Capital expenditure	11,177	(6,970)*	12,417	-	16,624
Segment assets	5,502,839	1,196,301	569,161	61,051	7,329,352
Unallocated assets					194,506
					7,523,858

*Over accrued subsequent expenditure in prior years.

	----- 2017 -----				
	SELANGOR RM'000	KUALA LUMPUR RM'000	PENANG RM'000	PERAK RM'000	TOTAL RM'000
Gross revenue	392,886	70,504	54,562	4,916	522,868
Segment net property income	309,005	37,839	37,366	4,607	388,817
Capital expenditure	98,874	(8,065)*	(2,216)*	-	88,593
Segment assets	4,927,907	1,183,696	553,886	60,985	6,726,474
Unallocated assets					116,959
					6,843,433

*Over accrued subsequent expenditure in prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4. SEGMENT INFORMATION (CONT'D.)

NOTE Nature of eliminations to arrive at amounts reported in the consolidated financial statements.

A Capital expenditures consist of:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Investment properties (Note 15)	160	86,620
Investment property under construction (Note 15)	10,025	-
Plant and equipment (Note 16)	6,439	1,973
	16,624	88,593

B Other significant non-cash income/(expenses) consist of the following items as presented in the respective notes:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Fair value gain on investment properties (Note 15)	144,701	152,073
Deferred tax expense on fair value gain on investment properties (Note 27)	(1,000)	-
Net changes in fair value of derivative financial instrument (Note 22)	1,978	1,725
Unrealised foreign exchange gain/(loss) (hedged item)	28,700	(26,250)
Cash flow hedge reserve recycled to profit or loss	(28,700)	26,250
(Allowance)/Reversal of impairment on trade receivables (Note 7)	(900)	905
Bad debts written off (Note 7)	-	(539)
Other income	65	100
	144,844	154,264

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

5. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the Manager's capital management is to optimise capital structure and cost of capital of the Group and to adopt active interest rate management strategy to manage the risks associated with changes in interest rates. No changes were made in the objectives, policies or processes during the financial year ended 30 June 2018.

The Manager monitors capital using a gearing ratio, which is total gross borrowings divided by total assets value of the Group pursuant to Securities Commission's Guidelines on Listed Real Estate Investment Trusts. The Group's policy is to keep the gearing ratio below 50%.

Sunway REIT's capital is represented by its unitholders' fund in the Statements of Financial Position.

	GROUP	
	2018 RM'000	2017 RM'000
Non-current assets	7,293,816	6,698,263
Current assets	230,042	145,170
Total assets value	7,523,858	6,843,433
Total gross borrowings (Note 24)	2,902,750	2,343,800
Gearing ratio	38.6%	34.2%

The Group is not subject to any other externally imposed capital requirement.

(b) Financial risk management objectives and policies

The Manager proactively reviews the capital management of the Group and of the Fund to ensure that adequate financial resources are available for the working capital requirements, growing the Group's and the Fund's businesses and for income distributions whilst managing its interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The Manager reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Fund's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Fund's interest rate risk arises primarily from borrowings at floating rates. All of the Group's and the Fund's borrowings at floating rates are contractually re-priced monthly and quarterly.

The Manager manages the Group's and the Fund's interest rate exposure by monitoring a mix of fixed and floating rate borrowings. The Group and the Fund 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 40% (2017: 89%) of the Group's and 9% (2017: 82%) of the Fund's borrowings are at fixed rates of interest.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 20, 21 and 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Financial risk management objectives and policies (cont'd.)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rate.

The Group and the Fund are not significantly exposed to foreign currency risk as the majority of the Group's and of the Fund's transactions, assets and liabilities are denominated in Ringgit Malaysia ("RM") except for the USD100 million Loan Facility as disclosed in Note 24(c) to the financial statements.

The USD100 million Loan Facility is hedged with cross currency swap contract. As such, fluctuation in USD is not expected to have any material effects to the financial performance and position of the Group and of the Fund.

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, RM2,602,750,000 (2017: RM2,343,759,000) of the Group's borrowings will be maturing in the next twelve months based on the carrying amount reflected in the financial statements. There will be no repayment risk for the maturing borrowings as the borrowings could be refinanced with the existing facilities given that the CP Programme of RM1.6 billion is fully underwritten by a financial institution for the entire duration of the programme and a commitment has been received from a financial institution for refinancing of RM1.0 billion in nominal value of the unrated medium term notes for 5 years with maturity date of any subscription no later than April 2023.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 24, 25, 26, 28 and 29 to the financial statements.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Fund's exposure to credit risk arises primarily from trade receivables. For other financial assets (including cash and bank balances and derivatives), the Group and the Fund minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Fund's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Fund trade only with recognised and creditworthy third parties. It is the Group's and the Fund's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Fund's exposure to bad debts is not significant.

The credit risk concentration profiles have been disclosed in Note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

6. REVENUE

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Rental income	418,017	403,654
Master lease income	104,181	82,659
Car park rental income	26,096	23,101
Other operating income	12,112	13,454
	560,406	522,868

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Rental income

Rental income is derived from renting of retail and office properties to tenants and includes base rent, turnover rent and service and promotion charges from tenants. Base rent and service and promotion charges are recognised in profit or loss on a straight-line basis over the term of lease. Contingent rent such as turnover rent is recognised as income in the profit or loss on an accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

(b) Hotel master lease income

Hotel master lease income is derived from leasing of hotel properties to hotel operators for a 10-year lease term and is recognised on accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis. The hotel master lease income is derived based on the following total rent formula:

Total rent = The higher of variable rent or guaranteed rent

Variable rent = Base rent plus 70% of (hotel's gross operating profit less master lease expenses)

- (i) Base rent: 20% of the hotel's gross operating revenue.
- (ii) Gross operating profit: Hotel's gross operating revenue less operating expenses.
- (iii) Master lease expenses: Base rent, reserve for furniture, fittings and equipment and hotel management fees.

(c) Hospital master lease income

Hospital master lease income is derived from leasing of a medical premises to a hospital operator for a 10-year lease term at a predetermined annual rental with a 3.5% annual rental increase and is recognised on a straight-line basis over the term of lease unless recoverability is in doubt, in which case, it is recognised on receipt basis.

The hospital master lease is based on a triple net basis whereby all the property operating expenses, quit rent, assessment and insurance will be borne by the hospital operator.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

6. REVENUE (CONT'D.)

(d) Industrial master lease income

Industrial master lease income is derived from leasing of an industrial premises to a lessee with initial term of approximately 17 years expiring on 31 December 2034 and is recognised on a straight-line basis over the term of lease unless recoverability is in doubt, in which case, it is recognised on receipt basis.

The industrial master lease is based on a triple net basis whereby all the property operating expenses, quit rent, assessment and insurance will be borne by the lessee.

(e) 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.

(f) Other operating income

Other operating income mainly comprises rental from common area of the retail properties for promotional events and is recognised on the accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

7. PROPERTY OPERATING EXPENSES

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Quit rent, assessment and insurance	13,892	14,088
Property management fees and reimbursements	39,875	42,750
Utilities	24,465	25,513
Service contracts and maintenance	26,620	24,401
Advertising and promotion	18,601	16,296
Allowance/(Reversal) of impairment on trade receivables (Note 18)	900	(905)
Bad debts written off	-	539
Depreciation of plant and equipment (Note 16)	1,908	1,608
Administrative and other operating expenses	14,215	9,761
	140,476	134,051

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

8. INTEREST INCOME

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Interest income from deposits with licensed financial institutions	3,948	3,238
Interest income from short term investment	2,283	-
	6,231	3,238

Interest income is recognised on the accrual basis, using the effective interest method, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

9. OTHER INCOME

Included in other income in the previous financial year was a Court award of RM3,189,072 for assessment for damages in relation to the litigation for Sunway Putra.

10. MANAGER'S FEES

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Base fee	21,859	19,979
Performance fee	12,604	11,671
	34,463	31,650

11. FINANCE COSTS

	GROUP		FUND	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest paid/payable:				
- subsidiaries	-	-	46,413	39,440
- term loan	8,546	14,216	8,546	14,216
- revolving loans and interest rate swap	48,233	33,203	48,233	33,203
- commercial papers	931	459	-	-
- unrated medium term notes	45,482	38,981	-	-
Amortisation of transaction costs	2,605	2,640	2,555	2,640
Others	42	10	42	10
	105,839	89,509	105,789	89,509
Less: Interest expense capitalised in				
investment properties (Note 15)	(193)	(214)	(193)	(214)
	105,646	89,295	105,596	89,295

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

12. INCOME TAX EXPENSE

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Deferred tax (Note 27):		
Relating to origination of temporary differences	1,000	-

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 2018 which translates to more than 90% of its total taxable income.

