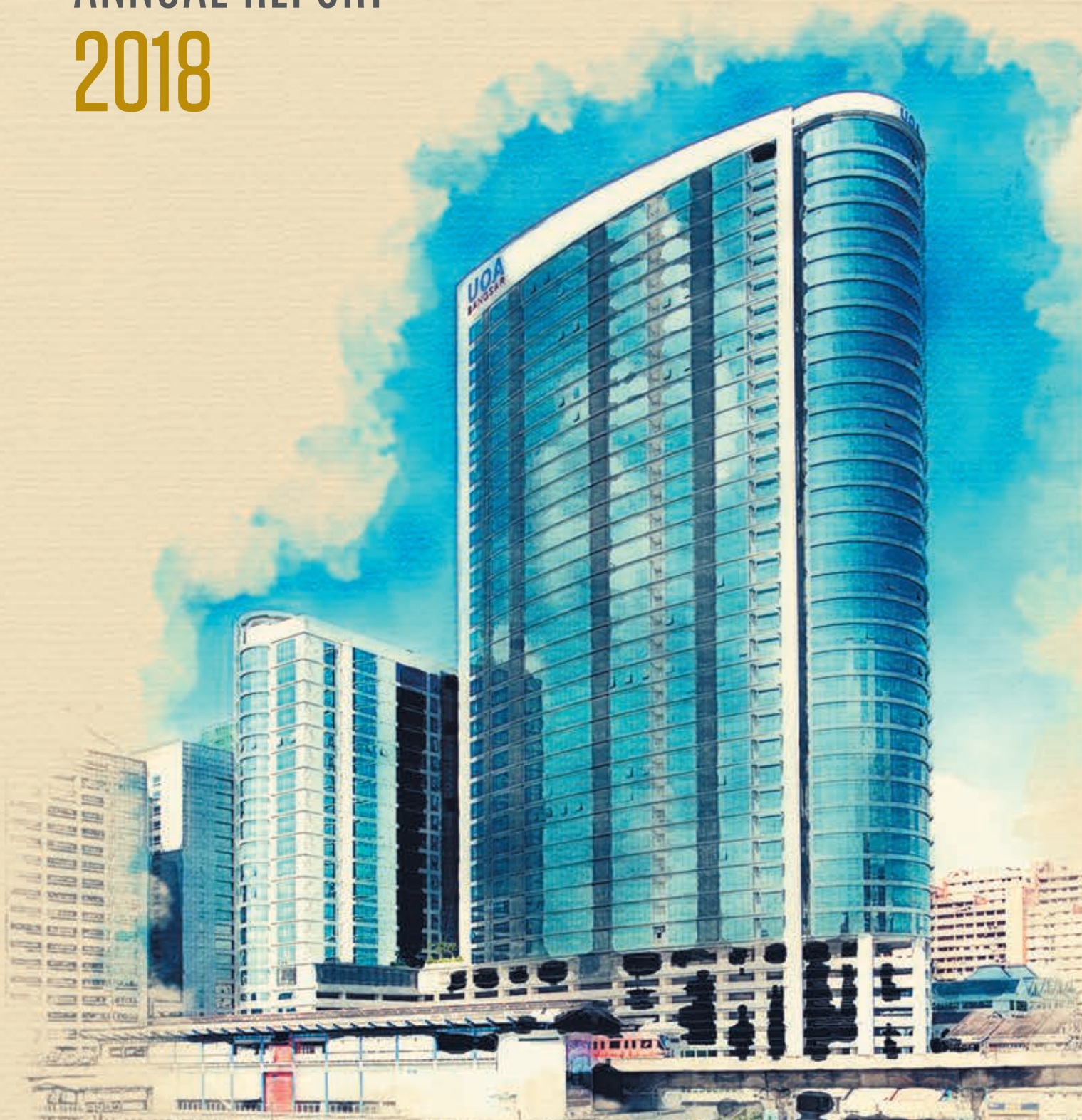




REAL ESTATE INVESTMENT TRUST

# ANNUAL REPORT 2018





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#### **Cover**

**Comprising 15 levels of office space and 3 levels of retail podium, Menara UOA Bangsar (Parcel B) features spacious, well-planned layouts and modern facilities. It is also highly accessible with direct linkage to a LRT station.**

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**UOA Real Estate Investment Trust  
Annual Report 2018**

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# OUR GLOSSARY

## MANAGER

UOA Asset Management Sdn Bhd (692639-U)

### Parcel B – Menara UOA Bangsar

Consisting of a tower block, namely Tower B comprising 15 levels of office space, 3 levels of retail podium, 6 levels of elevated car park and 4 levels of basement car park (which form part of a development known as Menara UOA Bangsar)

### Properties

Wisma UOA Damansara II, Parcel B – Menara UOA Bangsar and the parcels within UOA Centre, UOA II and UOA Damansara

### Property Manager

Jordan Lee & Jaafar Sdn Bhd (59901-U)

### Trustee

RHB Trustees Berhad (573019-U)

### Unitholders

Unitholders of UOA REIT

### UOA Ltd Group

United Overseas Australia Ltd (ACN009245890) and its subsidiaries

### UOA Holdings Group

UOA Holdings Sdn Bhd (190246-V) and its subsidiaries

### UOA REIT/The Trust

UOA Real Estate Investment Trust



## MANAGER

UOA Asset Management Sdn Bhd (692639-U)

## PRINCIPAL PLACE OF BUSINESS OF THE MANAGER

UOA Corporate Tower  
Lobby A, Avenue 10, The Vertical  
Bangsar South City  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia  
Telephone: +603 2245 9188  
Facsimile: +603 2241 4862

## REGISTERED ADDRESS OF THE MANAGER

No. 9, Jalan Indah 16  
Taman Cheras Indah  
56100 Kuala Lumpur, Malaysia  
Telephone: +603 9287 1000  
Facsimile: +603 9287 2000

## BOARD OF DIRECTORS OF THE MANAGER

Alan Charles Winduss (*Chairman*)  
Kong Sze Choon (*Chief Executive Officer*)  
Kung Beng Hong  
Dato' Gan Boon Khuay  
Yap Kang Beng

## AUDIT AND RISK MANAGEMENT COMMITTEE

Kung Beng Hong (*Chairman*)  
Dato' Gan Boon Khuay  
Alan Charles Winduss

## COMPANY SECRETARIES OF THE MANAGER

Yap Kai Weng (MAICSA No.: 74580)  
Wong Yoke Leng (MAICSA No.: 7032314)

## MANAGEMENT TEAM OF THE MANAGER

Kong Sze Choon (*Chief Executive Officer / Executive Director*)  
Adrienne Ho (*Accountant*)  
Fam Chai Hing (*Compliance Officer*)

## TRUSTEE

RHB Trustees Berhad (573019-U)  
Level 11, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur, Malaysia  
Telephone: +603 9280 8799  
Facsimile: +603 9280 8796

## PROPERTY MANAGER

Jordan Lee & Jaafar Sdn Bhd (59901-U)  
Suite 1.1, Level 1, Block C  
Plaza Damansara  
45, Jalan Medan Setia 1  
Bukit Damansara  
50490 Kuala Lumpur, Malaysia  
Telephone: +603 2095 5811  
Facsimile: +603 2095 5843

## REGISTRAR OF THE TRUST IN CHARGE OF THE REGISTER OF UNITHOLDERS

Tricor Investor & Issuing House Services Sdn Bhd (118401-V)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South City  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia  
Telephone: +603 2783 9299  
Facsimile: +603 2783 9222

## AUDITORS

Grant Thornton Malaysia (No. AF: 0737)  
Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
Telephone: +603 2692 4022  
Facsimile: +603 2732 5119

## BANKERS

CIMB Bank Berhad  
AmBank (M) Berhad  
AmBank Islamic Berhad  
United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Stock Code: UOA REIT 5110

## WEBSITE

[www.uoareit.com.my](http://www.uoareit.com.my)

## INVESTOR RELATIONS

Email: [uoacare@Quoa.com.my](mailto:uoacare@Quoa.com.my)  
Telephone: 1 300 88 6668 (Malaysia)  
+603 2245 9192 (International)

# PROFILE OF DIRECTORS OF THE MANAGER

## ALAN CHARLES WINDUSS

*(Independent Non-Executive Chairman)*

Nationality • Australian

Alan Charles Winduss, Australian, male, aged 78, is an Independent Non-Executive Chairman and a member of the Audit and Risk Management Committee. He was appointed on 28 November 2005 as Director and was re-designated to Chairman on 21 April 2016. He was re-designated to Independent Non-Executive Director on 18 April 2018. He is also a Director of Winduss & Associates Pty Ltd. He has been involved in the professional accounting in public practice for over 32 years, specialising in matters relating to corporate management, restructuring, corporate finance and company secretarial matters including the Australian Securities Exchange ("ASX") and the Australian Securities Exchange and

Investments Commission compliance. The accounting practice of Winduss & Associates Pty Ltd lists among its field of expertise matters relating to property development, management and ownership. He sits on the board of two companies listed on the ASX, and serves on the board of Australian incorporated private limited companies. Mr. Winduss is also an Independent Non-Executive Director of UOA Development Bhd and United Overseas Australia Ltd, the ultimate holding company of the Manager.

Mr. Winduss graduated from the then Perth Technical College (now known as Curtin University) with a Diploma in Accounting in 1963. He is a member of various professional

bodies including the Institute of Chartered Accountants in Australia and the Certified Public Accountants Australia. In addition, he is an Associate Fellow of the Australian Institute of Management, a Fellow of the Taxation Institute of Australia, a Fellow of the Australian Institute of Company Directors and a registered Australian Company Auditor.

He does not have any family relationship with any Director and/or major unitholder of UOA REIT, nor any conflict of interest with the Manager, UOA Asset Management Sdn Bhd. He has no conviction for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

## KONG SZE CHOON

*(Chief Executive Officer and Non-Independent Executive Director)*

Nationality • Singaporean

Kong Sze Choon, Singaporean, male, aged 42, is Chief Executive Officer and Non-Independent Executive Director. He was appointed on 14 January 2011. He is a graduate of Curtin University of Technology, Australia with a Bachelor of Commerce Degree in Finance. Mr. Kong worked in financial institutions in Singapore where he was involved in managing and growing the investment portfolio of high net worth individuals. He was part of the management team and held the position of Asset Management Manager prior to his appointment as Chief Executive Officer.

He joined UOA Holdings Group in 2002 and his initial roles in UOA Holdings Group were predominantly in leasing as well as sales and marketing of commercial and residential developments of the UOA Holdings Group. Apart from his key role in the Leasing department, he was also involved in business development of UOA Holdings Group.

He is currently Director of UOA (Singapore) Pte Ltd, a subsidiary company of the ultimate holding company of the Manager, United Overseas Australia Ltd ("UOA Ltd").

He is also the Alternate Director to Mr. Kong Chong Soon, Managing Director of UOA Development Bhd.

He is the son of Mr. Kong Chong Soon, an indirect major shareholder of UOA Asset Management Sdn Bhd ("Manager") and a major unitholder of UOA REIT via his interest in UOA Ltd Group. He does not have any conflict of interest with the Manager and has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

## KUNG BENG HONG

*(Independent Non-Executive Director)*

Nationality • Malaysian

Kung Beng Hong, Malaysian, male, aged 73, is one of our Independent Non-Executive Directors and Chairman of the Audit and Risk Management Committee. He was appointed on 28 November 2005. He is a graduate of University of Malaya majoring in Economics and a Fellow of Institute of Bankers, Malaysia. He has had an illustrious career in the banking industry over the last 50 years where he held numerous senior management posts including stints in United States of America and Singapore with Citibank where he served for 19 years. Other notable positions held include Senior General Manager of MBF Bhd (1984 – 1986), General Manager/Executive Director of United Asian

Bank (1986 – 1992), Chief Executive Officer/Director of Overseas Union Bank (1992 – 2002), Managing Director/Chief Executive Officer of AmBank (M) Berhad (2002 – 2003), Group Chief Executive Officer/Director of EON Bank Group (2003 – 2004) and Non-Independent Non-Executive Director of Alliance Bank Malaysia Bhd and Alliance Investment Bank Bhd.

Mr. Kung currently serves as Advisor to Fullerton Financial Holdings Pte Ltd. He also holds directorships in Asian Institute of Finance Bhd (a non-listed public company limited by guarantee) and Quill Motorcars Sdn Bhd.

He does not have any family relationship with any Director and/or major unitholder of UOA REIT, nor any conflict of interest with the Manager, UOA Asset Management Sdn Bhd. He has no conviction for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

## DATO' GAN BOON KHUAY

*(Independent Non-Executive Director)*

Nationality • Malaysian

Dato' Gan Boon Khuay, Malaysian, male, aged 65, is one of our Independent Non-Executive Directors and a member of the Audit and Risk Management Committee. He was appointed on 16 November 2005. He holds a Bachelor of Science (First Class Honours) Degree in Civil, Structural and Environmental Engineering from University College London, University of London, United Kingdom. He was awarded the Chadwick Medal & Prize in 1977. He has also successfully completed the East Asian Executive Leadership Course from Harvard University, Boston, United States of America. On 19 March 2012, he was conferred the IEM Honorary Member Award by the Institution of Engineers, Malaysia.

Dato' Gan Boon Khuay has over 42 years of experience in property and project management as well as property development and investment. After a 3-year stint as Property and Project Manager of Rahim & Co Chartered Surveyors, he co-founded the Senawang Land group of companies and served on the Board initially as Project Director and for the last 30 years as Managing Director. He also holds directorships in various private limited companies.

Dato' Gan Boon Khuay was appointed Chairman of Plaza Mont'Kiara Management Corporation in October 2017. He was also the Chairman of Plaza Mont'Kiara Joint

Management Body from January 2014 to June 2015 (until the formation of Plaza Mont'Kiara Management Corporation).

He does not have any family relationship with any Director and/or major unitholder of UOA REIT, nor any conflict of interest with the Manager, UOA Asset Management Sdn Bhd. He has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.

## YAP KANG BENG

*(Non-Independent Non-Executive Director)*

Nationality • Malaysian

Yap Kang Beng, Malaysian, male, aged 43, was appointed Non-Independent Non-Executive Director on 18 March 2016. He graduated with a Degree in Bachelor of Economics (Honours) in Accounting and Finance from University of Manchester, United Kingdom.

He joined UOA Holdings Sdn Bhd in 2010. His duties include corporate affairs and investor relations matters. He is also involved

in leasing as well as sales and marketing of commercial developments of UOA Holdings Group.

He worked in the financial industry for over 13 years prior to joining UOA Holdings Group. Before he assumed his present position, he was a global investment specialist in J.P. Morgan Private Bank (Singapore). Prior to that, he also took up different roles in Treasury and Risk

Management in Hong Leong Bank Berhad and Standard Chartered Bank Berhad.

He does not have any family relationship with any Director and/or major unitholder of UOA REIT, nor any conflict of interest with the Manager, UOA Asset Management Sdn Bhd. He has no convictions for any offences, and there is no sanction or penalty imposed on him by any regulatory bodies over the past 5 years.