Reconciliation of the tax expense is as follows:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Profit before tax	428,691	424,484
Income tax at Malaysian statutory tax rate of 24% (2017: 24%)	102,886	101,876
Fair value gain on investment properties not subject to tax	(33,728)	(36,498)
Income not subject to tax	(71,261)	(67,816)
Expenses not deductible for tax purposes	3,103	2,438
Income tax expense	1,000	-

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%.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

13. 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	
	2018 UNIT'000	2017 UNIT'000
Weighted average number of units in issue	2,945,078	2,944,881

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Realised		
Total realised profit for the year attributable to unitholders		
of the Fund	281,947	270,586
Realised basic earnings per unit (sen)	9.57	9.19
Unrealised		
Total unrealised profit for the year attributable to unitholders		
of the Fund	145,744	153,898
Unrealised basic earnings per unit (sen)	4.95	5.22

Diluted earnings per unit equals basic earnings per unit as there were no potential dilutive unit in issue as at 30 June 2018 and 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14. DISTRIBUTION PER UNIT

Distribution to unitholders is from the following sources:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Net property income	419,930	388,817
Interest income	6,231	3,238
Other income	2,070	5,058
Changes in fair value of investment properties (Note 15)	144,701	152,073
Net investment income	572,932	549,186
Less: Expenses	(144,241)	(124,702)
Less: Income tax expense	(1,000)	-
Profit for the financial year	427,691	424,484
Less: Unrealised income	(145,744)	(153,898)
Add: Brought forward undistributed income available for distribution	447	513
Total income available for distribution	282,394	271,099
Less: Income distributed	(218,525)	(203,799)
Less: Proposed final income distribution	(63,319)	(66,853)
Balance undistributed arising from rounding difference	550	447
Distribution per unit (sen)	9.57	9.19

15. INVESTMENT PROPERTIES

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Investment properties	7,253,000	6,689,200
Investment property under construction	27,225	-
	7,280,225	6,689,200

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

15. INVESTMENT PROPERTIES (CONT'D.)

Investment properties

	GROUP / FUND	
	2018 RM'000	2017 RM'000
At valuation		
At beginning of financial year	6,689,200	6,433,000
Additions from acquisition	431,500	17,200
Incidental costs on acquisition	4,639	307
Additions from subsequent expenditure (Note 4)	160	86,620
Changes in fair value (Note 4)	144,701	152,073
	7,270,200	6,689,200
Transfer to investment property under construction	(17,200)	-
At end of financial year	7,253,000	6,689,200

During the financial year, Sunway REIT acquired two investment properties namely Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property for purchase consideration of RM91,500,000 and RM340,000,000 respectively, which were fully financed through proceeds from drawdown of borrowings. The total consideration paid for the acquisition of the investment properties was RM422,350,000 after deducting the deposit paid for Sunway REIT Industrial - Shah Alam 1 of RM9,150,000 in previous financial year.

In previous financial year, Sunway REIT acquired a vacant land adjacent to Sunway Carnival Shopping Mall for a purchase consideration of RM17,200,000, which was fully financed through proceeds from drawdown of borrowings.

Included in the subsequent expenditure of investment properties in the previous financial year was the borrowing costs capitalised for certain capital work-in-progress which satisfied the recognition criteria of MFRS 123: *Borrowing Costs* amounting to RM214,000 as disclosed in Note 11 to the financial statements.

Investment properties of the Group and of the Fund amounting to RM6,746,000,000 (2017: RM6,600,000,000) are pledged as securities for borrowings as disclosed in Note 24 to the financial statements.

The following are recognised in profit or loss in respect of investment properties:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Revenue (Note 6)	560,406	522,868
Property operating expenses (Note 7)	(140,476)	(134,051)
Net property income	419,930	388,817

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

15. INVESTMENT PROPERTIES (CONT'D.)

Details of the investment properties are as follows:

DESCRIPTION OF PROPERTY	LOCATION	DATE OF ACQUISITION	TENURE OF LAND	TERM OF LEASE	REMAINING TERM OF LEASE	FAIR VALUE AS AT		PERCENTAGE OF NET ASSET VALUE AS AT	
						30.6.2018	30.6.2017*	30.6.2018	30.6.2017
						RM'000	RM'000	%	%
Sunway Pyramid Shopping Mall	Selangor	8 July 2010	Leasehold	99 years	79/84/87 years	3,580,000 [^]	3,450,000	82.2	81.9
Sunway Carnival Shopping Mall	Penang	8 July 2010	Leasehold	99 years	74 years	398,000 ¹	415,200	9.1	9.9
SunCity Ipoh Hypermarket	Perak	8 July 2010	Leasehold	99 years	82 years	61,000 [^]	61,000	1.4	1.4
Sunway Putra Mall	Kuala Lumpur	19 April 2011	Freehold	-	-	595,000 [#]	595,000	13.7	14.1
Total Retail						4,634,000	4,521,200	106.4	107.3
Sunway Resort Hotel & Spa	Selangor	8 July 2010	Leasehold	99 years	79 years	530,000 [^]	530,000	12.2	12.6
Sunway Pyramid Hotel	Selangor	8 July 2010	Leasehold	99 years	84 years	360,000 [^]	360,000	8.3	8.5
Sunway Hotel Seberang Jaya	Penang	8 July 2010	Leasehold	99 years	74 years	63,000 [^]	63,000	1.4	1.5
Sunway Putra Hotel	Kuala Lumpur	19 April 2011	Freehold	-	-	345,000 [#]	335,000	7.9	8.0
Sunway Hotel Georgetown	Penang	28 January 2015	Freehold	-	-	75,000 [^]	72,000	1.7	1.7
Sunway Clio Property	Selangor	9 February 2018	Leasehold	99 years	90 years	340,000 [#]	-	7.8	-
Total Hotel						1,713,000	1,360,000	39.3	32.3
Menara Sunway	Selangor	8 July 2010	Leasehold	99 years	79 years	169,000 [^]	169,000	3.9	4.0
Sunway Tower	Kuala Lumpur	8 July 2010	Freehold	-	-	123,000 [^]	128,000	2.8	3.0
Sunway Putra Tower	Kuala Lumpur	19 April 2011	Freehold	-	-	123,000 [#]	113,000	2.8	2.7
Wisma Sunway	Selangor	23 March 2015	Leasehold	99 years	76 years	59,000 [^]	62,000	1.4	1.5
Total Office						474,000	472,000	10.9	11.2
Sunway Medical Centre	Selangor	31 December 2012	Leasehold	99 years	79 years	340,000 [#]	336,000	7.8	8.0
Sunway REIT Industrial - Shah Alam 1	Selangor	1 August 2017	Leasehold	99 years	80 years	92,000 [^]	-	2.1	0.0
Total Others						432,000	336,000	9.9	8.0
						7,253,000	6,689,200	166.5	158.8

[^] Based on valuation carried out by an independent professional valuer, C H Williams Talhar & Wong Sdn. Bhd. on 30 June 2018

[#] Based on valuation carried out by an independent professional valuer, Knight Frank Malaysia Sdn. Bhd. on 30 June 2018

^{*} Based on valuation carried out by an independent professional valuer, C H Williams Talhar & Wong Sdn. Bhd. on 30 June 2017

¹ An unencumbered vacant land, Lot 5493, acquired on 27 December 2016 has been transferred to investment property under construction during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

15. INVESTMENT PROPERTIES (CONT'D.)

Investment property under construction

	GROUP / FUND	
	2018 RM'000	2017 RM'000
At cost		
At beginning of financial year	-	-
Additions from subsequent expenditure (Note 4)	10,025	-
Transfer from investment properties	17,200	-
At end of financial year	27,225	-

The investment property under construction consists of the following:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Long term leasehold land	17,200	-
Building	10,025	-
	27,225	-

Included in the subsequent expenditure of investment property under construction is the borrowing costs capitalised for certain capital work-in-progress which satisfied the recognition criteria of MFRS 123: *Borrowing Costs* amounting to RM193,000 as disclosed in Note 11 to the financial statements.

- (a) Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

If the Group and the Fund determine that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group and the Fund shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Once the Group and the Fund are able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, the Group and the Fund shall measure that property at its fair value.

- (b) Fair value is determined in accordance with the Deed, the Listed REIT Guidelines and the Guidelines on Asset Valuation issued by the Securities Commission which require the investment properties to be valued by independent qualified valuers, having appropriate recognised professional qualifications and recent experience in the location and category of investment properties being valued, on annual basis. In determining the fair value, the valuers used valuation techniques which involve certain estimates. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates reflect the current market conditions.
- (c) The Group and the Fund measure fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair values of investment properties of the Group and of the Fund are categorised as Level 3. Level 3 fair value is estimated using unobservable inputs for the investment properties. Changes in Level 3 fair value are assessed by the Manager annually after obtaining the valuation reports from the independent professional valuers. There is no transfer between levels in the fair value hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

15. INVESTMENT PROPERTIES (CONT'D.)

- (c) The following table shows a reconciliation of Level 3 fair value:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
At beginning of financial year	6,689,200	6,433,000
Additions	436,299	104,127
Changes in fair value	144,701	152,073
Transfer to investment property under construction	(17,200)	-
At end of financial year	7,253,000	6,689,200

- (d) The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN SIGNIFICANT UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
Investment method (refer below)	- Allowance for void of 5.00% to 15.00% (2017: 5.00% to 17.50%)	Higher allowance for void, lower fair value
	- Term yield rates ranging from 5.50% to 7.00% (2017: 6.00% to 7.25%)	Higher term yield rates, lower fair value
	- Reversionary yield rates ranging from 6.50% to 7.00% (2017: 6.50% to 7.25%)	Higher reversionary yield rates, lower fair value
Profits method (refer below)	- Average room rates during holding period ranging from RM175 per room to RM594 per room (2017: RM175 per room to RM534 per room)	Higher average room rates, higher fair value
	- Average occupancy rates during holding period ranging from 72.50% to 85.00% (2017: from 70.00% to 85.00%)	Higher average occupancy rates, higher fair value
	- Capitalisation rate ranging from 6.75% to 7.00% (2017: 7.00%)	Higher capitalisation rate, lower fair value
	- Discount rate of 9.00% over 10-year holding period (2017: 9.00%)	Higher discount rate, lower fair value

- (e) Methods of valuation

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 2018

16. PLANT AND EQUIPMENT

At 30 June 2018

GROUP/ FUND	OFFICE/ COMPUTER EQUIPMENT RM'000	FURNITURE AND FITTINGS RM'000	TOTAL RM'000
Cost			
At beginning of financial year	10,364	2,940	13,304
Additions (Note 4)	1,013	5,426	6,439
Disposal	(2)	(3)	(5)
At end of financial year	11,375	8,363	19,738
Accumulated depreciation			
At beginning of financial year	3,548	693	4,241
Depreciation charge for the year (Note 7)	1,381	527	1,908
Disposal	(1)	(1)	(2)
At end of financial year	4,928	1,219	6,147
Net carrying amount	6,447	7,144	13,591

At 30 June 2017

GROUP/ FUND	OFFICE/ COMPUTER EQUIPMENT RM'000	FURNITURE AND FITTINGS RM'000	TOTAL RM'000
Cost			
At beginning of financial year	9,100	2,233	11,333
Additions (Note 4)	1,266	707	1,973
Disposal	(2)	-	(2)
At end of financial year	10,364	2,940	13,304
Accumulated depreciation			
At beginning of financial year	2,214	421	2,635
Depreciation charge for the year (Note 7)	1,336	272	1,608
Disposal	(2)	-	(2)
At end of financial year	3,548	693	4,241
Net carrying amount	6,816	2,247	9,063

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

16. PLANT AND EQUIPMENT (CONT'D.)

- (a) All items of plant and equipment are initially recorded at cost.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group and the Fund recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Office/computer equipment	10% - 20%
Furniture and fittings	10%

The useful lives and residual values of plant and equipment are estimated based on common life expectancies and commercial factors applied in the various respective industries.

Changes in expected level of usage, occupancy rates and economic development could impact the economic useful lives and the residual values of these assets, and hence future depreciation charges on such assets could be revised.

17. INVESTMENTS IN SUBSIDIARIES

	FUND	
	2018 RM	2017 RM
At cost		
Unquoted ordinary shares	4	4

Details of the subsidiaries are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	2018 %	2017 %
SunREIT Capital Berhad	Malaysia	To undertake the issuance of commercial papers pursuant to the commercial papers programme ("CP Programme") and/or medium term notes programme ("MTN Programme") (collectively referred to as "CP/MTN Programme") and all matters relating to the CP/MTN Programme	100	100
SunREIT Unrated Bond Berhad	Malaysia	To undertake the issuance of unrated medium term notes ("Unrated MTNs") under a medium term note programme ("MTN Programme") and all matters relating to the Unrated MTNs under/ and/ or the MTN Programme	100	100

The subsidiaries are intended as Special Purpose Vehicle ("SPV") to undertake the issuance of the commercial papers and unrated medium term notes for Sunway REIT.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

18. TRADE RECEIVABLES

	GROUP		FUND	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Third parties	15,785	13,844	15,785	13,844
Amount due from parties related to the Manager	7,909	5,038	7,909	5,038
	23,694	18,882	23,694	18,882
Less: Allowance for impairment	(2,271)	(1,485)	(2,271)	(1,485)
Total trade receivables	21,423	17,397	21,423	17,397
Total trade receivables	21,423	17,397	21,423	17,397
Add: Other receivables (Note 19)	10,669	19,117	10,669	19,117
Less: Prepayments (Note 19)	(5,057)	(5,985)	(5,057)	(5,985)
Add: Cash and bank balances (Note 21)	57,559	100,544	57,529	100,514
Total loans and receivables	84,594	131,073	84,564	131,043

- (a) Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method.
- (b) Included in trade receivables is the following amounts due from parties related to the Manager:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Sunway Berhad Group	7,909	5,038

The amounts due from parties related to the Manager are unsecured and bear fixed interest rates ranging from 8% to 18% per annum (2017: 8% to 18% per annum) and the credit period is generally for a period of 7 days to 30 days (2017: 7 days to 30 days). The relationship with the parties related to the Manager is as disclosed in Note 34 to the financial statements.

- (c) The Group's and the Fund's primary exposure to credit risk arises through its trade receivables. The Group's and the Fund's trading terms with its customers are mainly on credit. The credit period is generally for a period of 7 days to 30 days (2017: 7 days to 30 days). The Group and the Fund seek to maintain strict control over its outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by the Manager. In view of the aforementioned and the fact that the Group's and the Fund's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables that exceed credit terms will bear fixed interest rates ranging from 8% to 18% per annum (2017: 8% to 18% per annum).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

18. TRADE RECEIVABLES (CONT'D.)

(d) Ageing analysis of trade receivables

The ageing analysis of the Group's and of the Fund's trade receivables is as follows:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	6,625	4,858
Past due but not impaired:		
1 to 30 days	5,699	5,744
31 to 60 days	3,654	3,186
61 to 90 days	1,668	1,405
91 to 120 days	145	307
More than 120 days	3,632	1,897
	14,798	12,539
Impaired	2,271	1,485
	23,694	18,882

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Fund.

Receivables that are impaired

The Group's and the Fund's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
At beginning of financial year	1,485	3,942
Charge/(Reversal) for the year (Note 7)	900	(905)
Written off	(114)	(1,552)
At end of financial year	2,271	1,485

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

The Manager assesses at the reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Fund consider 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

18. TRADE RECEIVABLES (CONT'D.)

- (d) Ageing analysis of trade receivables (cont'd.)

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.

- (e) The Manager determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Fund's trade receivables by segment at the reporting date are as follows:

By segment:

	GROUP / FUND			
	2018		2017	
	RM'000	%	RM'000	%
Retail	13,421	62.6	13,225	76.0
Hotel	4,270	19.9	984	5.7
Office	1,812	8.5	1,222	7.0
Others	1,920	9.0	1,966	11.3
	21,423	100.0	17,397	100.0

Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's and the Fund's varied customers. These customers are dispersed, engaged in a wide spectrum of activities and sell in a variety of end markets. The Manager's experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Fund's trade receivables.

19. OTHER RECEIVABLES

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Deposits	487	9,641
Prepayments (Note 18)	5,057	5,985
Sundry receivables	5,125	3,491
	10,669	19,117

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

19. OTHER RECEIVABLES (CONT'D.)

- (a) Included in other receivables is the following amounts due from parties related to the Manager:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Sunway Berhad Group	2,377	956

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 34 to the financial statements.

- (b) The Group and the Fund have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.
- (c) Included in deposits of the previous financial year was deposit paid for Sunway REIT Industrial - Shah Alam 1 of RM9,150,000, being 10% of the purchase price.

20. SHORT TERM INVESTMENT

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Commercial paper	130,000	-
Less: Discount on commercial paper	(375)	-
	129,625	-

During the financial year, Sunway REIT invested in 1-month commercial paper issued by Sunway Berhad, a substantial unitholder of Sunway REIT.

The investment earns fixed interest rate ranging from 3.80% to 3.90% per annum.

Short term investment with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity is classified as held-to-maturity and is measured at amortised cost.

The fair value of the short term investment is categorised as Level 2 in the fair value hierarchy.

Sensitivity analysis for fixed rate short term investment at the end of the reporting date is not presented as change in interest rates would not have impact to the profit or loss.

21. CASH AND BANK BALANCES

	GROUP		FUND	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash on hand and at banks	20,259	20,544	20,229	20,514
Deposits with licensed financial institutions	37,300	80,000	37,300	80,000
	57,559	100,544	57,529	100,514

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

21. CASH AND BANK BALANCES (CONT'D.)

- (a) Cash at banks earn interest rates ranging from 3.10% to 3.50% per annum (2017: 2.85% to 3.50% per annum).

The weighted average interest rate and range of maturities of deposits with licensed financial institutions of the Group and of the Fund in current financial year are 3.99% per annum (2017: 3.76% per annum) and between 46 to 111 days (2017: 11 to 119 days) respectively.

- (b) For the purpose of the statements of cash flows, cash and cash equivalents represents total cash and bank balances.

- (c) At the reporting date, the interest rate profile of the cash and bank balances was:

	GROUP		FUND	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate	37,300	80,000	37,300	80,000
Variable rate	20,220	20,507	20,190	20,477

Sensitivity analysis for fixed and variable rate cash and bank balances at the end of the reporting date is not presented as change in interest rates would not have material impact to the profit or loss.

22. DERIVATIVES

	NOTE	GROUP/FUND		
		CONTRACT/ NOTIONAL AMOUNT RM'000	ASSET RM'000	LIABILITY RM'000
At 30 June 2018				
Current				
Interest rate swap	(b)(i)	150,000	-	(28)
Cross currency swap	(b)(ii)	392,900	10,766	-
		542,900	10,766	(28)
At 30 June 2017				
Non-current				
Interest rate swap	(b)(i)	150,000	-	(529)
Current				
Interest rate swap	(b)(i)	922,000	-	(1,477)
Cross currency swap	(b)(ii)	422,000	8,112	-
		1,344,000	8,112	(1,477)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

22. DERIVATIVES (CONT'D.)

- (a) Derivatives are classified as at fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss.