# MANAGEMENT DISCUSSION AND ANALYSIS





## OVERVIEW OF BUSINESS AND OPERATIONS, OBJECTIVES AND STRATEGIES

**UOA Real Estate Investment Trust ("UOA REIT" of "Trust") is a real estate trust fund which commenced its operations on 1 December 2005 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 30 December 2005.**

The principal activity of UOA REIT is to invest in a diversified portfolio of real estate and real estate-related assets used, or predominantly used, for commercial purposes. Geographically, it is presently focused in Kuala Lumpur where all existing assets in the portfolio are located in.

The objective of UOA REIT and its subsidiary (the "Group") is to achieve a stable return from rental income and long term capital growth in its assets. In order to enhance the performance of the Properties in the portfolio, the Group employs active operating strategies which include optimising of rental income via management of tenancies and renewals, improving tenant retentions through relationship management, working closely with Property manager to pursue new tenancy opportunities. The Group also, where practicable, carry out asset enhancement initiatives to maintain or improve the quality and appearance of the Properties.

The Manager seeks to enhance the unit value through selective acquisitions. Apart from seeking yield-accretive acquisitions, the acquisition strategy also takes into consideration the location, existing occupancy rate, specifications, facilities as well as the tenant mix of the building.

Capitalising on the relationship with UOA Holdings Group of companies, one of Malaysia's leading property development, property investment, property management services and construction group of companies, the Manager expects to be at a competitive advantage and benefit towards achieving its long term acquisition objectives.

The Properties in the portfolio are intended to be held on a long term basis. Where a property has reached a phase with limited prospect for growth, selling the property can be considered.

Guided by the gearing limits stipulated in Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"), the Manager aims to optimise the Group's capital structure and cost of capital.

# MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

## FINANCIAL HIGHLIGHTS

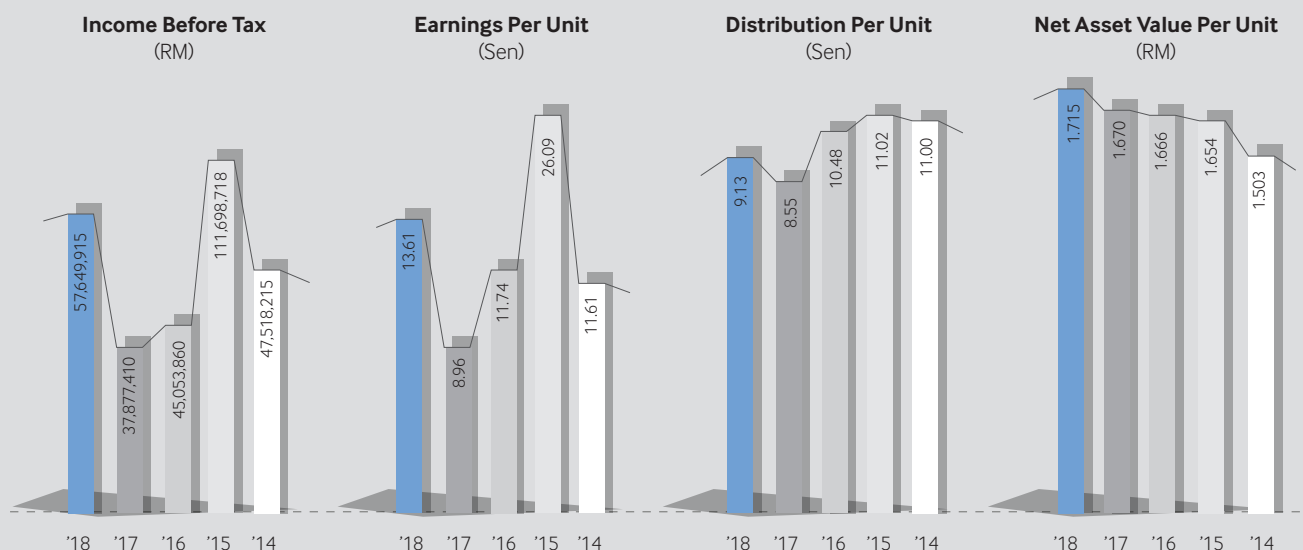
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Total gross income (RM)	<b>78,585,653</b>	82,349,551	89,731,158	91,935,277	90,386,624
Income before tax (RM)	<b>57,649,915</b>	37,877,410	45,053,860	111,698,718	47,518,215
Income after tax (RM)					
– Realised	<b>35,002,263</b>	38,010,082	45,217,832	47,519,544	47,444,250
– Unrealised	<b>22,534,509</b>	(132,672)	4,413,829	62,797,718	1,672,138
<b>Total</b>	<b>57,536,772</b>	37,877,410	49,631,661	110,317,262	49,116,388
Earnings per unit (sen)					
– Realised	<b>8.28</b>	8.99	10.69	11.24	11.22
– Unrealised	<b>5.33</b>	(0.03)	1.05	14.85	0.39
<b>Total</b>	<b>13.61</b>	8.96	11.74	26.09	11.61
Distribution per unit (sen)	<b>9.13</b>	8.55	10.48	11.02	11.00
Total asset value (RM)	<b>1,049,495,779</b>	1,139,654,374	1,137,969,137	1,135,251,395	1,071,048,612
Net asset value (RM)	<b>725,242,159</b>	706,313,578	704,591,093	699,277,003	635,560,210
Net asset value per unit (RM)	<b>1.715</b>	1.670	1.666	1.654	1.503
Market price per unit (RM)	<b>1.31</b>	1.62	1.76	1.60	1.43
Distribution yield	<b>6.97%</b>	5.28%	5.95%	6.89%	7.69%
Annual total returns (RM) <sup>(1)</sup>	<b>35,002,263</b>	38,010,082	45,217,832	47,519,544	47,444,250
Average total returns <sup>(2)</sup>					
– for one year	<b>7.35%</b>	7.98%	9.50%	9.98%	9.97%
– for three years	<b>8.28%</b>	9.15%	9.82%	9.87%	9.88%
– for five years	<b>8.96%</b>	9.42%	9.82%	9.67%	9.70%

<sup>(1)</sup> Annual total returns are defined as realised income after tax.

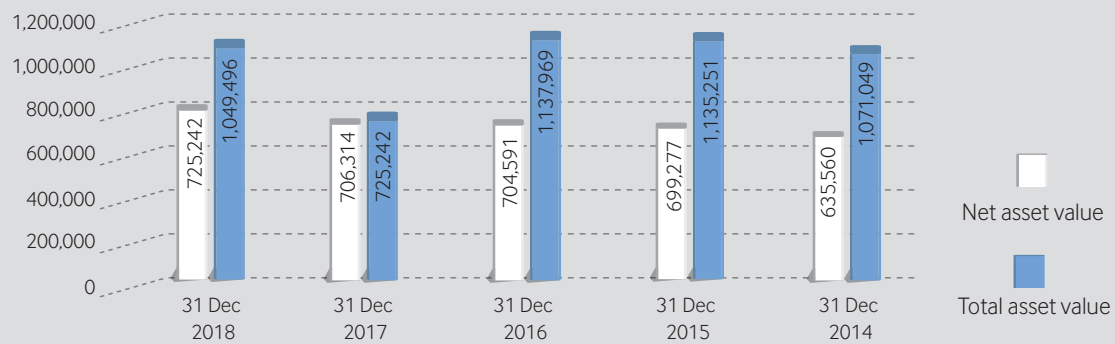
<sup>(2)</sup> Average total returns are calculated based on annual total returns for the respective financial years divided by unitholders' capital for the respective financial years.

### Note:

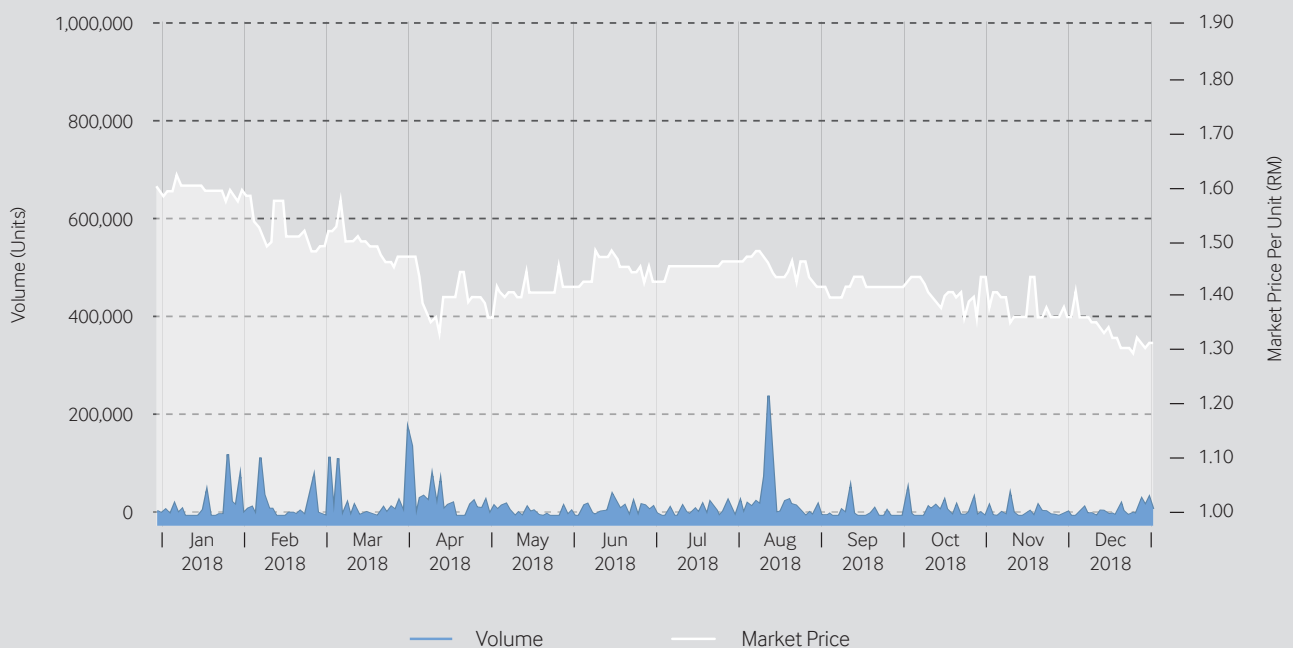
Past performance is not necessarily indicative of future performance. Unit prices and investment returns may fluctuate in line with economic conditions and subsequent trust performance.



### TOTAL ASSET VALUE AND NET ASSET VALUE (RM'000)



### TRADING PERFORMANCE AND MARKET PRICE PER UNIT





# MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

## REVIEW OF FINANCIAL RESULTS

### 1. Overall Financial Results

The Group recorded a total gross rental of RM78.2 million in financial year 2018 compared to RM82.0 million in the preceding year. The decline was mainly due to disposal of Wisma UOA Pantai which was completed on 25 July 2018. As a result of the disposal, the property operating expenses for the year also dropped by 6.98% to RM20.9 million in the financial year under review.

The summary of our gross rental, property operating expenses and net rental income for each property in the portfolio property financial year 2018 is detailed below:

Properties	Gross Rental (RM'000)	Property Operating Expenses (RM'000)	Net Rental Income (RM'000)
UOA Centre	6,224	4,323	1,901
UOA II	21,129	4,204	16,925
UOA Damansara	9,587	2,848	6,739
Wisma UOA Pantai *	2,097	1,214	883
Wisma UOA Damansara II	13,179	3,105	10,074
Parcel B – Menara UOA Bangsar	25,984	5,250	20,734
<b>Total</b>	<b>78,200</b>	<b>20,944</b>	<b>57,256</b>

\* Disposed on 25 July 2018

The increase in administration expenses by approximately RM1 million during the financial year was mainly due to the expenses from the disposal of Wisma UOA Pantai as well as stamp duty incurred from the purchase of two parcels in Menara UOA Bangsar from UOA REIT by the subsidiary.

A drop in the finance costs of 3.9% to RM15.8 million compared to RM16.5 million in the previous financial year was mainly a result of settlement of loan using net sales proceed from the disposal of Wisma UOA Pantai.

### 2. Profit for the year

During financial year 2018, the group reported a profit of RM57.5 million representing an increase of 51.9% from previous financial year (2017: RM37.9 million). Profit for the year comprised realised profit of RM35.0 million and unrealised profit of RM22.5 million.

Realised profit decreased by 7.9% was mainly due to the disposal of Wisma UOA Pantai.

The unrealised profit of RM22.5 million mainly comprised fair value gain for Wisma UOA Pantai during the financial year.

### 3. Income Distribution

Total income available for distribution for financial year 2018 was RM35.0 million (2017: RM38.0 million). The Group delivered a healthy set of financial results, achieving a distribution per unit ("DPU") of 9.13 sen for the financial year ended 31 December 2018 compared to 8.55 sen in the previous financial year. This translates to a distribution yield of 6.97% based on the group's closing unit price of RM1.31 as at 31 December 2018.

## 4. Disposal of Wisma UOA Pantai

On 8 June 2018, UOA REIT had entered in a Sale and Purchase Agreement with CIMB Bank Berhad in respect of the disposal of Wisma UOA Pantai which was completed on 25 July 2018. The net sales proceeds of approximately RM118 million was utilised to reduce existing bank borrowings of UOA REIT.

	RM'000
Disposal Price	120,000
Less: carrying value of Wisma UOA Pantai	(117,500)
Less: incidental disposal costs	(3,160)
<b>Loss on disposal</b>	<b>(660)</b>
Add: realisation of revaluation gain	31,437
<b>Net gain on disposal</b>	<b>30,777</b>

Wisma  
UOA Pantai



## MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

### 5. Portfolio valuation

As at 31 December 2018, the Group had undertaken a revaluation exercise for all investment properties. The investment properties were valued at RM1,035,100,000 by independent registered valuers. This resulted in an aggregate revaluation surplus of RM105,625 as at 31 December 2018.

A summary of unrealised gains/(loss) on all investment properties during financial year ended 31 December 2018 is as follows:

Properties	Carrying Value before Revaluation (RM)	Market Value* (RM)	Unrealised gain/(loss)** (RM)
UOA Centre Parcels	85,026,400	85,100,000	73,600
UOA II Parcels	294,000,000	294,000,000	–
UOA Damansara Parcels	120,953,584	121,000,000	46,416
Wisma UOA Damansara II	234,994,103	235,000,000	5,897
Parcel B – Menara UOA Bangsar	300,020,288	300,000,000	(20,288)
<b>Total</b>	<b>1,034,994,375</b>	<b>1,035,100,000</b>	<b>105,625</b>

\* Market value based on valuations conducted by independent registered valuers.

\*\* This revaluation gain of RM105,625 increased the net asset value per unit of the Group by 0.02 sen to RM1.7150 as at 31 December 2018

### 6. Statement of financial position

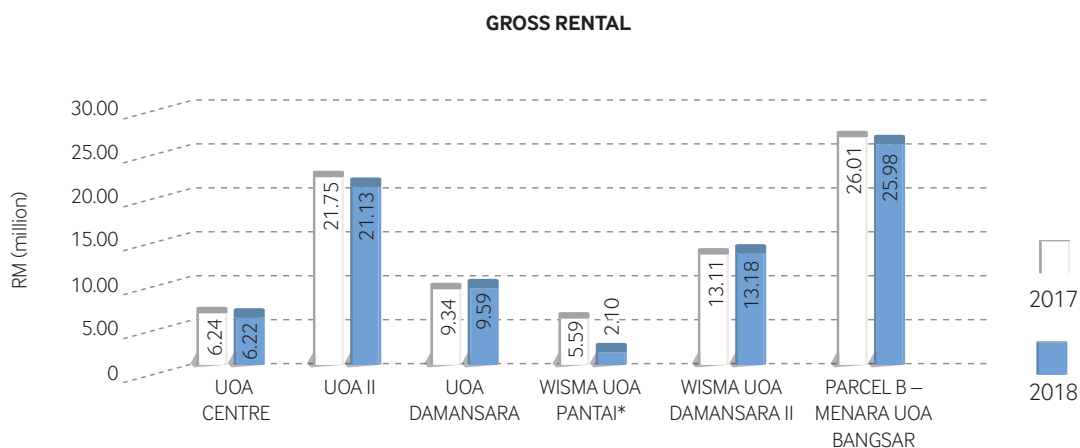
As at 31 December 2018, the Group's total asset value decreased to RM1,049 million compared to RM1,140 million in the previous financial year. This was due to the drop in investment properties as a result of disposal of Wisma UOA Pantai.

Total liabilities also recorded a decrease of RM109 million from RM433 million due to the settlement of loan balance with the net sales proceed from the disposal of Wisma UOA Pantai.

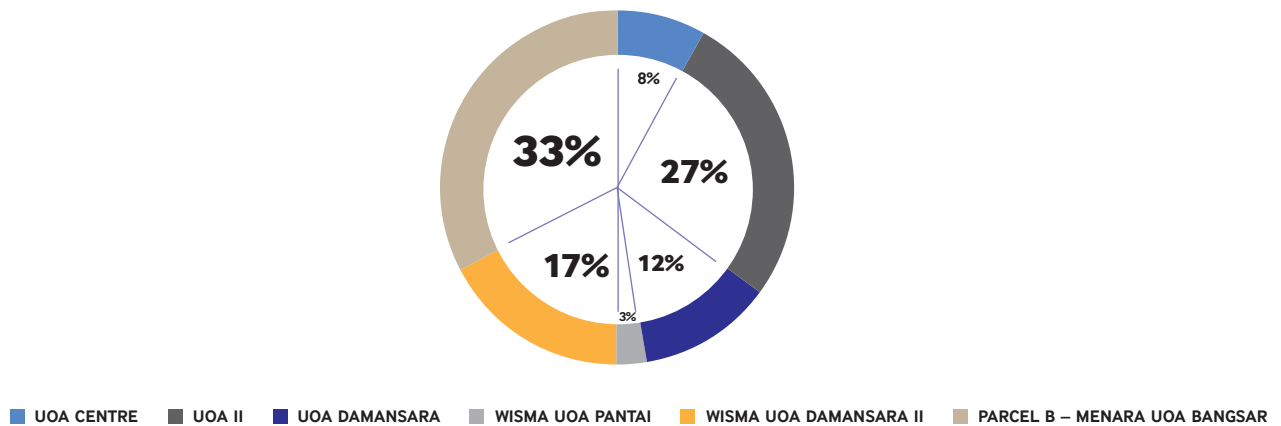
The Group net asset value increased to RM725 million, or 2.68% from the previous financial year of RM706 million. This was mainly contributed by the fair value gain of investment properties during financial year 2018.

## REVIEW OF OPERATING ACTIVITIES

### 1. Rental Income





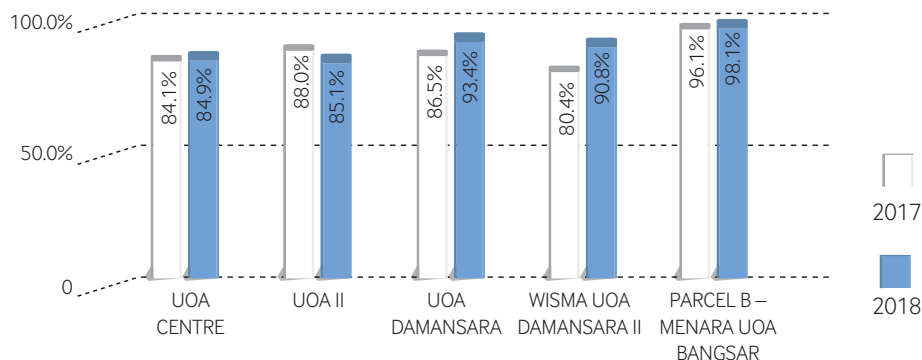


In financial year 2018, Parcel B – Menara UOA Bangsar and UOA II were the highest income generating Properties in the portfolio. The two buildings, combined, represented approximately 60% of the total gross rental income during the financial year.

Compared to the preceding financial year, the gross rental income for UOA Damansara and Wisma UOA Damansara II saw a slight improvement while UOA Centre, UOA II and Parcel B – Menara UOA Bangsar declined marginally. The overall fall in gross rental income was attributable to the disposal of Wisma UOA Pantai where the occupancy rate was at approximately 19% at the point of disposal.

## 2. Occupancy Rates

OCCUPANCY RATES OF PROPERTIES IN THE PORTFOLIO



Including all secured tenancies, there was an overall improvement in the occupancy rate of the Properties in the portfolio giving an average occupancy rate of over 90% as at 31 December 2018.

Most Properties with the exception of UOA II had seen some improvements in financial year 2018. Some of the buildings with notable increase in occupancy rates include Wisma UOA Damansara II and UOA Damansara where there was an increase of 10.4% and 6.9% respectively. The decline of approximately 2.9% in occupancy rate of UOA II was a result of departure of multiple tenants.

The weighted average lease expiry ("WALE") of the portfolio, including all secured tenancies, as at 31 December 2018 was approximately 1.45 years. The WALE is within expectation as all rental of Properties in the portfolio are typically executed via tenancy agreement. Hence, the Manager actively monitors all tenancy expiries to optimise renewal.

## MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

### 3. Asset Disposal

One of the properties in the portfolio, Wisma UOA Pantai, was disposed on 25 July 2018. At the point of disposal, the occupancy rate of the building was at 19%. The occupancy rate of building continued to decline after the departure of the anchor tenant in the fourth quarter of 2016. The disposal was a strategic move and was in line with the objective of maximising returns to the unitholders.

### 4. Asset Enhancement Initiatives

As part of our operating strategies, asset enhancement initiatives ("AEI") play a crucial part. Maintaining and upgrading UOA REIT's properties are essential to prolong the life of the asset and to ensure the properties in the portfolio are kept in good tenable condition and continue to remain competitive.

The on-going or completed AEIs during the year include:-

AEIs	Total Costs	Commencement	Completion/ Expected Completion
Lift modernisation in UOA II	RM4.704 million	2017	2019
Lift modernisation in UOA Damansara	RM2 million	2018	2019
Replacement of air-conditioning chillers in Wisma UOA Damansara II	RM2.927 million	2018	2019

### 5. Funding Management

The Group adopts an active capital management strategy within the threshold stipulated in the REIT Guidelines. The current gearing ratio is at approximately 26% compared to the preceding year of approximately 34%. The drop in borrowing was a result of repayment of loan with the net proceeds from disposal of Wisma UOA Pantai.

The current funding is all sourced through revolving credit with effective cost of borrowings that ranges between 4.31% and 4.35%. Due to the nature of the borrowings, there is an exposure to interest rate risk in an increasing interest environment. Where there is a heightened risk of increasing interest rate, necessary hedging strategies will be engaged.

## MOVING FORWARD

The office sector is expected to remain competitive given the high supply in office space and uncertainty in both domestic and global economies. The Manager will continue to actively market the vacant space in the Properties and at the same time, identify potential enhancement initiatives. Barring unforeseen circumstances, the occupancy and rental rates are expected to remain stable.

The Manager will maintain its active capital management strategy and continue to explore potential yield-accretive acquisitions that meets the objectives of UOA REIT.

## INTRODUCTION

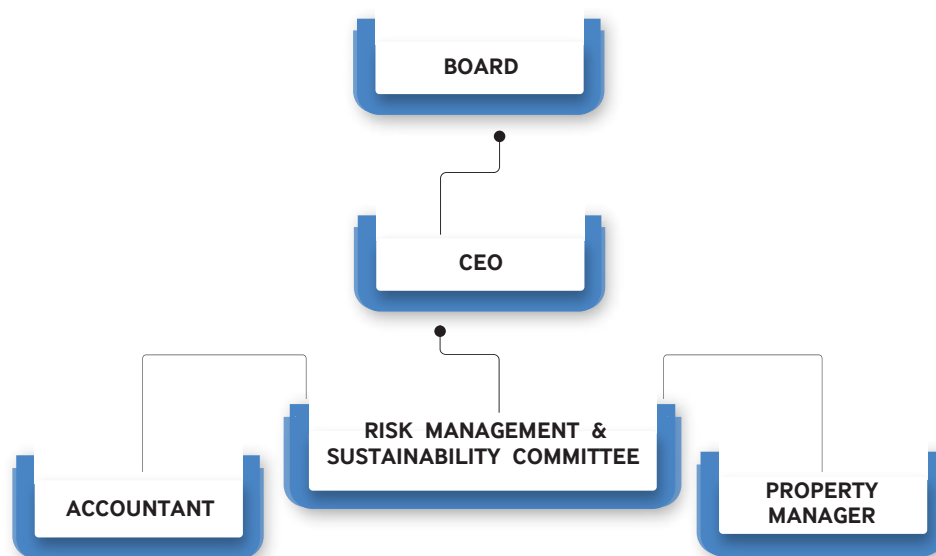
**UOA Real Estate Investment Trust ("UOA REIT") is a Malaysia-based unit trust established with the objective to own and invest in real estate and real estate-related assets used, or predominantly used, for commercial purposes, whether directly or indirectly through the ownership of single-purpose companies who wholly own real estate.**

UOA REIT, together with the UOA Group of companies ("UOA"), is committed to creating a positive and enduring social impact through our sustainability initiatives that support our business, the environment and the communities in which we operate. Our approach to sustainability is defined by UOA's corporate philosophy of building excellence with a definitive focus on the areas of education, environment and community activities.

The report covers the economic, environment and social performance of UOA REIT's properties in Malaysia from 1 January 2018 to 31 December 2018 ("FYE2018"). In view that the Trust does not have any employees, information reported in relation to employees are made reference to the employees of the Manager.

## SUSTAINABILITY GOVERNANCE STRUCTURE

UOA REIT's sustainability strategy is overseen by the Board based on the following governance structure:



The Risk Management & Sustainability Committee ("RMC"), chaired by the CEO, is responsible for the formulation of sustainability policies and implementation of sustainability initiatives while the financial and day-to-day business operations will be undertaken by the accountant and property manager respectively.



# SUSTAINABILITY STATEMENT

(continued)

## STAKEHOLDER ENGAGEMENT

The table below illustrates UOA REIT's outreach efforts to its various stakeholder groups in 2018.

STAKEHOLDER	ENGAGEMENT CHANNEL	FREQUENCY
Trustees	<ul style="list-style-type: none"> <li>– Annual General Meetings</li> <li>– Investor relation events</li> </ul>	Yearly On-going
Tenants	<ul style="list-style-type: none"> <li>– UOA newsletter</li> <li>– Tenants and office building management committee meetings</li> </ul>	Yearly On-going
Unitholders	<ul style="list-style-type: none"> <li>– Annual General Meeting</li> <li>– Interim financial reports</li> <li>– Unitholders' meeting</li> <li>– Corporate announcements</li> <li>– UOA newsletter</li> </ul>	Yearly Quarterly On-going On-going Yearly
Employees	<ul style="list-style-type: none"> <li>– Recruitment, training and development programmes</li> <li>– Staff appraisal</li> <li>– Long service award</li> <li>– Internship programme</li> </ul>	On-going Yearly Yearly On-going
Investors/Fund Providers	<ul style="list-style-type: none"> <li>– Analyst briefings</li> <li>– Regular meetings with analysts, fund managers and other investors</li> </ul>	On-going On-going
Regulatory Authorities	<ul style="list-style-type: none"> <li>– Regular meetings with relevant authorities</li> <li>– Attending talks and conferences organised by regulators</li> </ul>	On-going On-going
Local Communities	<ul style="list-style-type: none"> <li>– Community engagement programmes</li> <li>– Collaborations with NGOs</li> <li>– Donations and financial aid</li> </ul>	On-going On-going On-going
Media	<ul style="list-style-type: none"> <li>– Press releases</li> <li>– Regular updates and engagement sessions</li> </ul>	On-going On-going

## MATERIAL ANALYSIS

In determining sustainability priorities, UOA REIT continues to reach out to its stakeholders with the purpose to identify and address key sustainability issues which reflect significant economic, environmental and social impact on our business. It is essential for gaining a better understanding of the sustainability aspects that are important to UOA REIT as we strive to align them in our efforts to improve business practices, reduce environmental impact and enhance livelihoods.

## MATERIAL ISSUES

### ECONOMIC

#### Financial Sustainability

Our commitment to business excellence is underpinned by an unwavering focus on strong corporate governance and prudent financial management in the face of a challenging market environment. As such, we will continue our focus on the following areas:

- provision of regular and stable income distributions to Unitholders
- ensure long-term growth in terms of Net Asset Value ("NAV")
- improve the occupancy rates
- continue to explore opportunities for potential yield accretive acquisitions

UOA REIT owns a portfolio of 5 properties strategically located in Malaysia and receives rental income from the operation of these properties. These properties generated revenue of RM78.2 million and net realised income of RM35 million in FY2018. Our value creation ensures that the properties operate optimally to remain competitive in the marketplace. During the financial year, we have completed asset enhancement initiatives amounting to RM1.7 million.

#### Regulatory Compliance

We integrate the compliance culture within our business by observing legal, regulatory and internal regulations as well as the observance of common standards and rules of professional conduct. Our business activities are conducted based on ethical and legal standards with high levels of integrity in fostering a sense of responsibility and trust with our stakeholders.

We also ensure that all sub-contractors/ service providers deliver their services in accordance to requirements and adherence to appropriate evaluation process.

At UOA REIT, we also ensure our employees are kept up-to-date on corporate policies such as the 'Whistleblowing policy' and 'No Gift policy'.

The Whistleblowing policy aims to encourage employees and other stakeholder groups to disclose any improper conduct that they have become aware of. Concerns can be raised directly to the CEO and Chairman. The Manager is committed to ensuring that all cases will be treated in the strictest of confidence and promptly investigated. There were zero cases reported in 2017 and 2018.

Our No Gift policy prohibits all employees from directly or indirectly receiving or providing any gifts, kickbacks or gratuities in any form that may compromise their judgment and decision making. Any gifts offered must be politely declined and returned without causing offence or disrupting business relations.

Non-compliance with this policy is classed as major misconduct and the employee involved will be subjected to disciplinary action, which may lead to dismissal.

## Customer focus

We are committed to achieving the highest customer satisfaction level by placing customers as a top priority. We maintain a responsible and responsive Facilities Management Programme with the objective of ensuring efficiency and peace of mind to owners/tenants. Continuous improvements on the quality of our buildings and services are carried out.

We also carry out various measures to assure the quality of our buildings. Whilst all our buildings are equipped with fire services and security systems, we also arrange daily patrols by our appointed security personnel in order to ensure the safety of our buildings. Our building management division has adopted crisis management policies and procedures to ensure annual testing, simulations and

training for crisis situations. These scenarios include electricity supply, lift system, gas and fuel supply, fire alarm system and water supply failure, as well as flooding.