- (b) The Group has derivative contracts as follows:

- (i) Interest rate swap

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. In the previous financial years, Sunway REIT had entered into 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 gain of RM1,978,000 (2017: RM1,725,000) arising from changes in fair value of interest rate swap in the current financial year.

- (ii) Cross currency swap

During the financial year, Sunway REIT has entered into cross currency swap contract to manage its exposure to foreign currency risk arising from foreign currency borrowings, which was entered into to minimise the interest cost. The Group and the Fund use cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognised directly in other comprehensive income in the cash flow hedge reserve until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the profit or loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit or loss. The application of hedge accounting will create some volatility in equity reserve balances.

Where a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or losses existing in equity at that time remain in equity and are recognised when the forecast transaction is ultimately recognised in the profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the profit or loss.

The fair value of the cross currency swap contract is determined by using the market rate at the end of the reporting period and changes in the fair value is recognised in equity due to the application of hedge accounting.

- (c) Interest rate swap and cross currency swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counter parties and interest rate curves.
- (d) The fair value of the derivatives are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

23. UNITHOLDERS' CAPITAL

	GROUP/FUND			
	2018 UNIT '000	2017 UNIT '000	2018 RM'000	2017 RM'000
Issued and fully paid				
At beginning of financial year	2,945,078	2,943,918	2,795,372	2,793,476
Manager's fees paid in units	-	1,160	-	1,896
Total issued and fully paid	2,945,078	2,945,078	2,795,372	2,795,372
Less: Unit issuance expenses	-	-	(67,543)	(67,543)
At end of financial year	2,945,078	2,945,078	2,727,829	2,727,829

As at 30 June 2018, the Manager did not hold any units in Sunway REIT. However, the parties related to the Manager held units in Sunway REIT as follows:

	GROUP/FUND			
	NUMBER OF UNITS		MARKET VALUE	
	2018 UNIT '000	2017 UNIT '000	2018 RM'000	2017 RM'000
Direct unitholdings of parties				
related to the Manager:				
Millennium Pavilion Sdn. Bhd.	-	4,730	-	8,419
Sunway REIT Holdings Sdn. Bhd.	1,204,078	1,099,578	2,131,218	1,957,249
Indirect unitholdings of parties				
related to the Manager:				
Sunway Berhad [^]	1,204,078	1,099,578	2,131,218	1,957,249

[^] Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Sunway REIT Holdings Sdn. Bhd..

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

24. BORROWINGS

	NOTE	GROUP		FUND	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term borrowings					
Secured:					
Commercial papers	(a)	-	34,000	-	-
Revolving loan - USD	(c)	403,750	-	403,750	-
Term loan - USD		-	429,400	-	429,400
Unrated medium term notes	(d)	1,000,000	1,000,000	-	-
		1,403,750	1,463,400	403,750	429,400
Unsecured:					
Revolving loan	(b)	1,199,000	880,400	1,199,000	880,400
		2,602,750	2,343,800	1,602,750	1,309,800
Less: Discount on commercial					
papers		-	(41)	-	-
		2,602,750	2,343,759	1,602,750	1,309,800
Long term borrowing					
Secured:					
Unrated medium term note	(d)	300,000	-	-	-
Less: Unamortised transaction					
costs		(250)	-	-	-
		299,750	-	-	-
Total borrowings		2,902,500	2,343,759	1,602,750	1,309,800

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

24. BORROWINGS (CONT'D.)

(a) Commercial papers

SunREIT Capital Berhad ("SunREIT Capital" or the "Issuer"), a wholly owned subsidiary of Sunway REIT had, on 26 April 2012, issued its first commercial papers ("CPs") amounting to RM850 million in nominal value. The CPs are issued at a discount to face value under a 7-year programme of up to RM1.6 billion in nominal value ("CP Programme"). The CP Programme has been accorded a rating of P1 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 will classify the outstanding balance of the CPs as current liabilities despite there will be no roll over risk to the Group throughout the duration of the programme as the CP Programme is fully underwritten by the Underwriter for the entire duration of the CP Programme.

(i) Details of the CP Programme

The respective limit of the CP Programme shall be as follows:

- 1) RM1.25 billion in nominal value for the first three (3) years (commencing on the date of first issuance of the commercial paper(s) to be issued from time to time under the CP Programme); and
- 2) RM1.6 billion in nominal value thereafter until expiry of the CP Programme.

The aggregate outstanding nominal value of the CPs issued under the CP Programme shall not exceed the applicable programme limit at any one time. The CPs may be issued via competitive tender, direct or private placement, bought deal basis or book running basis, all without prospectus at the option of the Issuer.

At all times, the amount underwritten will not exceed the programme limit of the CP Programme (being RM1.25 billion for the first three (3) years and RM1.6 billion thereafter). The Underwriter reserves the right to sell down all or part of its underwriting commitment.

On 10 April 2013, Sunway REIT had obtained approval from the Underwriter to revise the underwriting commitment from the applicable programme limit to such underwritten commitment as requested by the Issuer and agreed to by the Underwriter ("Prevailing Underwriting Commitment") at any one time and from time to time provided that at all times the aggregate outstanding nominal value of the CPs shall not exceed the Prevailing Underwriting Commitment.

(ii) Utilisation of the proceeds

The proceeds raised from the CP Programme shall be utilised by the Issuer for the purpose of advancing to Sunway REIT, where the Trustee shall utilise such proceeds firstly to repay the existing borrowings granted by the Underwriter, secondly as working capital requirements of Sunway REIT and to defray expenses incurred in relation to the CP Programme, and thirdly for financing including repayment of cash utilised by Sunway REIT to part finance the investment activities (including capital expenditure and the related acquisition and financing expenses) of Sunway REIT and/or refinancing of existing/future borrowings undertaken by Sunway REIT for its investment activities (including capital expenditure and the related acquisition and financing expenses) as well as to refinance maturing CPs on their respective maturity dates subsequent to the first issuance of the CPs and to fund the Trustee's Reimbursement Account as required under the SC's Trust Deed Guidelines.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

24. BORROWINGS (CONT'D.)

(b) Revolving loan

Sunway REIT had, on 5 June 2012, obtained 1-year floating rate revolving loan facility of RM1.25 billion ("RL Facility") from a financial institution. The purpose of the RL Facility is to partly or fully repay any issuance of the CPs by SunREIT Capital during the tenure of the RL Facility.

The RL Facility has been increased to RM1.5 billion and extended until 25 April 2019.

(c) Revolving loan - USD

Sunway REIT had, on 2 February 2018, secured a 1-year revolving financing-i facility of USD100 million ("USD100 million Loan Facility") from a financial institution to repay the existing 3-year term loan of USD100 million on 5 February 2018. The USD100 million Loan Facility can be renewed for up to another twelve (12) months, subject to annual review of the financial institution. The USD100 million Loan Facility is to be repaid by way of bullet repayment at maturity.

Sunway REIT has entered into cross currency swap contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the period of the USD100 million Loan Facility.

(d) Unrated medium term notes

SunREIT Unrated Bond Berhad, a wholly owned subsidiary of Sunway REIT had, on 30 June 2017, extended and upsized the existing 15-year RM1.0 billion Medium Term Note Programme to a 35-year RM10.0 billion Medium Term Note Programme.

(e) The secured borrowings of the Group and of the Fund are secured by legal charges on investment properties of the Group and of the Fund amounting to RM6,746,000,000 (2017: RM6,600,000,000) as disclosed in Note 15 to the financial statements.

(f) The weighted average interest rates per annum of borrowings that were effective as at the end of the reporting period were as follows:

	GROUP		FUND	
	2018 %	2017 %	2018 %	2017 %
Commercial papers	-	3.92	-	-
Revolving loans	4.08	3.92	4.08	3.92
Term loan	-	3.36	-	3.36
Unrated medium term notes	4.03	3.90	-	-

(g) Sunway REIT has entered into interest rate swap contracts to hedge the floating rate interest payable on CPs and RL Facility. The contracts entitle the Fund to pay interest at fixed rates on notional principal amounts and oblige it 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 2018

24. BORROWINGS (CONT'D.)

- (h) At the reporting date, the interest rate profile of the gross borrowings was:

	GROUP		FUND	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate	1,000,000	1,000,000	-	-
Variable rate	1,902,750	1,343,800	1,602,750	1,309,800

Sensitivity analysis for fixed rate borrowings at the end of the reporting date is not presented as changes in interest rates would not affect profit or loss.

Excluding hedged variable rate instruments of RM150,000,000 (2017: RM1,079,400,000), a (decrease)/increase of 25 basis points in interest rates for the balance unhedged variable rate instruments, assuming all other variables remained constant, at the reporting date would result in the profit for the financial year of the Group and of the Fund to be higher/(lower) by RM4,382,000 (2017: RM661,000) and RM3,632,000 (2017: RM576,000) respectively.