In addition, we organise fire drills regularly to ensure that our tenants and other co-owners of our projects are familiar with the evacuation process. We also ensure annual certification of our elevators and escalators. Certified chargemen are engaged to continuously assess the safety and maintenance of our electrical wiring and installations. We also carried out Asset Enhancement Initiatives ("AEI") such as lifts upgrading that ensure our buildings are kept in a good, tenable and competitive condition.

We also ensure that local tenants are given priority, whenever it is practical to do so, as we consider it important to support local businesses, their products and services, and to indirectly have a positive impact on the local economy.

## ENVIRONMENTAL

Continuous efforts have been put into managing UOA REIT's commercial buildings by Jordan Lee Jaafar, the property manager of UOA REIT. Listed below are the key areas which have contributed to the effective operation and cost saving management of the buildings.

### Energy

The building sector is one of the largest sources of carbon emissions in the country. In view of global climate change and Malaysia's commitment to reduce carbon emissions, we have taken initial steps towards implementing new environment friendly systems across our properties.

1. Implementation and monitoring of timer control/photocell/motion sensor for the lighting system
  - i. Lift Lobby – timer control for peak and non-peak hours
  - ii. Toilet/Staircase – installation of motion sensors to control the lighting

- iii. Outdoor Area – photocell to control the outdoor lighting
2. Introduction of highly efficient equipment/fitting
  - i. Car Park Area – replacement of conventional lighting with LED lighting. The replacement of conventional lighting with T5 tube at Menara UOA Bangsar car park has led to a monthly saving of more than RM6,000
  - ii. Corridor – replacement of conventional lighting with LED lighting at the corridors at UOA Centre and UOA II has led to a monthly saving of more than RM7,000
  - iii. Chiller – replacement of aging air-cooled chiller with high efficiency water cooled chiller. The installation is completed in December 2018. It is likely to save approximately 30% of the total energy used
  - iv. Lifts – upgrading of existing lifts with high efficiency motor and equipment with energy regeneration system
3. Improvements on the air-conditioning system
  - i. To improve the Building Control System to constantly monitor and optimise the Chiller Plant Performance

Moving forward, we are looking at implementing new technology on energy saving such as replacing conventional hand dryer to cold air hand dryer. It means no energy hungry heating element and uses considerably less energy than warm air hand dryers. This will be led to energy saving of up to 67% and lesser carbon dioxides being produced.

# SUSTAINABILITY STATEMENT

(continued)

## Water

We are also constantly seeking ways to reduce water consumption. In UOA REIT properties, Rain Water Harvesting Tank is installed for landscape water consumption. We also install the water-efficient technology such as the "self-closing" taps in refurbished toilets to minimise water wastage. Water consumption is monitored monthly to detect any unusual usage or potential leakage.

We plan to introduce eco-friendly detergent which are free from any harmful chemicals or pollutants for all UOA REIT building maintenance. The use of completely natural ingredients, minerals, and components mean that natural detergents are completely safe for the environment and biodegradable. It will completely dissolve in water and poses no risk at all to either water resources or aquatic life.

## Waste

We ensure that the wastes generated from our properties are collected and disposed responsibly according to legal requirements to minimise the waste sent to landfills. We collaborate closely with our Property Managers to identify responsible waste management practices that would benefit both our stakeholders and the environmental value of our properties.

Our green initiatives to reduce environmental waste has and will continue to be implemented by creative recycling of annual festival ornaments, reduction in paper usage by e-mailing information instead of sending by mail, and continuous evaluation of potential automation system in order to identify areas of improvement to reduce energy cost.

## Green Building Initiatives

We also plan to introduce more initiatives on green management. We aim to improve the environmental performance at our buildings by incorporating requirements for green initiatives within our contractual lease agreements. This includes requirements to reduce the carbon and water footprints and, putting in place an integrated solid waste management.

As we advance in our sustainability journey, we will put in place initiatives to identify and implement additional energy conservation measures to reduce the overall electricity and water consumption at our properties. To this end, energy audits may be one of the tools considered in the near future for energy management within our buildings.

## SOCIAL

### Managing Occupational Health & Safety And Security

As landlord of properties, we have always placed safety of our tenants and occupiers of our property a priority. We are committed to minimising risks, securing the safety, protecting the health of our tenants, contractors, employees and visitors who work in or visit the Fund's properties. As such, we have incorporated occupational safety and health policies and guidelines into our daily business operations with the aim of creating a safety culture with zero tolerance towards workplace injury.

We will have fire drills annually, and all tenants are encouraged to participate in fire drills in the respective buildings to ensure their occupiers are familiar with escape routes in the event of any emergency.

### Promising Workplace

The Manager acknowledges that the employees are our greatest assets. As an employer of choice, we are committed to growing and nurturing our talent pool through various channels, not only to help our employees reach their full potential, but also to ensure our business growth and sustainability.

#### • Recruitment

We strive to formulate a people-centric human resource approach to retain and recruit talents. This is reflected in our conduct of employment, including recruitment, hiring, compensation, training and promotion for all employees, regardless of race, gender or age. We practice non-discriminatory employment policy with conscious effort in promoting inclusivity and diversity. The employee profile background is as follows:

Diversity is essential to our business as an investment fund as we require views and opinions from varying groups to ensure that the Fund remains relevant in the current economic environment. Hence, we strive to ensure that all parties receive equal opportunities and enjoy a conducive working environment.

Currently, we have a gender distribution of 48% female and 52% male, 62% of which being Bumiputera while 32% are non-bumiputera. This reflects that we offer career advancement opportunities to deserving employees based on their performance, regardless of their gender or race.

A majority of our employees lie within the 30 to 50 year age group. All employees are employed based on talents and capabilities to ensure that our workforce is culturally diverse and knowledgeable. Nevertheless, 20% of our employees lie within the age group of 30 and below. This shows that we also remain mindful of hiring young talent to groom Malaysia's younger generation with skills that will not only benefit our business and the economy but their employability value as well.

#### • Training & Development

To facilitate the continuous development and motivation of our employees, relevant internal and external training programmes that tailor to different divisions and individual employees were organised. External courses comprising technical and non-technical training workshops, seminars as well as conferences amounted to a total of 77.5 hours by the employees.



## • Employee Engagement

Various activities such as Annual Dinner, UOA Explorace Day and Malaysia Day Potluck Lunch were held to promote engagement and camaraderie among the employees. These activities were organised by our Sports & Recreational Club Committee, which is run by UOA employees. The committee is responsible for the in-house gymnasium which offers recreational classes such as yoga, tai-chi, kick-boxing and dance sessions to promote a healthy work-life balance among the employees. The committee also organises friendly matches such as badminton, futsal and bowling.

## • Minimising Turnover Rate

Our employee turnover rate was recorded at 7% for FY 2018. This achievement is a result of a good working culture, employee dedication and generous employer benefits including medical benefits, Takaful insurance coverage, leave entitlements and allowances. Our low employee attrition rate assures our stakeholders that the Fund is successful at retaining its professional workforce.

We adhere to the requirements of Malaysia's Minimum Wages Order 2016 and assure our stakeholders that our business practice will continue to comply to the Order throughout our operations. Ensuring that our employees are fairly compensated is an important factor that contributes towards employee satisfaction and talent retention. We also ensure that our employees are fairly compensated with remuneration packages that are competitive within the domestic REIT industry.

## COMMUNITY OUTREACH

As a responsible corporate citizen, we give back to communities wherever we operate through our multi-faceted approach towards corporate social responsibility, which is derived from education and community activities.

### Education

UOA continued its support for the second consecutive year to the free intensive reading programme offered to children at PPR Batu and PPR Batu Muda in Sentul under the Jombaca Children Literacy Campaign by ADRF Malaysia. The campaign was held in collaboration with i-Sina, an intensive reading programme provider that assists children to be able to read in less than three months. More than 120 children aged 6 to 14 participated in the school holiday initiative.

UOA also sponsored the ExcelLearn English Camp organised by ADRF Malaysia for underprivileged children in Kampung Kerinchi. The child learning enhancement programme was held to help slow learning children improve their English literacy through brain stimulation exercises.

ADRF Malaysia is a non-profit organisation that helps underprivileged and vulnerable children to better their lives through education by organising free intensive reading programmes for communities in need within Klang Valley.

## Community Activities

UOA organised 'Kempen Kembali Ke Sekolah', a back-to-school campaign, for the fourth consecutive year for the underprivileged children in Kampung Kerinchi. New school bags and stationery sets were distributed to more than 500 primary and secondary school children from low income families in the Kerinchi area. Graced by YB Fahmi Fadzil, Member of Parliament for Lembah Pantai, the event was held at Suria Bangsar South - a community centre operated by ADRF Malaysia and sponsored by UOA Group.

UOA also supports the Community Livelihood Advancement Programme (CLAP) by ADRF Malaysia, an entrepreneur development platform for the Kerinchi community. The training programme is designed to help participants develop the necessary skills to operate a business that is self-sustainable on a long-term basis.

In conjunction with the Hari Raya festive celebration, an annual raya hamper distribution event was held to add some cheer to more than 100 single mothers and their children in the Kerinchi community in the true spirit of sharing and giving.

UOA recognises the importance of such engaging initiatives as they form the basis of a caring community, thereby helping to shape a better and more sustainable society.

# STATEMENT OF CORPORATE GOVERNANCE

**The Board of Directors of UOA Asset Management Sdn Bhd ("Board"), being the Manager of UOA Real Estate Investment Trust ("UOA REIT") and its subsidiary ("Group") recognises the importance of good corporate governance as they firmly believe that an effective corporate governance culture is essential in the best interests of the unitholders and is critical to the performance and success of the Manager and subsequently the Group.**

The Board follows the practices and policies of the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). The Board has also adopted relevant principles and recommendations of the Malaysian Code of Corporate Governance 2017, where applicable to the operations of the Group and is pleased to provide a narrative statement on the Manager's main corporate governance practices and policies.

## A. THE MANAGER OF UOA REIT

The Manager has general powers of management over the assets of the Group. Its primary role is to set the strategic direction of the Group and manage the assets and liabilities of the Group for the benefit of its unitholders, to ensure that the operations of the Group are conducted in a proper, diligent and efficient manner within an appropriate risk management framework; and to enhance value returns to its unitholders.

The Manager's primary functions and responsibilities include:

- Setting the strategic direction of the Group and recommend to the Trustee on the acquisition, divestment or enhancement of assets in accordance with the Manager's investment strategy;
- Formulating plans for equity and debt financing for the Group's capital requirements with the objective of optimising the capital structure and the cost of capital;
- Ensuring proper recording of transactions including the preparation of accounts, and annual financial statements and reports;
- Supervising the Property Manager who performs the day-to-day property management functions for the Group's properties; and
- Ensuring compliance with the relevant laws and applicable provisions of the REIT Guidelines, Listing Requirements and the trust deed constituting UOA REIT dated 28 November 2005 ("Deed").

UOA REIT is externally managed by the Manager and it has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by UOA REIT. UOA Asset Management Sdn Bhd is the appointed Manager of UOA REIT in accordance with the terms of the Deed which outlines the circumstances under which the Manager can be retired.

The Manager holds a Capital Markets Services Licence as required under the Capital Markets and Services Act 2007 to carry on the regulated activity of fund management in relation to asset management restricted to real estate investment trust activities. The Manager is a member of the Securities Industry Dispute Resolution Centre (SIDREC) pursuant to the requirements in the Capital Markets and Services (Dispute Resolution) Regulations 2010.

## B. BOARD OF DIRECTORS OF THE MANAGER OF UOA REIT

### Role of the Board

The Board is responsible for the oversight and corporate governance of the Manager. The Board sets the strategic direction, and oversees the proper conduct of the Manager's activities, identifies principal risks and ensures the implementation of systems to manage these risks. In addition, the Board reviews key matters such as financial results, investments, divestments and major capital expenditure of the Group. In making decisions, the Board considers the business outlook and other factors affecting real estate investment trusts and property sectors.

### Appointment to the Board

All new nominations are assessed by the Directors and the final decision of appointment lies with the entire Board to ensure a balanced mix of experience and expertise of members of the Board.

### Board Composition

The Board presently consists of five (5) members, comprising one (1) Executive Director and four (4) Non-Executive Directors. Three (3) of the Non-Executive Directors are independent. The Board composition complies with provisions of the Listing Requirements and the REIT Guidelines for at least one third (1/3) of the Board to be independent.

The Board composition reflects a mix of suitably qualified and experienced professionals in the fields of accountancy, banking and finance, real estate development and property management. This combination of different professions and skills working together enables the Board to effectively lead and govern the Manager and the Group.

The Board is led by competent Independent Directors, namely an Independent Non-Executive Chairman and two Independent Non-Executive Directors, who are highly respected persons with extensive experience in various fields and are able to provide sufficient guidance and advice to the Audit

and Risk Management Committee and the Board. The Board is of the opinion that the composition of the Board is adequate.

While the Board does not have female representation at this juncture, senior positions of the Group, including the Accountant and Compliance Officer are represented by females. There is no preference with regards to ethnicity and age. Appointments and promotions of all employees are based on the same principles.

### Clear Roles and Responsibilities

The positions of Chairman of the Board and Chief Executive Officer ("CEO") are held by separate persons.

The Chairman leads the Board to ensure that members of the Board work together with the Manager in a constructive manner to address strategies, business operations, financial performance and risk management issues. The Chairman also takes a lead role in promoting high standards of corporate governance with the full support of the Board and the Manager.

The CEO is responsible for implementing the policies and decisions of the Board. The CEO also has full executive responsibilities over the business directions and operational decisions in managing UOA REIT.

The clear separation of roles of the Chairman and the CEO provides a healthy, independent and professional relationship between the Board and the management.

The Board is assisted by a qualified and competent Company Secretary and a Compliance Officer to provide sound governance advice and ensure adherence to rules and procedures.

### Independence and Time Commitment

The Board receives annual written confirmation from the Independent Directors confirming their independence and in which the Directors acknowledge their respective positions. All the Directors are able to devote sufficient time and attention to the operations of UOA REIT and to update themselves with

knowledge and skills by attending seminars and training. The Directors are also accessible by email and telecommunication should the need arises.

### Corporate Code of Conduct and Whistle Blowing Policy

The Manager has in place procedures to provide its employees with defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to the Group and/or the Manager, and for the independent investigation of any reports by employees and appropriate follow up action.

The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

The Manager has developed a Whistle Blowing Policy for the public to have access to the Independent Directors and Chairman of the Board.

United Overseas Australia Ltd ("UOA Ltd"), the ultimate holding company of the Manager had established a Code of Conduct which set out the standards which directors, officers, managers, employees and consultants of UOA Ltd and its subsidiaries are expected to comply in relation to the affairs of their businesses.

### Corporate Social Responsibility

The UOA Ltd Group continuously carries out corporate social responsibility initiatives in the areas of education, environment and community activities.

## STATEMENT OF CORPORATE GOVERNANCE

(continued)

### Board Meetings

The Board meets to discuss and review the Manager's operations and the financial performance of the Group and meetings are held at least once every quarter (or more often if necessary). The Board is provided in advance with the agenda together with reports and supporting documents relevant to the Board Meeting. The proceedings of the Board Meetings are duly minuted and signed by the Chairman of the meeting. The Board met six (6) times during the financial year ended 31 December 2018. The attendance record of the Board is as follows:-

Directors	Total Board Meetings Attended	Percentage of Attendance
Alan Charles Winduss	6/6	100%
Kong Sze Choon	6/6	100%
Kung Beng Hong	6/6	100%
Dato' Gan Boon Khuay	6/6	100%
Yap Kang Beng	6/6	100%

All the Directors have complied with the Listing Requirements by having attended more than fifty percent of the number of Board Meetings held.

All the Directors have access to the Audit and Risk Management Committee, the internal auditors, the Company Secretary and Compliance Officer, as well as to independent professional consultants for advice if and when necessary.

### Directors' Fees

The remuneration paid by the Manager to its Directors for the year ended 31 December 2018 is as follows:

	Fees RM	Salaries RM	Others RM	Total RM
Executive Directors	—	541,365	85,496	626,861
Non-Executive Directors	144,000	—	—	144,000

Range of Remuneration Per Annum (RM)	Executive Directors	Non-Executive Directors
50,000 and below	—	3
50,001 to 100,000	—	—
100,001 to 150,000	—	—
150,001 and above	1	—



**Directors' Training**

During the year ended 31 December 2018, the Directors have attended training and seminars as follows:

Directors	Training and seminars attended
Alan Charles Winduss	1) Nexus Alliance: monthly financial, taxation and corporate matters seminars
Kong Sze Choon	1) Disruptive Technology in Financial Services 2) Wealth Management on Advising High Net Worth Clients & Institutional 3) KPI Project Management System / KPI-based Performance Management System
Kung Beng Hong	1) Changes in the Listing Requirements Post-Companies Act 2016: What to look out for 2) Cyber Security: Cyber Proofing for the Next Wave 3) Business Ethics Conference 2018, "Fintech: Business Benefits and Conduct Challenges" 4) Would a Business Judgement Rule Help Directors Sleep Better at Night
Dato' Gan Boon Khuay	1) Property Management Time Bomb Seminar 2018 – "Strata Management – The Way Forward" 2) Annual Property Developers Conference (CEO Series 2018) 3) Seeking True Value in the Property Market
Yap Kang Beng	1) KPI-based Performance Management System

**C. DUE DILIGENCE COMMITTEE**

The Due Diligence Committee ("DDC") was established by and operates under the delegated authority of the Board. The DDC comprises one (1) Independent Director, one (1) Non-Independent Director and one (1) management representative. The DDC's role is to perform appropriate due diligence work on any proposed investment or divestment and make recommendations to the Board. The DDC met once during the year ended 31 December 2018.

**D. AUDIT AND RISK MANAGEMENT COMMITTEE AND AUDIT COMMITTEE REPORT**

The Board has voluntarily adopted the best practices in corporate governance by establishing an Audit and Risk Management Committee ("ARMC") and implemented an Internal Audit Function. The Board is committed to maintaining a sound and effective system of internal control in order to safeguard the interests of the unitholders of UOA REIT and the investments and assets of the Group.

**Composition**

The ARMC is appointed by the Board from among its members. The appointment and composition of the ARMC is determined based on the following principles:

- Comprises at least three (3) members;
- All members must be Non-Executive Directors with a majority of them being independent directors;

- At least one (1) member must be a member of the Malaysian Institute of Accountants or a member of an accounting association as specified in Part II of the First Schedule of the Accountants Act, 1967; and
- The Chairman must be an Independent Director.

The ARMC consists of three (3) Independent Non-Executive Directors:

- Mr. Kung Beng Hong (Chairman/ Independent and Non-Executive Director);
- Dato' Gan Boon Khuay (Independent and Non-Executive Director); and
- Mr. Alan Charles Winduss (Independent and Non-Executive Director).

The ARMC has reviewed its Terms of Reference during the financial year ended 31 December 2018 and have concurred that the composition of the ARMC is adequate. The Terms of Reference of the ARMC is published on the Group's website.

# STATEMENT OF CORPORATE GOVERNANCE

(continued)

## Key Functions and Responsibilities

The key functions and responsibilities of the ARMC are:

- To review together with the internal auditors, their internal audit plans and internal audit reports, and to evaluate major findings of these reports and management's responses to these findings;
- To review the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its work;
- To direct the internal auditors to any specific area or procedure for audit if necessary;
- To review the internal auditor's report on risk management so as to evaluate key risks that would have significant impact on the Group's business and the measures taken to mitigate such risks;
- To recommend to the Board any matters relating to the appointment of external auditors, the fees and any matters in relation to resignation or dismissal of the external auditors;
- To review together with the external auditors, the audit plan and scope of their audit and upon completion of the audit assessment, to present the audit findings and recommendation of the external auditors to the Board;
- To assess the suitability and independence of the external auditors. The ARMC reviews the independence of the external auditors at the meeting where the external auditors confirm their independence when they table their audit findings to the ARMC;
- To discuss problems and reservations arising from the internal audit, statutory audit, and matters that the internal and/or external auditors may wish to discuss (in the absence of the management where appropriate);
- To review the quarterly results and year-end financial statements prior to the approval by the Board;

- To review financial statements with focus on significant matters highlighted including financial reporting issues, significant judgement made by management, and significant and unusual events or transactions, and how these matters are addressed;
- To monitor and evaluate the effectiveness of the Manager's internal control systems and the internal/external auditors' evaluation of these systems;
- To monitor the procedures established to ensure compliance with relevant laws and applicable provisions of the REIT Guidelines, Listing Requirements and the Deed;
- To review related party transactions and any conflict of interest situations that may arise within the Manager and/or the Group; and
- To perform any other functions as directed by the Board.

## Frequency and Attendance of Meetings

A minimum of four (4) meetings a year shall be planned and any additional meetings will be on a need basis. The ARMC meets with the External Auditors without Executive Board members present at least twice a year. The ARMC meets regularly, with due notice of issues to be discussed, and record its conclusions and then report to the full Board as and when necessary. The Chairman of the ARMC engages on a continuous basis with Senior Management, the Accountant, the Internal Auditors and the External Auditors in order to keep abreast of matters affecting the Group. Other Board members and employees may attend any particular ARMC meeting only upon the invitation of the ARMC specific to a relevant meeting.

The ARMC met five (5) times during the financial year ended 31 December 2018. The attendance record of the ARMC are as follows:

Directors	Total meetings attended	Percentage of attendance
Kung Beng Hong	5/5	100%
Dato' Gan Boon Khuay	5/5	100%
Alan Charles Winduss	5/5	100%

## Summary of Activities of the ARMC during the Year

Functions and responsibilities performed by the ARMC during the financial year ended 31 December 2018 include the following:

- Reviewed the change of external auditors;
- Reviewed the external auditors' Audit Planning Memorandum, audit approach and reporting requirement prior to the commencement of audit for the financial year ending 31 December 2018;
- Reviewed the external auditors' Audit Progression Memorandum and Audit Completion Memorandum for the audit for the year ended 31 December 2018 and discussed on key audit areas and any significant audit findings;
- Reviewed the results of risk management activities;
- Reviewed the status of accounts receivable position with the internal auditors;
- Reviewed the functions of accounts payables and property management with the internal auditors;
- Reviewed and approved the reports and statements for the Annual Report 2018;

- Reviewed and discussed on tenant assessment and revenue assurance with the internal auditors;
- Reviewed the compliance in relation to related party transactions and the REIT Guidelines; and
- Reviewed with the internal auditors, and approved the annual audit plan for the year ending 31 December 2019.

## Access to and Supply of Information

The ARMC is entitled to full access to and co-operation of the management and internal auditors. Other Board members and employees may attend any particular ARMC meeting upon invitation by the ARMC. The ARMC has full access to reasonable resources to enable it to discharge its function properly.

## E. INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT

The Internal Audit Function is undertaken by the internal auditors of UOA Ltd and is independent of Management. The ARMC meets with the internal auditors at its quarterly meetings. A Risk Management Policy has been adopted by the Board to mitigate risks of the Group. Further details are set out in the Statement on Risk Management and Internal Control.

The ARMC reviews related party transactions at its quarterly meetings and whenever deemed necessary. A Related Party Transaction Policy has been adopted to enable the ARMC to review and deliberate on such transactions appropriately. Suitable recommendations are presented to the Board for approval.

The ARMC ensures that financial statements comply with the applicable financial reporting standards and meet with the external auditors at least two (2) times a year to ensure that such standards are in place. The external auditors confirm their independence to the ARMC at the meeting where they table the audit findings to the ARMC.

## F. ACCOUNTABILITY AND AUDIT

### Directors' Responsibility Statement for Preparing the Annual Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, REIT Guidelines and the Deed. In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made judgements and estimates that are reasonable and prudent.

### Timely Disclosures

The Board ensures timely disclosure of transactions and other necessary disclosures by having in place various checklists prepared in accordance with regulatory requirements and disseminated to the relevant departments to enable disclosures to be made on a timely basis.

### Relationship with Auditors

The appointment of the external auditors, nominated by the Manager, is approved by the Trustee ("Auditors"). The Auditors are independent of the Manager and the Trustee. The remuneration of the Auditors is approved by the Trustee. While there is no specific policy on the assessment of the Auditors, the Board reviews and approves the re-appointment of the Auditors on a yearly basis.

## Communication with Unitholders and Dissemination of Information

The Board acknowledges the importance of regular communication with unitholders and the investing community to ensure that they are well informed of the activities and performance of the Group. The communication channels include UOA REIT's website, quarterly reports, annual reports, circulars, various disclosures and announcements on Bursa Malaysia's website, and at general meeting of unitholders.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of UOA Asset Management Sdn Bhd ("Board"), being the Manager of UOA Real Estate Investment Trust ("UOA REIT") and its subsidiary ("Group") is committed to nurture and preserve an effective and sound system of internal control to safeguard the interests of the unitholders of UOA REIT as well as the investments and assets of the Group.



UOA  
Damansara II



In this commitment, the Board has voluntarily adopted the best practices in corporate governance by establishing an Audit and Risk Management Committee ("ARMC") and setting up an Internal Audit Function, undertaken by the Internal Auditors of United Overseas Australia Ltd although it is not mandatory for UOA REIT, being a real estate investment trust, to comply with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is pleased to provide a statement on the state of the Manager's internal controls for inclusion in this Annual Report for the financial year ended 31 December 2018.

### INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Internal Audit Department of the ultimate holding company of the Manager, United Overseas Australia Ltd. The ARMC has an oversight function of all activities carried out by the internal auditors in respect of the Group.

The principal role of the internal auditors is to independently review the risk exposures and control processes implemented by the Manager and conduct assignments which encompass auditing and review of critical areas, report on the adequacy, effectiveness and efficiency of the operations and internal control and highlight the significant findings in respect of non-compliance within the Group to the ARMC.

The Internal Audit Department function is guided by the Institute of Internal Auditors' International Professional Practices Framework ("IPPF"). The internal audit framework is designed to be in line with the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Internal Control – Integrated Framework. The Internal Audit Department reports directly to the ARMC.

The internal auditors engage in regular communication with the senior management team and various departments within the organisation in relation to its internal audit activities and efforts for continuous improvement in operations and systems.

Internal audit reports which include details of activities planned, audit findings and recommendations are tabled at quarterly ARMC meetings.

A summary of internal audit activities that were undertaken during the financial year ended 31 December 2018 is as follows:

- Reviewed the adequacy and effectiveness of the risk management framework to identify risks that affect the Group;
- Reviewed the accounts receivable, collections and debts monitoring processes, and compliance to policies and procedures;
- Reviewed the tenancy management pertaining to renewal of tenancy, retention of tenant, turnaround time for replacement and re-instatement work for unit left by previous tenant.
- Reviewed the accounts payable system to ensure compliance to payment procedure and accuracy of accounts payable;
- Reviewed the financial management processes of the Group to ensure efficiency and effectiveness of the processes. These include the treasury, credit control and accounting system;
- Reviewed matters relating to compliance with the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in order to ensure the relevant requirements are met; and
- Reviewed the related party transactions entered into by the Group and companies related to the Manager.

The professionalism and competency of internal auditors are being emphasised through continuous training, regular performance evaluation by the ARMC and professional certification attained. As at year ended 31 December 2018, Internal Audit Department comprises of 2 internal auditors. All internal auditors are member of Institute of Internal Audit Malaysia. All internal audit personnel are free from any relationship or conflicts of interest, which could impair their objectivity and independence.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

## KEY ELEMENTS OF INTERNAL CONTROL

The Board assumes its responsibility to maintain a sound and effective system of internal control and risk management practices within the Manager in order to meet business objectives. The Board acknowledges that the system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses or fraud. Therefore, the Board ensures the effectiveness of the system through regular reviews.

The Board has appointed the ARMC to review the effectiveness of the Group's system of internal control. The ARMC assisted by the Internal Audit Function, provides the Board with the assurance it requires on the adequacy and integrity of the system of internal control.

The current system of internal control has within it, the following key elements:

- There is an operations manual which provides an overview of the Manager's responsibilities in relation to management of the Group. This operations manual is a guide to daily activities and operations of the Group and is subjected to periodic review and updates;
- Financial authority limit delegated to management is defined and approved by the Board;
- Quarterly management reporting on the performance of the Group is presented to the Board;
- Operational structure are well defined with adequate segregation of duties to ensure check and balance on jobs, and delegation of authorities and responsibilities;
- Establishment of an Internal Audit Function which carries out internal audit review according to risk based audit plan approved by the ARMC. The internal auditors table the results of their review with recommendations and follow up actions to the ARMC on a quarterly basis;
- Adequate insurance coverage in respect of insurable risk, including investment properties, to appropriate levels, which are determined upon consultation with relevant professionals;

- On-going training and educational programme for Directors and relevant staff in their respective areas of duties in order for them to perform their functions effectively;
- Adoption of a Risk Management Policy to identify key risks together with the appropriate measures and controls to manage the aforesaid risks which are then outlined in the Risk Register and subsequently appraised by the ARMC; and
- Adoption of a Related Party Transaction Policy to ensure that related party transactions are undertaken in compliance with the REIT Guidelines and the Trust Deed, and are carried out on an arm's length basis and on normal commercial terms.

Non-compliance and internal control weaknesses noted by the internal and external auditors and their recommendations will be reported to the ARMC. To date, there has been no identified non-compliance or internal control weaknesses of a material nature.

## Risk Management

The Board has established a sound risk management framework which is currently being adopted by the Manager that enables it to continuously identify, evaluate, mitigate and monitor risks that affect the Group. Responsibility for managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board. Therefore, the Manager has formed the Risk Management Working Committee ("RMWC") which encompasses key personnel from various departments to identify potential risks, to assess the effectiveness of existing controls and to develop mitigating measures to manage significant risks.

With the assistance rendered by the internal auditors, the RMWC has formulated and developed a Risk Management Policy which was reviewed by the ARMC and approved by the Board on 16 July 2013. In 2017, a revised Risk Management Policy was tabled for review to ARMC and approved by the Board on 21 November 2017. The revised Risk Management Policy reflects the Group commitment to implement a conclusive and updated risk management framework for the Group. The Risk Management Policy basically:-

- Provide objectives and principles in risk management activities;
- Establish responsibilities and accountability in managing of risks;
- Establish risk management structure and process; and
- Determine risk appetite in managing risks.