- (i) Maturity of the gross borrowings is as follows:

	GROUP		FUND	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Not later than 1 year	2,602,750	2,343,800	1,602,750	1,309,800
Later than 1 year and not later than 2 years	-	-	-	-
Later than 2 years and not later than 3 years	300,000	-	-	-
Later than 3 years and not later than 4 years	-	-	-	-
Later than 4 years and not later than 5 years	-	-	-	-
	2,902,750	2,343,800	1,602,750	1,309,800

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

24. BORROWINGS (CONT'D.)

- (j) The maturity profile of the Group's and the Fund's borrowings at the reporting date based on contractual undiscounted repayment obligations is summarised in the table below:

	ON DEMAND OR WITHIN ONE YEAR RM'000	ONE TO FIVE YEARS RM'000	OVER FIVE YEARS RM'000	TOTAL RM'000
Group				
As at 30 June 2018	2,638,617	331,127	-	2,969,744
As at 30 June 2017	2,373,747	-	-	2,373,747
Fund				
As at 30 June 2018	1,616,303	-	-	1,616,303
As at 30 June 2017	1,318,307	-	-	1,318,307

- (k) The carrying amounts of the borrowings of the Group and of the Fund as at reporting date were as follows:

	GROUP		FUND	
	CARRYING AMOUNT	FAIR VALUE AT LEVEL 3	CARRYING AMOUNT	FAIR VALUE AT LEVEL 3
	RM'000	RM'000	RM'000	RM'000
At 30 June 2018	2,902,750	2,902,405	1,602,750	1,603,294
At 30 June 2017	2,343,800	2,375,108	1,309,800	1,357,840

There is no transfer between levels in the hierarchy during the financial year.

25. AMOUNTS DUE TO SUBSIDIARIES

- (a) The amount due to a subsidiary (non-current) is unsecured, bears interest rate of 4.18% per annum and is repayable in one to five years.
- (b) The amounts due to subsidiaries (current) are unsecured, non-interest bearing and are repayable on demand, except for an amount of RM1,000,000,000 (2017: RM1,033,959,000) which is unsecured, bears an average interest rate of 3.99% (2017: 3.90%) per annum and is repayable within 1 year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26. LONG TERM LIABILITIES

- (a) Long term liabilities are in respect of refundable deposits received from tenants for tenancy contracts with tenure of two to three years. The long term liabilities are unsecured and non-interest bearing.
- (b) The carrying amounts of the long term liabilities of the Group and of the Fund as at reporting date were as follows:

	GROUP / FUND	
	CARRYING AMOUNT	FAIR VALUE AT LEVEL 3
	RM'000	RM'000
At 30 June 2018	77,519	72,284
At 30 June 2017	65,724	61,155

There is no transfer between levels in the hierarchy during the financial year.

- (c) The maturity profile of the Group's and Fund's long term liabilities at the reporting date based on contractual undiscounted repayment obligations is repayable in one to five years.

27. DEFERRED TAX LIABILITY

	GROUP / FUND	
	2018	2017
	RM'000	RM'000
At beginning of financial year	5,896	5,896
Recognised in profit or loss (Note 12)	1,000	-
At end of financial year	6,896	5,896

The deferred tax liability relates to fair value gain of freehold land component within the investment properties which is expected to be recovered through sale.

Where investment properties are carried at fair value as disclosed in Note 15 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying values at the reporting date unless the property is held with the objective to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

28. TRADE PAYABLES

	GROUP		FUND	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total trade payables	2,096	3,366	2,096	3,366
Add: Other payables (Note 29)	181,583	210,962	173,533	203,435
Less: Deferred income (Note 29)	(1,749)	(1,564)	(1,749)	(1,564)
Add: Amounts due to				
subsidiaries (Note 25)	-	-	1,008,017	1,041,453
Add: Borrowings (Note 24)	2,602,750	2,343,759	1,602,750	1,309,800
Add: Long term liabilities (Note 26)	77,519	65,724	77,519	65,724
Total financial liabilities carried at				
amortised cost	2,862,199	2,622,247	2,862,166	2,622,214

(a) Included in trade payables is the following amounts due to parties related to the Manager:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Sunway Berhad Group	1,015	1,220

The amounts due to parties related to the Manager are unsecured, non-interest bearing and are repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 34 to the financial statements.

- (b) The normal trade credit terms granted to the Group and the Fund range from 1 day to 90 days (2017: 1 day to 90 days).
- (c) The maturity profile of the Group's trade payables at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

29. OTHER PAYABLES

	GROUP		FUND	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sundry payables	7,782	8,289	7,782	8,294
Accruals	132,681	154,851	124,631	147,319
Deferred income (Note 28)	1,749	1,564	1,749	1,564
Refundable deposits	39,371	46,258	39,371	46,258
	181,583	210,962	173,533	203,435

- (a) Included in other payables is the following amounts due to parties related to the Manager:

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Sunway Berhad Group	23,479	24,722

The amounts due to parties related to the Manager are unsecured, non-interest bearing and are repayable on demand. The relationship with the parties related to the Manager is as disclosed in Note 34 to the financial statements

- (b) The maturity profile of the Group's other payables (excluding deferred income) at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

30. PORTFOLIO TURNOVER RATIO

	GROUP	
	2018 RM'000	2017 RM'000
Average of the total acquisitions	215,750	17,200
Average net asset value during the financial year	4,181,713	4,029,606
Portfolio Turnover Ratio ("PTR") (times)	0.05	—*

* Less than 0.01 times

The calculation of PTR is based on the average of the total acquisitions and total disposals of investments in the Group for the year to the average net asset value during the financial year.

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Group's PTR against other real estate investment trusts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

31. MANAGEMENT EXPENSE RATIO

	GROUP	
	2018 RM'000	2017 RM'000
Total trust expenses	38,356	35,197
Net asset value at end of financial year	4,353,236	4,211,720
Less: Proposed final income distribution	(63,319)	(66,853)
Net asset value at end of financial year, after proposed final income distribution	4,289,917	4,144,867
Management Expense Ratio ("MER")	0.89%	0.85%

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.

32. 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	
	2018 RM'000	2017 RM'000
Not later than 1 year	432,969	410,879
Later than 1 year and not later than 5 years	467,145	445,187
Later than 5 years	126,382	21,739
	1,026,496	877,805

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

33. CAPITAL COMMITMENTS

	GROUP / FUND	
	2018 RM'000	2017 RM'000
Capital expenditure		
Subsequent expenditure of investment properties:		
Approved and contracted for	348,437	21,086
Approved but not contracted for	183,490	445,104
	531,927	466,190

34. 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	
		2018 RM'000	2017 RM'000
(a) Sunway Berhad	Rental income and utilities charges	150,234	131,262
Group *	Interest income from investment in money market instrument	2,283	-
	Property management and related services	(38,778)	(31,650)
	Construction and related services	(14,540)	(97,718)
	Acquisition of investment properties	(340,000)	-
	Subscription of commercial paper	(130,000)	-
	Others	(10,754)	(7,644)
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")#	Rental income and utilities charges	571	608
	Others	(2,556)	-

The above transactions have been entered into in the normal course of business and have been established based on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34. SIGNIFICANT TRANSACTIONS WITH PARTIES RELATED TO THE MANAGER (CONT'D.)

The above parties are deemed related to the Manager as follows:

- * Sunway Berhad Group are deemed parties related to the Manager by virtue of Sarena Cheah Yean Tih's interests in Sunway Berhad Group and the Group. Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling and Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the parents of Sarena Cheah Yean Tih, have interests in Sunway Berhad Group and the Group. Sarena Cheah Yean Tih, is a Director of Sunway Berhad, the Manager and the Group as well as Director and alternate Director in several subsidiaries of Sunway Berhad. Evan Cheah Yean Shin, the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a Director in several subsidiaries of Sunway Berhad Group and STSB Group. Adrian Cheah Yean Sun, the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, is a Director in a subsidiary of Sunway Berhad Group. Evan Cheah Yean Shin and Adrian Cheah Yean Sun have interests in Sunway Berhad and the Group.
- # STSB Group are deemed parties related to the Manager by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling's interests in STSB Group and the Group. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the spouse of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, also has deemed interests in STSB Group and the Group. Sarena Cheah Yean Tih, Evan Cheah Yean Shin and Adrian Cheah Yean Sun, being the children of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, have deemed interests in STSB Group and the Group. Evan Cheah Yean Shin is a Director of STSB Group.

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Information regarding outstanding balances arising from transactions with parties related to the Manager as at 30 June 2018 are disclosed in Notes 18, 19, 28 and 29 to the financial statements.

35. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Acquisition of Sunway Clio Property

On 3 August 2017, RHB Investment Bank Berhad announced on behalf of the Board of Directors of Sunway REIT Management Sdn. Bhd., the Manager for Sunway REIT ("Manager"), that RHB Trustees Berhad, as the trustee of Sunway REIT ("Trustee"), entered into a conditional sale and purchase agreement ("SPA") with Sunway Forum Hotel Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of Sunway Berhad, for the proposed acquisition of the Sunway Clio Property for a total purchase consideration of RM340 million to be entirely satisfied in cash ("Proposed Acquisition").

The Proposed Acquisition entails the acquisition of a parcel of leasehold land held under H.S. (D) 259881, Lot No. PT 1333, Bandar Sunway, District of Petaling, Selangor Darul Ehsan together with a 27-storey building with a lower ground floor (and all services infrastructure, fixtures and fittings affixed or located or used in the property) comprising:

- (i) a 19-storey 4-star rated hotel with 401 hotel rooms and facilities including a swimming pool, an exercise area, a dining area and meeting rooms known as Sunway Clio Hotel ("Hotel Property");
- (ii) 3-storey (including 1 storey at lower ground floor) retail lots known as Sunway Pyramid West ("Retail Space"); and
- (iii) a 6-storey podium car park ("Podium Car Park") and 4-storey basement car park (collectively, "Multi-storey Car Park"),

(collectively, the "Sunway Clio Property").

The Proposed Acquisition has been completed on 9 February 2018 following the payment of the balance purchase consideration which was drawn from Sunway REIT's existing debt financing facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36. MATERIAL LITIGATIONS

(a) Sunway Putra (formerly known as Putra Place) - Claims for chattels and movable items (Kuala Lumpur High Court Civil Suit No. 22NCVC-523-09/2015)

Metroplex Holdings Sdn. Bhd. ("MHSB") had filed writ of summons and a statement of claim dated 28 September 2015 against the Trustee and the Manager, respectively, claiming for various chattels and movable items (e.g. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) which were allegedly acquired and owned by 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 movable items were worth in excess of RM80 million as at September 2011.

The trial for liability took place on 5 and 6 June 2017. The decision of the High Court of Malaya at Kuala Lumpur was delivered on 3 November 2017, in favour of MHSB and costs of RM20,000 was awarded to MHSB.

The Trustee and Manager had filed a stay application for the trial for assessment of damages which was dismissed by the Court on 21 May 2018 with no order as to costs. The Court fixed the assessment for case management on 21 September 2018, pending disposal of the Manager's appeal in the Court of Appeal as stated in Note 36(b) to the financial statements.

**(b) Sunway Putra (formerly known as Putra Place) - Appeal to the Court of Appeal against the decision of 3 November 2017
Mahkamah Rayuan Sivil No. 1 - 02(NCVC)(W)-2284-11/2017**

The Trustee and the Manager filed an appeal to the Court of Appeal on liability on 6 November 2017. The trial for the appeal was held on 29 June 2018 but was adjourned to 3 September 2018.

If the eventual outcome of this case is not in the Manager's favour, it would not have any impact on the distribution per unit and immaterial impact on the total asset value of Sunway REIT.

37. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs

(a) New MFRSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2017, the Group and the Fund adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2017.

TITLE	EFFECTIVE DATE
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Fund.

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Fund are disclosed below. The Group and the Fund intend to adopt these Standards, if applicable, when they become effective.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs (CONT'D.)

- (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (cont'd.)

TITLE	EFFECTIVE DATE
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfer of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlements</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Fund are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

38. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform to the current year's presentation:

(a) Reconciliation of statements of financial position of the Group and of the Fund as at 30 June 2017:

	AS PREVIOUSLY REPORTED RM'000	RECLASSIFICATIONS RM'000	AS RECLASSIFIED RM'000
Group			
Trade receivables	16,821	576	17,397
Other receivables	16,153	2,964	19,117
Other payables	207,422	3,540	210,962
Fund			
Trade receivables	16,821	576	17,397
Other receivables	16,153	2,964	19,117
Other payables	199,895	3,540	203,435



UNITHOLDERS' INFORMATION

366
FINANCIAL CALENDAR

367
ANALYSIS OF UNITHOLDINGS

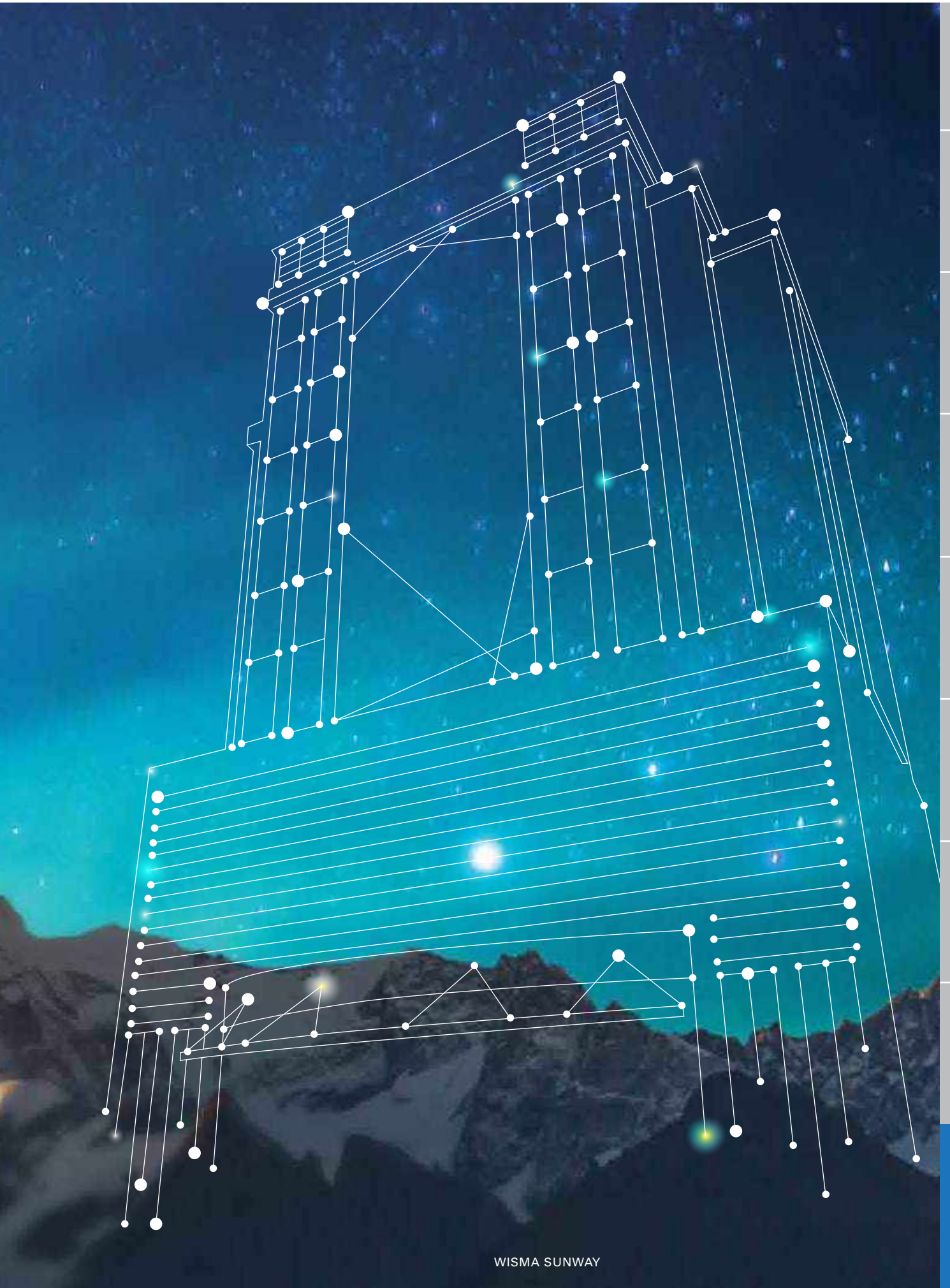
370
NOTICE OF 6TH ANNUAL
GENERAL MEETING

375
PROXY FORM

377
GLOSSARY

STAYING ABOVE AND BEYOND

Everything from the way we develop our strategies to the way we achieve our objectives is a testament to our steely resolve and determination to go beyond expectations.



WISMA SUNWAY

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

**31 OCT
2017**

Announcement of the unaudited results for the 1st quarter ended 30 September 2017

**6 FEB
2018**

Announcement of the unaudited results for the 2nd quarter ended 31 December 2017

**3 MAY
2018**

Announcement of the unaudited results for the 3rd quarter ended 31 March 2018

**9 AUG
2018**

Announcement of the unaudited results for the 4th quarter ended 30 June 2018

INCOME DISTRIBUTION

For the 1st quarter ended 30 September 2017

2.67 sen per unit (of which 2.31 sen per unit was taxable and 0.33 sen per unit was non-taxable and 0.03 sen per unit was tax exempt)

- **Announcement of the notice of entitlement and payment:** 31 October 2017
- **Date of entitlement:** 15 November 2017
- **Date of payment:** 29 November 2017

For the 2nd quarter ended 31 December 2017

2.38 sen per unit (of which 1.94 sen per unit was taxable and 0.38 sen per unit was non-taxable and 0.06 sen per unit was tax exempt)

- **Announcement of the notice of entitlement and payment:** 6 February 2018
- **Date of entitlement:** 22 February 2018
- **Date of payment:** 8 March 2018

For the 3rd quarter ended 31 March 2018

2.37 sen per unit (of which 1.78 sen per unit was taxable, 0.53 sen per unit was non-taxable and 0.06 sen per unit was tax exempt)

- **Announcement of the notice of entitlement and payment:** 3 May 2018
- **Date of entitlement:** 18 May 2018
- **Date of payment:** 5 June 2018

For the 4th quarter ended 30 June 2018

2.15 sen per unit (of which 1.34 sen per unit is taxable and 0.75 sen per unit is non-taxable and 0.06 sen per unit is tax exempt)

- **Announcement of the notice of entitlement and payment:** 9 August 2018
- **Date of entitlement:** 27 August 2018
- **Date of payment:** 12 September 2018

ANNUAL REPORT & ANNUAL GENERAL MEETING

30 AUGUST 2018

Date of Notice of 6th Annual General Meeting and date of issuance of Annual Report 2018