The Risk Register is reviewed and updated periodically by the RMWC and presented to the ARMC on a yearly basis. During the financial year under review, new risks were identified and previously identified risks were revisited and reassessed on its rating and effectiveness on its internal control in mitigating the risk. The risk profiles were reviewed and assessed to ensure that the risk exposures are updated and properly mitigated to reflect the current economic environment and new regulatory requirements which may impact the Group.

The management has given assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material respects, based on the Group's risk management and internal control system.

### REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 December 2018. Their review was conducted in accordance with the Recommended Practice Guide 5 (Revised 2015) ("RPG 5 (Revised 2015)"), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report*, issued by the Malaysian Institute of Accountants (MIA). RPG 5 (Revised 2015) does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. RPG 5 (Revised 2015) also does

not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and internal control system.

### THE BOARD'S CONCLUSION

The Board is of the view that the current system of internal control is responsive and adequate to the business environment of the Group. There was no material control failure or weakness that would have any material adverse effects on the results of the Group for the period under review.

In addition, the Board is of the view that the Group will maintain its business objective and operational efficiency by continuous commitment towards a sound system of internal control. The Board continues to take measures to enhance the system of internal control.



# ADDITIONAL COMPLIANCE INFORMATION

UOA Damansara &  
Wisma UOA Damansara II



## MATERIAL CONTRACTS

There was no material contract entered into involving directors' and major unitholders' interest which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year except as disclosed in Note 26 to the financial statements.

## NON-AUDIT FEES

Non-audit fees paid/payable to the external auditors of the Trust and its subsidiary for the financial year ended 31 December 2018 amounted to RM3,000 in respect of services for the review of the Statement on Risk Management and Internal Control of the Trust.

The provision of non-audit services by the external auditors to the Group is both cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity.



# DIRECTORS OF THE MANAGER'S RESPONSIBILITY STATEMENT

For The Audited Financial Statements

The Directors of the Manager ("The Directors") are required by the Companies Act 2016 to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"), the provisions of the Deed dated 28 November 2005 ("Deed"), the requirements of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Trust at the end of the financial year, and of the results and cash flows of the Group and the Trust for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Trust keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Trust which enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors have taken reasonable steps to detect and prevent fraud and other irregularities, and to safeguard the assets of the Group and of the Trust.

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UOA Asset Management Sdn. Bhd., the Manager of UOA Real Estate Investment Trust ("UOA REIT" or "Trust"), has pleasure in presenting the Manager's Report on UOA REIT together with the audited financial statements of the Group and of the Trust for the financial year ended 31 December 2018.

## **PRINCIPAL ACTIVITY OF MANAGER**

The Manager, a company incorporated in Malaysia, is a subsidiary of UOA Corporation Berhad (a subsidiary of UOA Holdings Sdn. Bhd. which in turn, is a wholly owned subsidiary of United Overseas Australia Ltd., a company incorporated in Australia and listed on the Australian Stock Exchange and the Stock Exchange of Singapore). The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year.

## **PRINCIPAL ACTIVITIES OF THE TRUST**

UOA REIT is a Malaysia-domiciled real property trust fund constituted under a Deed dated 28 November 2005 ("Deed") by UOA Asset Management Sdn Bhd ("Manager") and RHB Trustees Berhad ("Trustee").

UOA REIT commenced its operations on 1 December 2005 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 30 December 2005. The principal activity of UOA REIT is to invest in a diversified portfolio of real estate and real estate-related assets used, or predominantly used, for commercial purposes, whether directly or indirectly through the ownership of single-purpose companies, who wholly own real estate with the objective of achieving a stable return from rental income and long-term capital growth. There has been no significant change in the nature of this activity during the financial year.

UOA REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under Clause 26 of the Deed.

The principal activity of the subsidiary company is disclosed in Note 7 to the Financial Statements.

## **INVESTMENT STRATEGIES**

During the financial year, the Manager continued to adopt the following strategies in achieving the Group's investment objective:

### **Operating strategy**

The Group's operating strategy is to continue to enhance the performance of the properties by increasing yields and returns from the properties through a combination of retaining existing tenants, reducing vacancy levels, adding and/or optimising retail/office space at the properties and minimising interruptions in rental income and operational costs. The Manager expects to apply the following key operating and management principles:

- (a) to optimise rental rates via active management of tenancies, renewals and new tenancies;
- (b) maintaining a close relationship with tenants to optimise tenant retentions;
- (c) actively working with the property manager to pursue new tenancy opportunities;
- (d) to optimise tenant mix and space configuration;
- (e) continuous review of tenant mix and if practicable, reconfigure lettable space; and
- (f) continually maintain the quality of the properties.



## INVESTMENT STRATEGIES (CONT'D)

### Acquisition strategy

The Manager seeks to increase cash flow and enhance unit value through selective acquisitions. The acquisition strategy takes into consideration:

- (a) location;
- (b) occupancy and tenant mix;
- (c) building and facilities specifications;
- (d) opportunities; and
- (e) yield thresholds.

The Manager has access to a network of and good relationships with leading participants in the real estate industry which may assist the Group in identifying (a) acquisition opportunities that have favourable returns on invested capital and growth in cash flow; and (b) under-performing assets. The Manager believes that these deal-sourcing capabilities are an important competitive advantage of the Group.

The Manager intends to capitalise on the relationship with UOA Holdings Group of companies, which is one of Malaysia's leading property development, property investment, property management services and construction group of companies. This relationship is expected to accord the Group competitive advantages and benefits towards achieving its long-term objectives.

The Manager intends to hold the properties on a long-term basis. In the future where the Manager considers that any property has reached a stage that offers only limited scope for growth, they may consider selling the property and using the proceeds from the sale for alternative investments in properties that meet its investment criteria.

### Capital management strategy

The Manager aims to optimise the Group's capital structure and cost of capital within the borrowing limits prescribed by the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines") and intends to use a combination of debt and equity funding for future acquisitions and improvement works at the properties. Our capital management strategies involve:

- (a) adopting and maintaining an optimal gearing level; and
- (b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates.

while maintaining flexibility in the Group's capital structure to meet future investment and/or capital requirements.

## INVESTMENT POLICIES

### Portfolio composition

The Group's investments may be allocated in the following manner, as prescribed by the REIT Guidelines:

- (a) to invest in real estate, single-purpose companies whose principal assets comprise real estate, real estate-related assets, non-real estate-related assets or liquid assets;
- (b) at least 50% of the Group's total assets must be invested in real estate or single-purpose companies whose principal assets comprise real estate, at all times; and
- (c) not more than 25% of the Group's total assets may be invested in non-real estate-related assets and/or liquid assets.

### Diversification

The Group will seek to diversify its real estate portfolio by property and location type. The Group will focus on investing in properties that are primarily used for office, retail and/or residential purposes and will continue to look for opportunities in these types of properties. In addition, it may also look into other properties that will provide attractive risk-adjusted returns.



**INVESTMENT POLICIES (CONT'D)****Leverage**

The Group will be able to leverage on its borrowings to make the permitted investments. Leveraging on its borrowings will increase the returns to unitholders. The Group is permitted to procure borrowings of up to 50% of its total asset value.

**DISTRIBUTION POLICY**

At least 90% of the distributable income of the Trust will be distributed semi-annually or at such other intervals as determined by the Manager, in arrears.

**PERFORMANCE OF THE GROUP**

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Total net asset value (RM'000)	<b>725,242</b>	706,314	704,591	699,277	635,560
Units in circulation ('000)	<b>422,872</b>	422,872	422,872	422,872	422,872
Net asset value per unit (RM)	<b>1.715</b>	1.670	1.666	1.654	1.503
Highest net asset value per unit (RM)	<b>1.727</b>	1.670	1.666	1.654	1.503
Lowest net asset value per unit (RM)	<b>1.671</b>	1.667	1.654	1.503	1.497
Market price per unit (RM)	<b>1.31</b>	1.62	1.76	1.60	1.43
Highest traded price for the financial year (RM)	<b>1.64</b>	1.91	1.87	1.75	1.47
Lowest traded price for the financial year (RM)	<b>1.29</b>	1.60	1.56	1.41	1.34

**OPERATING RESULTS OF THE GROUP**

	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
Total gross income	<b>78,586</b>	82,349	89,731	91,935	90,387
Property operating expenses	<b>20,944</b>	22,514	22,884	22,575	21,790
Non-property expenses	<b>6,690</b>	5,346	5,324	5,227	5,030
Finance costs	<b>15,837</b>	16,479	16,305	16,613	16,123
Income before tax, fair value gain on investment properties and net changes on financial liabilities measured at amortised cost	<b>35,115</b>	38,010	45,218	47,520	47,444
Fair value gain on investment properties	<b>22,570</b>	—	—	64,129	—
Net changes on financial liabilities measured at amortised cost	<b>(35)</b>	(133)	(164)	50	74
Profit before tax	<b>57,650</b>	37,877	45,054	111,699	47,518
Tax income/(expense)	<b>(113)</b>	—	4,578	(1,381)	1,598
Profit after tax	<b>57,537</b>	37,877	49,632	110,318	49,116

The total gross income for the financial year ended 31 December 2018 comprises rental income of RM78,200,304 (2017: RM82,043,838), interest income of RM120,536 (2017: RM37,950) and other income of RM264,813 (2017: RM267,763). Total gross income for the financial year was 4.6% lower than the previous financial year.

# MANAGER'S REPORT

(continued)

## OPERATING RESULTS OF THE GROUP (CONT'D)

Realised income before tax for the financial year was RM35,115,406 (2017: RM38,010,082), which is a decrease of 7.6% over the previous financial year mainly due to lower rental income.

The profit after tax for the financial year ended 31 December 2018 was at RM57,536,772 (2017: RM37,877,410). The current financial year's profit after tax included the fair value gain for UOA REIT's investment properties.

## INCOME DISTRIBUTION

The Trust had on 30 August 2018 paid an interim distribution of 4.04 sen per unit totaling RM17,084,019 for the six months ended 30 June 2018.

The Manager had on 22 January 2019, recommended to the Trustee, and the Trustee had on 22 January 2019, approved the final income distribution of 5.09 sen per unit totaling RM21,524,172 for the financial year ended 31 December 2018 to be paid by 28 February 2019 ("Final Distribution"). The Final Distribution comprises taxable income of approximately 5.09 sen per unit.

The total distribution for the financial year ended 31 December 2018 is 9.13 sen per unit, an increase of approximately 6.8% or 0.58 sen per unit as compared to the previous financial year.

An analysis of the Trust's income distribution is as follows:

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Distribution per unit (sen)					
– interim	<b>4.04</b>	4.18	5.22	5.32	5.27
– final	<b>5.09</b>	4.37	5.26	5.70	5.73
– total	<b>9.13</b>	8.55	10.48	11.02	11.00
Distribution payment date					
– interim	<b>30/08/2018</b>	30/8/2017	30/8/2016	26/8/2015	29/8/2014
– final	<b>28/2/2019</b>	28/2/2018	28/2/2017	29/2/2016	27/2/2015
Distribution yield based on issued price of RM1.15 per unit (%)	<b>7.94</b>	7.43	9.11	9.58	9.57
Distribution yield based on Market price at 31 December (%)	<b>6.97</b>	5.28	5.95	6.89	7.69
Market price as at 31 December (RM)	<b>1.31</b>	1.62	1.76	1.60	1.43

## BENCHMARK RELEVANT TO THE REIT

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Management expense ratio ("MER") (%)*	<b>0.93</b>	0.76	0.76	0.81	0.79
Portfolio turnover ratio ("PTR") (times)**	—	—	—	—	—

\* MER is calculated based on the total administrative expenses incurred by the Group divided by the average value of the Group fund for the financial year calculated on a weekly basis.

\*\* PTR is the ratio of the average sum of acquisition and disposal of the Group for the financial year to the average value of the Group fund for the financial year calculated on weekly basis.

As the basis of calculation may vary among real estate investment trusts, no accurate comparison can be made between UOA REIT's MER and PTR, and other real estate investment trusts.

## COMPOSITION OF INVESTMENT PORTFOLIO

As at 31 December 2018, the Group's composition of investment portfolio was as follows:

	RM'000	%
<u>Real estate properties</u>		
• UOA Centre Parcels	85,100	8.20
• UOA II Parcels	294,000	28.31
• UOA Damansara Parcels	121,000	11.65
• Wisma UOA Damansara II	235,000	22.63
• Parcel B – Menara UOA Bangsar	300,000	28.89
<u>Liquid assets</u>		
• Deposits with licensed financial institutions	1,700	0.16
• Bank balances	1,621	0.16
	<b>1,038,421</b>	<b>100</b>

## MANAGER'S REPORT

(continued)

### COMPOSITION OF INVESTMENT PORTFOLIO (CONT'D)

The details of the real estate properties as at 31 December 2018 are as follows:

#### UOA CENTRE PARCELS

##### Address/Location

Within UOA Centre at No. 19, Jalan Pinang, 50450 Kuala Lumpur

##### Description

Parcels within the thirty-three (33) storey office building known as UOA Centre inclusive of six (6) levels of car park space

##### Title details

Twenty-eight (28) strata titles within UOA Centre identified as Bangunan M1, held under Master Title Geran 46212, Lot No. 1312, Section 57, Town and District of Kuala Lumpur, State of Wilayah Persekutuan KL

##### Property type

Office parcels

##### Net lettable area

123,950 sq.ft.