26 SEPTEMBER 2018

Date of 6th Annual General Meeting

ANALYSIS OF UNITHOLDINGS AS AT 20 JULY 2018

Total number of units issued : 2,945,078,000 units
 Voting rights : One vote per unit
 Number of unitholders : 11,890

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	% OF UNITHOLDERS	NO. OF UNITS HELD	% OF UNITS HELD
Less than 100	25	0.21	596	0.01
100 – 1,000	2,751	23.14	1,910,400	0.06
1,001 – 10,000	6,476	54.47	31,210,400	1.06
10,001 – 100,000	2,188	18.40	69,940,032	2.37
100,001 to less than 5% of the total number of units issued	446	3.75	1,649,304,607	56.00
5% and above of the total number of units issued	4	0.03	1,192,711,965	40.50
	11,890	100.00	2,945,078,000	100.00

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS

NO	NAME OF UNITHOLDER	NO. OF UNITS HELD	%
1.	MUFG Bank (Malaysia) Berhad - Pledged Securities Account for Sunway REIT Holdings Sdn Bhd	414,000,000	14.06
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	329,945,000	11.20
3.	Sunway REIT Holdings Sdn Bhd	232,978,565	7.91
4.	Amanahraya Trustees Berhad - Amanah Saham Bumiputera	215,788,400	7.33
5.	Cartaban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sunway REIT Holdings Sdn Bhd	142,500,000	4.84
6.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account - Sumitomo Mitsui Banking Corporat Ion Malaysia Berhad for Sunway REIT Holdings Sdn Bhd	121,000,000	4.11
7.	Kumpulan Wang Persaraan (Diperbadankan)	111,216,000	3.78
8.	Valuecap Sdn Bhd	92,595,000	3.14
9.	Sunway REIT Holdings Sdn Bhd	84,500,000	2.87
10.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sunway REIT Holdings Sdn Bhd (PJCAC)	76,000,000	2.58
11.	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sunway REIT Holdings Sdn Bhd	75,000,000	2.55
12.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	72,935,700	2.48

ANALYSIS OF UNITHOLDINGS AS AT 20 JULY 2018 (CONT'D.)

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS (cont'd)

NO	NAME OF UNITHOLDER	NO. OF UNITS HELD	%
13.	RHB Nominees (Tempatan) Sdn Bhd - Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for Sunway REIT Holdings Sdn Bhd	58,100,000	1.97
14.	Sunway Education Group Sdn Bhd	55,000,000	1.87
15.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	43,648,700	1.48
16.	HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for Smam Asia REIT Sub Trust	42,850,200	1.46
17.	Permodalan Nasional Berhad	32,413,600	1.10
18.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	30,720,000	1.04
19.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	25,150,800	0.85
20.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	25,049,700	0.85
21.	Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	25,000,000	0.85
22.	Teng Yew Huat	25,000,000	0.85
23.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	21,322,700	0.72
24.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	21,098,200	0.72
25.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	21,054,600	0.71
26.	Amanahraya Trustees Berhad - Amanah Saham Bumiputera 2	20,000,000	0.68
27.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc	17,020,500	0.58
28.	DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt AN for Deutsche Bank AG London (Prime Brkr CLT)	15,433,000	0.52
29.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life Par)	15,049,700	0.51
30.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 4)	14,800,000	0.50

ANALYSIS OF UNITHOLDINGS AS AT 20 JULY 2018 (CONT'D.)

SUBSTANTIAL UNITHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL UNITHOLDERS AS AT 20 JULY 2018

NAME OF UNITHOLDER	DIRECT		INDIRECT	
	No. of Units Held	%	No. of Units Held	%
Sunway REIT Holdings Sdn Bhd	1,204,078,565	40.88	-	-
Employees Provident Fund Board	413,140,100	14.03	-	-
Amanahraya Trustees Berhad - Amanah Saham Bumiputera	215,788,400	7.33	-	-
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling AO	-	-	1,204,078,565 ⁽¹⁾	40.88
Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng	-	-	1,204,078,565 ⁽²⁾	40.88
Sarena Cheah Yean Tih, S.M.S.	-	-	1,204,081,565 ⁽³⁾	40.88
Evan Cheah Yean Shin	-	-	1,204,078,565 ⁽¹⁾	40.88
Adrian Cheah Yean Sun	-	-	1,204,078,565 ⁽¹⁾	40.88
Active Equity Sdn Bhd	-	-	1,204,078,565 ⁽⁴⁾	40.88
Sungei Way Corporation Sdn Bhd	-	-	1,204,078,565 ⁽⁵⁾	40.88
Sunway Berhad	-	-	1,204,078,565 ⁽⁶⁾	40.88

Notes:

⁽¹⁾ Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway REIT Holdings Sdn Bhd.

⁽²⁾ Deemed interest by virtue of Section 8 of the Companies Act 2016 held through spouse.

⁽³⁾ Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway REIT Holdings Sdn Bhd and spouse.

⁽⁴⁾ Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway REIT Holdings Sdn Bhd.

⁽⁵⁾ Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Sunway Berhad and Sunway REIT Holdings Sdn Bhd.

⁽⁶⁾ Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Sunway REIT Holdings Sdn Bhd.

UNITHOLDING OF DIRECTORS

NAME OF UNITHOLDER	DIRECT		INDIRECT	
	No. of Units Held	%	No. of Units Held	%
Elvin A/L Bertly Luke Fernandez	90,000	#	-	-
Sarena Cheah Yean Tih, S.M.S.	-	-	1,204,081,565 ^(a)	40.88

Notes:

^(a) Negligible

^(a) Deemed interest by virtue of Section 8 of the Companies Act 2016 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway REIT Holdings Sdn Bhd and spouse.

NOTICE OF 6TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting ("**6th AGM**") of Sunway Real Estate Investment Trust ("**Sunway REIT**") will be held at Grand Luxor, Level CP4, Sunway Pyramid Convention Centre, 3, Jalan PJS 11/15, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 26 September 2018 at 3:00 pm or at any adjournment thereof, for the following purposes:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 of Sunway REIT together with the Reports of Manager, Trustee and Auditors thereon.

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following as Ordinary Resolutions:

2. **Proposed Authority to Issue and Allot New Units of up to 20% of the Total Number of Issued Units of Sunway REIT (Resolution 1)**

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Deed dated 20 May 2010 and the Supplemental Deed dated 10 June 2010 entered into between Sunway REIT Management Sdn Bhd (the "**Manager**") and RHB Trustees Berhad (the "**Trustee**") constituting Sunway REIT, as amended, varied or supplemented from time to time and the approvals of the relevant regulatory authorities being obtained, authority be and is hereby given to the Directors of the Manager, to issue and allot units in Sunway REIT ("**New Units**"), at any time at such price to any such persons and upon such terms and conditions as the Directors of the Manager may in their absolute discretion, deem fit and expedient in the best interest of Sunway REIT, provided that the aggregate number of New Units to be issued, when aggregated with the total number of units issued during the preceding 12 months, does not exceed 20% of the total number of issued units of Sunway REIT for the time being comprising 2,945,078,000 units ("**Proposed Authority**");

THAT such authority shall continue to be in force until:

- (i) the conclusion of the next AGM of Sunway REIT at which time this Proposed Authority will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the unitholders is required by law to be held; or
- (iii) the Proposed Authority is revoked or varied by a resolution passed by the unitholders in a general meeting of Sunway REIT, whichever is earlier;

THAT such New Units to be issued pursuant to the Proposed Authority shall, upon issue and allotment, rank pari passu in all respects with the existing units of Sunway REIT, except that the New Units will not be entitled to any income distributions, rights, benefits, entitlements and/or any other distributions that may be declared prior to the date of issue and allotment of such New Units;

THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Sunway REIT, to give effect to the Proposed Authority including but not limited to the creation of the requisite New Units and with full powers to assent to any conditions, modifications, variations, arrangements and/or amendments as they may deem fit in the best interest of Sunway REIT and/or as may be imposed by the relevant authorities;

AND THAT the Directors of the Manager and the Trustee, acting for and on behalf of Sunway REIT, be and are hereby authorised to implement, finalise, complete and do all acts, deeds and things (including executing such documents as may be required) in relation to the Proposed Authority."

NOTICE OF 6TH ANNUAL GENERAL MEETING

3. **Proposed Unitholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Resolution 2)**

"THAT approval be and is hereby given for Sunway REIT to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("**Recurrent Related Party Transactions**") as set out in Section 2.3 of the Circular to Unitholders dated 30 August 2018, subject to the following ("**Proposed Mandate**"):

- (a) the Recurrent Related Party Transactions are entered into in the ordinary course of business which are necessary for day-to-day operations and are on Sunway REIT's normal commercial terms which are not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on an arm's length basis which are not detrimental to the minority unitholders of Sunway REIT; and
- (b) the unitholders' mandate is subject to annual renewal and this unitholders' mandate shall only continue to be in force until:
 - (i) the conclusion of the next AGM of Sunway REIT at which time this Proposed Mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
 - (ii) the expiration of the period within which the next AGM of Sunway REIT is required by law to be held; or
 - (iii) the Proposed Mandate is revoked or varied by a resolution passed by the unitholders in a general meeting of Sunway REIT, whichever is earlier;

AND THAT the Directors of the Manager and the Trustee be and are hereby authorised to do all acts, deeds and things and execute all necessary documents as they may consider necessary or expedient in the best interest of Sunway REIT with full power to assent to any conditions, variations, modifications, arrangements and/or amendments in any manner as may be required or permitted under relevant authorities and to deal with all matters in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Recurrent Related Party Transactions contemplated and/or authorised by this ordinary resolution."

**By Order of the Board of
SUNWAY REIT MANAGEMENT SDN BHD**
(Manager for Sunway REIT)

TAN KIM AUN (MAICSA 7002988)
ONG WEI LENG (MAICSA 7053539)
Company Secretaries

Bandar Sunway
30 August 2018

NOTICE OF 6TH ANNUAL GENERAL MEETING

Notes:

- (1) A unitholder who is entitled to attend and vote at the meeting may appoint a proxy or proxies (not more than 2 proxies) to attend and vote on his/her behalf. A proxy may but need not be a unitholder of Sunway REIT.
- (2) 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 with units standing to the credit of the said securities account.
- (3) Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, who holds units in Sunway REIT for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds with units standing to the credit of the said Omnibus Account.
- (4) Where a unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointments shall be invalid unless he or it specifies the proportions of his or its holdings to be represented by each proxy.
- (5) If a unitholder has appointed a proxy or proxies (not more than 2 proxies) to attend the 6th AGM 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 the 6th AGM.
- (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 for the appointment of a proxy must be completed and deposited at the registered office of the Manager, Sunway REIT Management Sdn Bhd at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia, not less than 24 hours before the time appointed for holding the 6th AGM or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507, and in default, the instrument of proxy shall not be treated as valid. In the case where the unitholder is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the registered office of the Manager, either by hand or post not less than 24 hours before the time appointed for holding the 6th AGM or any adjournment thereof.
- (8) If no name is inserted in the space for the name of your proxy, the Chairman of the meeting will act as your proxy.
- (9) Only a depositor whose name appears in the Record of Depositors of Sunway REIT as at 14 September 2018 shall be regarded as a unitholder and entitled to attend, speak and vote at the 6th AGM or appoint proxies to attend and/or vote on his or its behalf.

Audited Financial Statements for the financial year ended 30 June 2018 of Sunway REIT together with the Reports of Manager, Trustee and Auditors thereon

- (10) The audited financial statements under Agenda 1 are laid before the unitholders for discussion only as under the paragraph 13.18(b) of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia on 15 March 2018, the audited financial statements do not require a formal approval of the unitholders and hence, the matter is not put forward for voting.

NOTICE OF 6TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESSES

(11) Ordinary Resolution 1 - Proposed Authority

The proposed ordinary resolution, if passed, will give a mandate to the Directors of the Manager to issue and allot units in Sunway REIT from time to time provided that the aggregate number of the New Units to be issued, when aggregated with the total number of units issued during the preceding 12 months, does not exceed 20% of the total number of issued units of Sunway REIT for the time being. The Proposed Authority, unless revoked or varied by a resolution passed by the unitholders in a general meeting of Sunway REIT, will expire at the conclusion of the next AGM of Sunway REIT.

As at the date of this notice, Sunway REIT has not issued any units under the mandate which was approved at the 5th AGM held on 25 October 2017 and which will lapse at the conclusion of the 6th AGM.

With this Proposed Authority, Sunway REIT will have the flexibility to issue and allot New Units to raise funds to finance future investments, acquisitions and capital expenditure project(s) to enhance the value of Sunway REIT and/or to refinance existing debt as well as for working capital purposes without convening a general meeting, which may delay the capital raising initiatives and incur relevant costs in organising the required general meeting.

(12) Ordinary Resolution 2 - Proposed Mandate

The details on the proposed unitholders' mandate for recurrent related party transactions of a revenue or trading nature are set out in the Circular to Unitholders dated 30 August 2018.

ABSTENTION FROM VOTING

- (13) The interested Director of the Manager who is a unitholder of Sunway REIT will abstain from voting on Ordinary Resolution 2 concerning the Proposed Mandate. In addition, the interested Director will ensure that person connected with her will abstain from voting on Ordinary Resolution 2 concerning the Proposed Mandate.

PERSONAL DATA PRIVACY

- (14) By lodging of a completed Proxy Form to Sunway REIT for appointing a proxy(ies) and/or representative(s) to attend and vote in person at the 6th AGM and any adjournment thereof, a unitholder of Sunway REIT is hereby:

- (i) consenting to the collection, use and disclosure of the member's personal data by Sunway REIT (or its agents) for the purpose of the processing and administration by Sunway REIT (or its agents) of proxies and representatives appointed for the 6th AGM (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 6th AGM (including any adjournment thereof), and in order for Sunway REIT (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warranting that where the member discloses the personal data of the unitholder's proxy(ies) and/or representative(s) to Sunway REIT (or its agents), the unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by Sunway REIT (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes ("**Warranty**"); and
- (iii) agreeing that the member will indemnify Sunway REIT in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the unitholder's breach of the Warranty.

For the purposes of this paragraph, "personal data" shall have the same meaning given in section 4 of the Personal Data Protection Act 2010.

This page is intentionally left blank.

SUNWAY®

REIT

(Established in Malaysia under the Deed dated 20 May 2010 and the Supplemental Deed dated 10 June 2010 entered into between Sunway REIT Management Sdn Bhd and RHB Trustees Berhad, as amended, varied or supplemented from time to time)

PROXY FORM

6TH ANNUAL GENERAL MEETING

SUNWAY REIT MANAGEMENT SDN BHD (Company No. 806330-X)
Manager for Sunway Real Estate Investment Trust

Registered Office:
Level 16, Menara Sunway, Jalan Lagoon Timur
Bandar Sunway, 47500 Subang Jaya
Selangor Darul Ehsan, Malaysia
Tel: (603) 5639 8889 Fax: (603) 5639 9507
Helpline: (603) 5639 8841

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 ("Sunway REIT") and entitled to vote hereby appoint:-

1ST PROXY 'A'

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
Address	NRIC No./Passport No.	No. of Units	%

and/or failing *him/her,

2ND PROXY 'B'

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
Address	NRIC No./Passport No.	No. of Units	%

100%

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the 6th Annual General Meeting of Sunway REIT to be held at Grand Luxor, Level CP4, Sunway Pyramid Convention Centre, 3, Jalan PJS 11/15, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 26 September 2018 at 3:00 pm or at any adjournment thereof.

** Strike out whichever not applicable*

My/our proxy/proxies shall vote as follows:-

Please indicate with an "X" in the space below to show how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolution at his/her/their discretion.

NO.	ORDINARY RESOLUTION	1 ST PROXY 'A'		2 ND PROXY 'B'	
		FOR	AGAINST	FOR	AGAINST
1.	Proposed Authority to Issue and Allot New Units of up to 20% of the Total Number of Issued Units of Sunway REIT				
2.	Proposed Unitholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature				

Dated this.....day of.....2018



Signature of Unitholder.....

Notes:

- (1) A unitholder who is entitled to attend and vote at the meeting may appoint a proxy or proxies (not more than 2 proxies) to attend and vote on his/her behalf. A proxy may but need not be a unitholder of Sunway REIT.
- (2) 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 with units standing to the credit of the said securities account.
- (3) Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, who holds units in Sunway REIT for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds with units standing to the credit of the said Omnibus Account.
- (4) Where a unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointments shall be invalid unless he or it specifies the proportions of his or its holdings to be represented by each proxy.
- (5) If a unitholder has appointed a proxy or proxies (not more than 2 proxies) to attend the 6th AGM 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 the 6th AGM.
- (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 for the appointment of a proxy must be completed and deposited at the registered office of the Manager, Sunway REIT Management Sdn Bhd at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia, not less than 24 hours before the time appointed for holding the 6th AGM or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507, and in default, the instrument of proxy shall not be treated as valid. In the case where the unitholder is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the registered office of the Manager, either by hand or post not less than 24 hours before the time appointed for holding the 6th AGM or any adjournment thereof.
- (8) If no name is inserted in the space for the name of your proxy, the Chairman of the meeting will act as your proxy.
- (9) Only a depositor whose name appears in the Record of Depositors of Sunway REIT as at 14 September 2018 shall be regarded as a unitholder and entitled to attend, speak and vote at the 6th AGM or appoint proxies to attend and/or vote on his or its behalf.
- (10) By lodging of a completed Proxy Form to Sunway REIT for appointing a proxy(ies) and/or representative(s) to attend and vote in person at the 6th AGM and any adjournment thereof, the unitholder accepts and agrees to the person data privacy terms as set out in the Notice of 6th AGM dated 30 August 2018.

PLEASE FOLD HERE

STAMP

THE UNIT REGISTRAR
SUNWAY REAL ESTATE INVESTMENT TRUST
LEVEL 16, MENARA SUNWAY
JALAN LAGOON TIMUR
BANDAR SUNWAY
47500 SUBANG JAYA
SELANGOR DARUL EHSAN
MALAYSIA

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, as amended, varied or supplemented from time to time
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

This page is intentionally left blank.



SUNWAY REIT MANAGEMENT SDN BHD (Company No. 806330-X)
Manager of Sunway REIT

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

Tel : (603) 5639 8888
Fax : (603) 5639 8001
Website : www.sunwayreit.com
E-mail : irsunreit@sunway.com.my

SUNWAY®