##### Age

Approximately 24 years

##### Existing use

Commercial

##### Status of holding

Freehold

##### Major tenants (based on monthly rental receivable)

- a) Bank Kerjasama Rakyat Malaysia Bhd
- b) Dats Management Sdn Bhd
- c) HHQ Training & Management Services Sdn Bhd

##### Occupancy rate (based on secured tenancies)

84.9%

##### Rental received/receivable

RM6,224,342

##### Maintenance costs and capital expenditure

Maintenance costs amount to RM1,872,356. No capital expenditure incurred during the financial year

##### Encumbrances

Charged to a financial institution as security for revolving credit facilities

##### Date of acquisition

29 November 2005

##### Cost of acquisition

RM55,981,272

##### Last valuation

RM85,100,000

##### Date of last valuation

31 December 2018

##### Basis of valuation

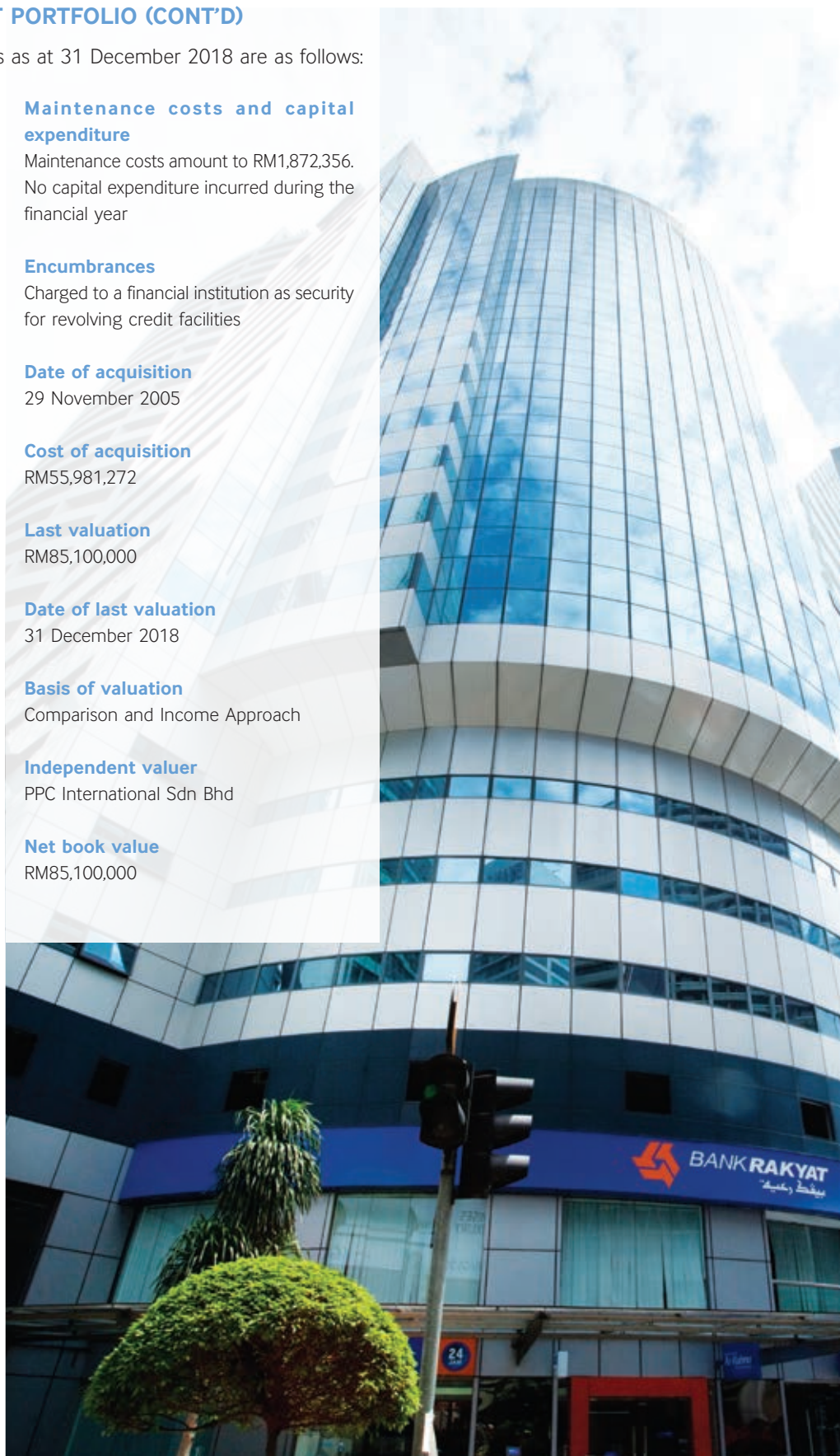
Comparison and Income Approach

##### Independent valuer

PPC International Sdn Bhd

##### Net book value

RM85,100,000





## COMPOSITION OF INVESTMENT PORTFOLIO (CONT'D)

The details of the real estate properties as at 31 December 2018 are as follows (cont'd):

### UOA II PARCELS

#### Address/Location

Within UOA II at No. 21, Jalan Pinang,  
50450 Kuala Lumpur.

#### Description

Parcels within the thirty-nine (39) storey  
office building known as UOA II inclusive  
of five (5) levels of car park space

#### Title details

Sixty-eight (68) strata titles within UOA II  
identified as Bangunan M2, held under  
Master Title Geran 46212, Lot No. 1312,  
Section 57, Town and District of Kuala  
Lumpur, State of Wilayah Persekutuan KL

#### Property type

Office parcels

#### Net lettable area

428,544 sq.ft.

#### Age

Approximately 20 years

#### Existing use

Commercial

#### Status of holding

Freehold

#### Major tenants (based on monthly rental receivable)

- a) Dats Management Sdn Bhd
- b) Sabah International Petroleum  
Sdn Bhd
- c) Envico Enterprises Sdn Bhd

#### Occupancy rate (based on secured tenancies)

85.1%

#### Rental received/receivable

RM21,128,732

#### Maintenance costs and capital expenditure

Maintenance costs amount to RM4,203,063.  
No capital expenditure incurred during the  
financial year

#### Encumbrances

Charged to a financial institution as security  
for revolving credit facilities (There are no  
encumbrances on Level 17, UOA II)

#### Date of acquisition

29 November 2005 (Excluding Level 17,  
UOA II)  
22 March 2010 (Level 17, UOA II)

#### Cost of acquisition

RM194,502,300

#### Last valuation

RM294,000,000

#### Date of last valuation

31 December 2018

#### Basis of valuation

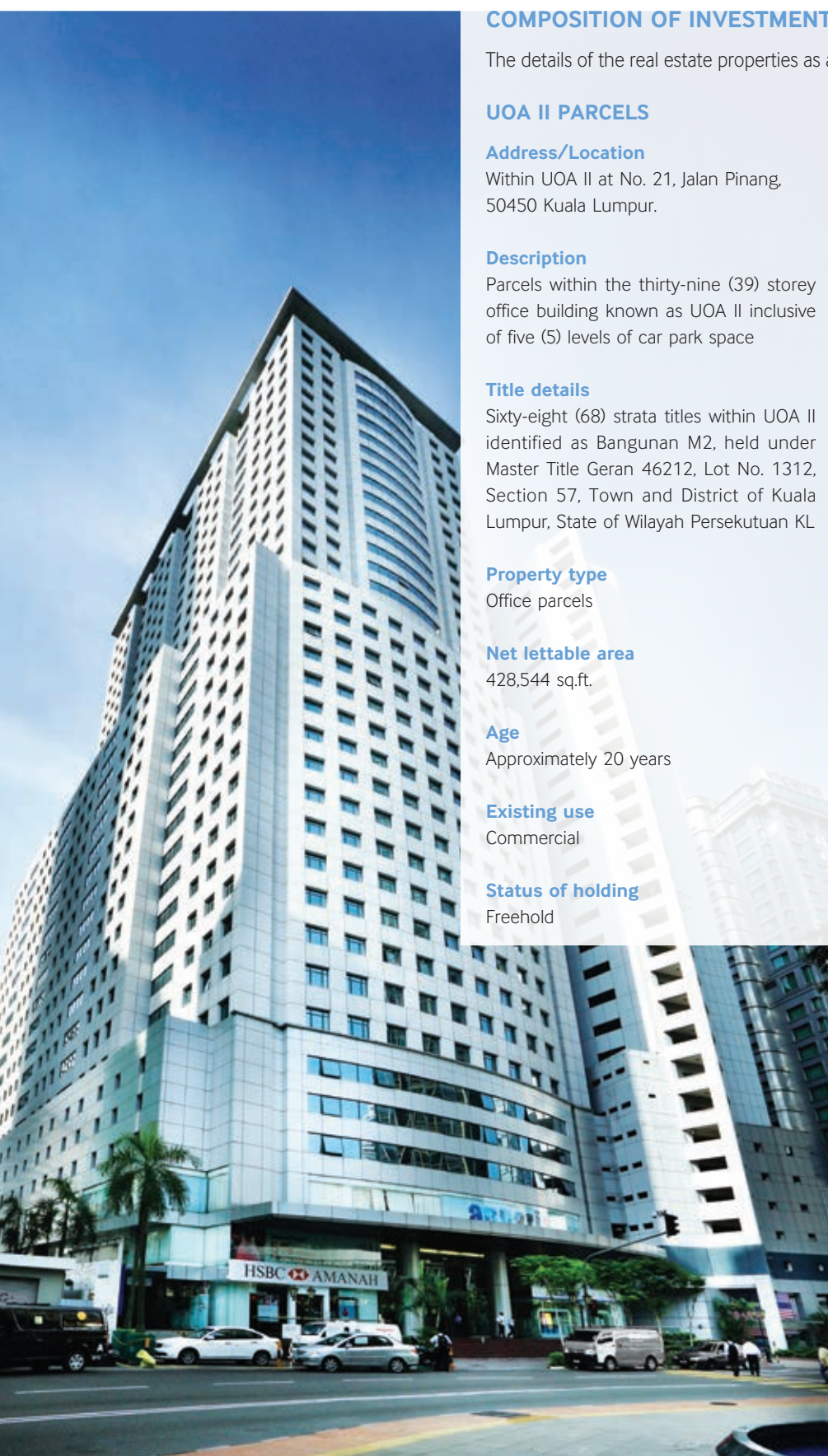
Comparison and Income Approach

#### Independent valuer

PPC International Sdn Bhd

#### Net book value

RM294,000,000





## MANAGER'S REPORT

(continued)

### COMPOSITION OF INVESTMENT PORTFOLIO (CONT'D)

The details of the real estate properties as at 31 December 2018 are as follows (cont'd):

#### UOA DAMANSARA PARCELS

##### Address/Location

Within UOA Damansara at No. 50, Jalan  
Dungun, Damansara Heights, 50490  
Kuala Lumpur

##### Description

Parcels within the thirteen (13) storey office  
building known as UOA Damansara inclusive  
of four (4) levels of basement car park  
space

##### Title details

Thirty (30) strata titles within UOA  
Damansara identified as Bangunan M1, held  
under Master Title Geran 67371, Lot No.  
55917, Mukim and District of Kuala Lumpur,  
State of Wilayah Persekutuan KL

##### Property type

Office parcels

##### Net lettable area

186,395 sq.ft.

##### Age

Approximately 21 years

##### Existing use

Commercial

##### Status of holding

Freehold

##### Major tenants (based on monthly rental receivable)

- a) Skrine
- b) Dats Management Sdn Bhd
- c) Kerajaan Malaysia

##### Occupancy rate (based on secured tenancies)

93.4%

##### Rental received/receivable

RM9,586,764

##### Maintenance costs and capital expenditure

Maintenance costs amount to RM2,848,316.  
No capital expenditure incurred during the  
financial year

##### Encumbrances

Charged to a financial institution as security  
for revolving credit facilities

##### Date of acquisition

29 November 2005

##### Cost of acquisition

RM72,000,000

##### Last valuation

RM121,000,000

##### Date of last valuation

31 December 2018

##### Basis of valuation

Comparison and Income Approach

##### Independent valuer

PPC International Sdn Bhd

##### Net book value

RM121,000,000





## COMPOSITION OF INVESTMENT PORTFOLIO (CONT'D)

The details of the real estate properties as at 31 December 2018 are as follows (cont'd):

### UOA DAMANSARA II

#### Address/Location

No. 6, Changkat Semantan, Damansara Heights, 50490 Kuala Lumpur

#### Description

A sixteen (16) storey office building with 3 levels of elevated car park space and 5 levels of basement car park space

#### Title details

Geran 6837, Lot No. 38415, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan KL

#### Property type

Commercial building

#### Net lettable area

290,793 sq.ft.

#### Age

Approximately 11 years

#### Existing use

Commercial

#### Status of holding

Freehold

#### Major tenants (based on monthly rental receivable)

- Radimax Group Sdn Bhd
- Dats Management Sdn Bhd
- Securities Commission Malaysia

#### Occupancy rate (based on secured tenancies)

90.8%

#### Rental received/receivable

RM13,178,843

#### Maintenance costs and capital expenditure

Maintenance costs amount to RM3,104,599. Capital expenditure of RM1,733,935 was incurred during the financial year to enhance the property

#### Encumbrances

Charged to a financial institution as security for revolving credit facilities

#### Date of acquisition

17 January 2011

#### Cost of acquisition

RM211,000,000

#### Last valuation

RM235,000,000

#### Date of last valuation

31 December 2018

#### Basis of valuation

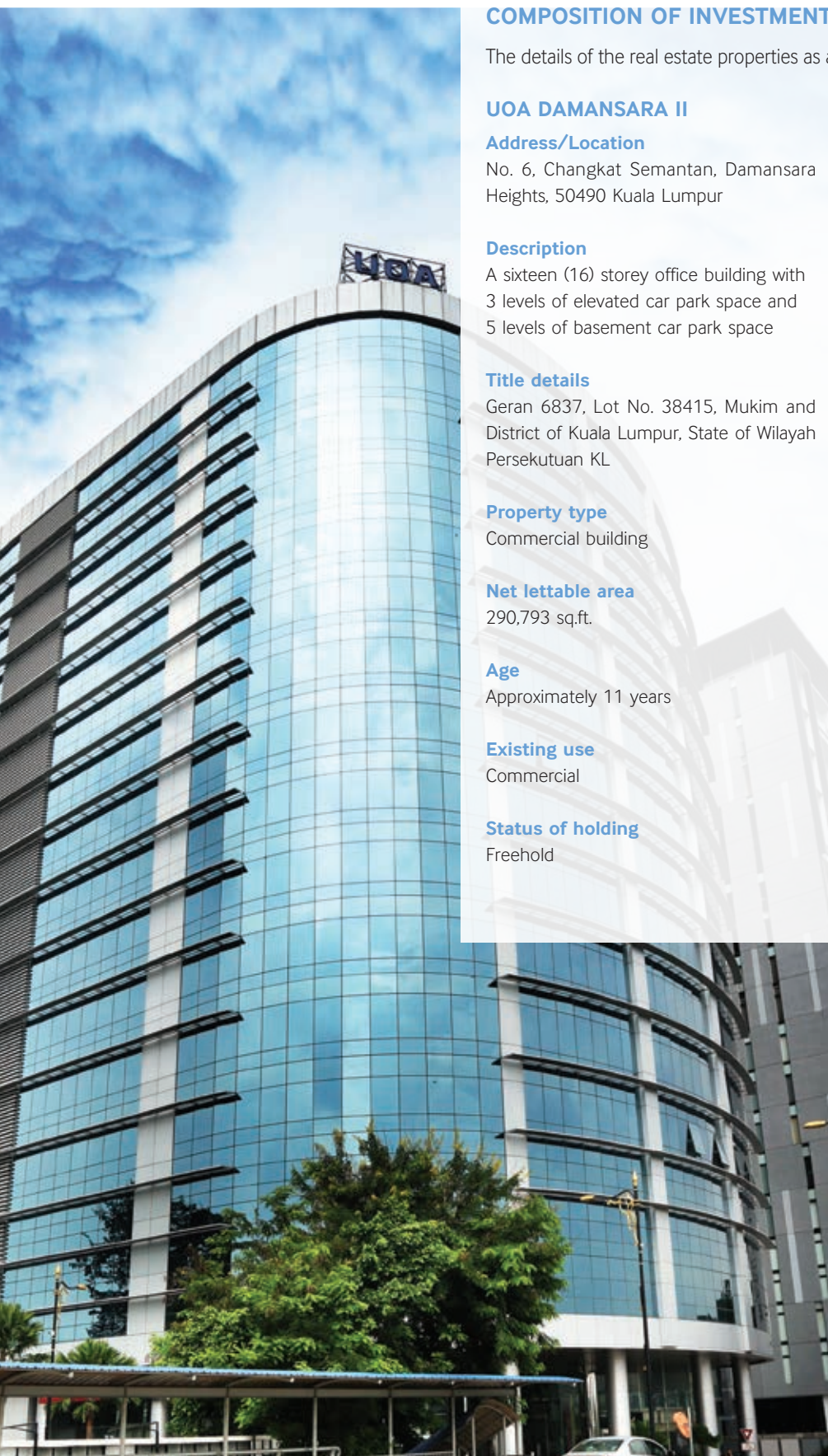
Comparison and Income Approach

#### Independent valuer

PPC International Sdn Bhd

#### Net book value

RM235,000,000





## MANAGER'S REPORT

(continued)

### COMPOSITION OF INVESTMENT PORTFOLIO (CONT'D)

The details of the real estate properties as at 31 December 2018 are as follows (cont'd):

#### PARCEL B – MENARA UOA BANGSAR

##### Address/Location

Within Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur

##### Description

A tower block, namely Tower B comprising fifteen (15) levels of office space, three (3) levels of retail podium, six (6) levels of elevated car park space and four (4) levels of basement car park space (which form part of a development known as Menara UOA Bangsar)

##### Title details

Fourteen (14) strata titled within Menara UOA Bangsar, identified as Bangunan M1 and M1-A, held under Master Title Pajakan Negeri (WP) 43411, Lot No. 421, Section 96, Town and District of Kuala Lumpur, State of Wilayah Persekutuan KL

##### Property type

Commercial building

##### Net lettable area

307,551 sq.ft.

##### Age

Approximately 10 years

##### Existing use

Commercial

##### Status of holding

99 years leasehold expiring in 2106 (unexpired term of approximately 90 years)

##### Major tenants (based on monthly rental receivable)

- Perbadanan Harta Intelek Malaysia
- Dats Management Sdn Bhd
- Prasarana Malaysia Berhad

##### Occupancy rate (based on secured tenancies)

98.1%

##### Rental received/receivable

RM25,960,720

##### Maintenance costs and capital expenditure

Maintenance costs amount to RM5,230,253. No capital expenditure incurred during the financial year

##### Encumbrances

Charged to a financial institution as security for revolving credit facilities

##### Date of acquisition

17 January 2011

##### Cost of acquisition

RM289,000,000

##### Last valuation

RM300,000,000

##### Date of last valuation

31 December 2018

##### Basis of valuation

Comparison and Income Approach

##### Independent valuer

PPC International Sdn Bhd

##### Net book value

RM300,000,000



## GEARING

Pursuant to the REIT Guidelines, the permitted limit on gearing ratio of real estate investment trusts is 50%.

As at 31 December 2018, the Group has total borrowings of RM277,300,000 representing a gearing ratio of 26.4% (2017: 34.0%). The debts are in the form of revolving credits and are short term in nature renewable on a one (1) to six (6) months term at interest/profit rates as disclosed in Note 13 to the Financial Statements. Total credit facilities available to the Trust amount to RM294,600,000 and there are unutilised facilities of RM17,300,000 as at the end of the financial year.

As at 31 December 2018, the Group has the capacity to raise its borrowings by an additional RM230,147,890 before reaching the 50% limit permitted under the REIT Guidelines.

## UNITS IN ISSUE

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Number of units in issue	<b>422,871,776</b>	422,871,776	422,871,776	422,871,776	422,871,776

## NET ASSET VALUE ("NAV") OF THE GROUP

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
NAV (RM'000)	<b>725,242</b>	706,314	704,591	699,277	635,560
NAV per unit					
– before distribution (RM)	<b>1.766</b>	1.714	1.719	1.711	1.560
– after distribution (RM)*	<b>1.715</b>	1.670	1.666	1.654	1.503

\* NAV per unit is posted on Bursa Malaysia's website on a quarterly basis.

## PROSPECTS

The Manager will continue to actively manage the portfolio of properties to maximise the yield for unitholders.

Meanwhile, the Manager will continue to source for opportune acquisitions that meet the objectives of UOA REIT.

The Manager's fees are disclosed in Note 18 to the Financial Statements.

## SOFT COMMISSION

During the financial year, the Manager did not receive any soft commission from its broker, by virtue of transactions conducted by the Group.

## CONFLICT OF INTEREST

None of the Directors and employees of the Manager have any conflict of interest with the Group and the Trust.

## MANAGER'S REPORT

(continued)

### BOARD OF DIRECTORS OF THE MANAGER ("DIRECTORS")

Directors	Date of appointment
Dato' Gan Boon Khuay	16 November 2005
Alan Charles Winduss	28 November 2005
Kung Beng Hong	28 November 2005
Kong Sze Choon	14 January 2011
Yap Kang Beng	18 March 2016

### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there exist any arrangement to which UOA Asset Management Sdn Bhd was a party, whereby Directors of the Manager might acquire benefits by means of the acquisition of units in or debentures of the Trust or any other body corporate.

During the financial year under review, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by UOA Asset Management Sdn Bhd or a related corporation, with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 26 to the Financial Statements.

### DIRECTORS' INTEREST

	No. of Units			
	As at 1 January 2018	Acquired	Disposed	As at 31 December 2018
Direct interest				
Alan Charles Winduss	100,000	—	—	100,000
Dato' Gan Boon Khuay	100,000	—	—	100,000
Kung Beng Hong	100,000	—	—	100,000
Kong Sze Choon	39,000	—	—	39,000
Indirect interest				
Kong Sze Choon *	24,000	—	—	24,000

\* By virtue of his interest in the shares of Global Transact Sdn Bhd.

During and at the end of financial year, there was no material contract entered into involving any Directors and major unitholders, except for any contracts arising from transactions disclosed in Note 26 to the Financial Statements.

### INDEMNITY AND INSURANCE COST

There was no indemnity coverage and insurance premium paid for Directors of the Trust during the financial year.



**OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Trust were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the provision for doubtful debts, and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debts to be written off; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Trust have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Trust inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Trust misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Trust misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Trust which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Trust which has arisen since the end of the financial year.

In the opinion of the Directors:

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Trust to meet their obligations as and when they fall due;
- (b) the results of the operations of the Group and of the Trust during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Trust for the financial year in which this report is made.

**EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING PERIOD**

The events during the financial year and after the reporting period are disclosed in Note 32 to the Financial Statements.

## MANAGER'S REPORT

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(continued)

### AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Group and its subsidiary company for the financial year ended 31 December 2018 are amounted to RM42,000 and RM2,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Group and its subsidiary company.

The Auditors, Messrs Grant Thornton Malaysia have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors of UOA Asset Management Sdn Bhd in accordance with a resolution of the Board of Directors.

For and on behalf of the Manager,  
**UOA Asset Management Sdn Bhd**

**KONG SZE CHOON**

*Director*

Kuala Lumpur  
18 February 2019

**ALAN CHARLES WINDUSS**

*Director*

## STATEMENT BY MANAGER

We, Kong Sze Choon and Alan Charles Winduss, being two of the Directors of UOA Asset Management Sdn Bhd (“the Manager”), do hereby state that, in the opinion of the Directors, the financial statements set out on pages 53 to 87 are drawn up so as to give a true and fair view of the financial position of the Group and of the Trust as at 31 December 2018 and financial performance and cash flows of the Group and of the Trust for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, Securities Commission’s Guidelines on Real Estate Investment Trusts and the provisions of the Deed dated 28 November 2005.

Signed on behalf of the Board of Directors of UOA Asset Management Sdn Bhd in accordance with a resolution of the Board of Directors.

For and on behalf of the Manager,  
**UOA Asset Management Sdn Bhd**

**KONG SZE CHOON**  
*Director*

**ALAN CHARLES WINDUSS**  
*Director*

Kuala Lumpur  
18 February 2019

## STATUTORY DECLARATION

I, Kong Sze Choon, being the Director of UOA Asset Management Sdn Bhd primarily responsible for the financial management of UOA Real Estate Investment Trust, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 53 to 87 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by )  
the abovenamed at Kuala Lumpur in the )  
Federal Territory this day of )  
18 February 2019 ) .....

**KONG SZE CHOON**

Before me:

*Commissioner for Oaths*



# TRUSTEES' REPORT TO THE UNITHOLDERS OF UOA REAL ESTATE INVESTMENT TRUST

(Established in Malaysia)

We have acted as Trustee of UOA Real Estate Investment Trust for the financial year ended 31 December 2018. In our opinion and to the best of our knowledge, UOA Asset Management Sdn Bhd, the Manager, has managed UOA Real Estate Investment Trust ("Trust") in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed dated 28 November 2005, other provisions of the Deed, the Capital Markets and Services Act, 2007, the Securities Commission's Guidelines on Real Estate Investment Trusts and other applicable laws during the financial year then ended.

We have ensured that the procedures and processes employed by UOA Asset Management Sdn Bhd to value and price the units of the Trust 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 31 December 2018 are in line with and are reflective of the objectives of the Trust. Two distributions have been declared for the financial year ended 31 December 2018 as follows:

- (a) Interim income distribution of 4.04 sen per unit paid on 31 August 2018; and
- (b) Final income distribution of 5.09 sen per unit to be paid on 28 February 2019.

For and on behalf of the Trustee,

**RHB Trustees Berhad**

(Company No.: 573019-U)

**TONY CHIENG SIONG UNG**

*Director*

Kuala Lumpur

18 February 2019

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

OF UOA REAL ESTATE INVESTMENT TRUST  
(Established in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of UOA Real Estate Investment Trust ("UOA REIT" or "Trust"), which comprise the statements of financial position as at 31 December 2018 of the Group and of the Trust, 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 Trust for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Trust as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines") and the provisions of the Deed dated 28 November 2005 ("Deed").

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. 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 Trust 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 Trust for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Trust 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 6 to the Financial Statements, the Group's and the Trust's investment properties that were carried at fair value amounted to RM1,035,100,000 and RM1,030,600,000 respectively as at 31 December 2018.

The investment properties are stated at fair value based on independent professional valuation using the comparison and income method. We focused on this due to the magnitude of the balance and the complexities in determining the fair value of the investment properties, which involves significant judgement and estimation that could result in material misstatement.

### Audit responses

Our audit procedures performed include:

1. Evaluated the competency, capabilities and objectivity of the independent valuer.
2. Performed site visits to major properties.
3. Checked the accuracy and relevance of the input data used in the valuations.
4. Evaluated and challenged the key assumptions used in valuations.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Manager is responsible for the other information. The other information comprise the information included in the annual report, but does not include the financial statements of the Group and of the Trust and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Trust 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 Trust, 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 Trust or our knowledge obtained in the audit or otherwise appears to be materially misstated.

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

OF UOA REAL ESTATE INVESTMENT TRUST  
(Established in Malaysia)  
(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation of financial statements of the Group and of the Trust that give a true and fair view in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines") and the provisions of the Deed dated 28 November 2005 ("Deed"). The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Group and of the Trust that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Trust, the Manager is responsible for assessing the Group's and the Trust's ability 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 intends to liquidate the Group or the Trust 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 Trust as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing 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 the approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Trust, 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.
- 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 Group's and of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- 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 Group's or the Trust's ability 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 Trust 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Trust, including the disclosures, and whether the financial statements of the Group and of the Trust represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

OF UOA REAL ESTATE INVESTMENT TRUST  
(Established in Malaysia)  
(continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the Managers 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 with the Managers 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 Managers, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Trust 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

1. This report is made solely to the unitholders of the Trust, as a body, in accordance with the REIT Guidelines in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.
2. The financial statements of the Group and of the Trust as at 31 December 2017 were audited by another firm of Chartered Accountants whose report dated 14 February 2018, expressed an unqualified opinion on those financial statements.

**GRANT THORNTON MALAYSIA**  
(NO. AF: 0737)  
*Chartered Accountants*

**LIM SOO SIM**  
(NO: 03335/11/2019 J)  
*Chartered Accountant*

Kuala Lumpur  
18 February 2019



# STATEMENTS OF FINANCIAL POSITION

As At 31 December 2018

	Note	Group		Trust	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Plant and equipment	5	102,292	80,915	102,292	80,915
Investment properties	6	1,035,100,000	1,128,296,121	1,030,600,000	1,128,296,121
Investment in a subsidiary company	7	—	—	2	2
Total non-current assets		1,035,202,292	1,128,377,036	1,030,702,294	1,128,377,038
Current assets					
Trade receivables	8	2,185,485	1,819,830	2,170,969	1,819,830
Other receivables	9	8,787,406	5,576,007	8,787,406	5,576,007
Amount due from a subsidiary company	10	—	—	7,927,862	1,107,163
Deposits with licensed financial institutions	11	1,700,000	1,200,000	1,700,000	1,200,000
Bank balances		1,620,596	2,681,501	1,594,772	1,580,073
Total current assets		14,293,487	11,277,338	22,181,009	11,283,073
Total assets		1,049,495,779	1,139,654,374	1,052,883,303	1,139,660,111
LIABILITIES					
Non-current liability					
Other payables	12	10,026,518	8,234,136	10,026,518	8,234,136
Total non-current liability		10,026,518	8,234,136	10,026,518	8,234,136
Current liabilities					
Other payables	12	15,400,929	19,127,164	15,917,661	19,123,329
Bank borrowings	13	277,300,000	387,500,000	277,300,000	387,500,000
Provision for income distribution	14	21,524,173	18,479,496	21,524,173	18,479,496
Tax payable		2,000	—	—	—
Total current liabilities		314,227,102	425,106,660	314,741,834	425,102,825
Total liabilities		324,253,620	433,340,796	324,768,352	433,336,961
Net asset value		725,242,159	706,313,578	728,114,951	706,323,150
UNITHOLDERS' FUND					
Unitholders' capital	15	476,062,161	476,062,161	476,062,161	476,062,161
Undistributed income		249,179,998	230,251,417	252,052,790	230,260,989
Total unitholders' fund		725,242,159	706,313,578	728,114,951	706,323,150
Number of units in circulation		422,871,776	422,871,776	422,871,776	422,871,776
Net asset value per unit					
– Before income distribution		1.766	1.714	1.773	1.714
– After income distribution		1.715	1.670	1.722	1.670

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2018

	Note	Group		Trust	
		2018 RM	2017 RM	2018 RM	2017 RM
INCOME					
Gross rental	16	78,200,304	82,043,838	78,176,804	82,043,838
Property operating expenses	17	(20,943,586)	(22,514,184)	(20,923,283)	(22,514,184)
Net rental income		57,256,718	59,529,654	57,253,521	59,529,654
Interest income		120,536	37,950	112,015	37,950
Other income		264,813	267,763	1,857,305	267,763
Total income		57,642,067	59,835,367	59,222,841	59,835,367
EXPENSES					
Manager's fees	18	4,885,451	4,751,807	4,885,451	4,751,807
Trustee's fee	19	218,752	212,768	218,752	212,768
Auditors' remuneration		45,000	48,150	43,000	45,500
Tax agent's fees		21,955	14,470	21,000	14,000
Valuation fees		209,500	17,477	209,500	17,477
Administration expenses		1,309,120	301,327	278,977	299,055
Finance costs	20	15,836,883	16,479,286	15,836,883	16,479,286
Total expenses		22,526,661	21,825,285	21,493,563	21,819,893
Fair value gain on investment properties		22,569,944	—	22,817,292	—
Net changes on financial liabilities measured at amortised cost		(35,435)	(132,672)	(35,435)	(132,672)
Income before tax		57,649,915	37,877,410	60,511,135	37,882,802
Tax expense	21	(113,143)	—	(111,143)	—
Net income/total comprehensive income during the financial year		57,536,772	37,877,410	60,399,992	37,882,802
Net income/total comprehensive income is made up as follows:-					
— Realised		35,002,263	38,010,082	37,618,135	38,015,474
— Unrealised		22,534,509	(132,672)	22,781,857	(132,672)
		57,536,772	37,877,410	60,399,992	37,882,802

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2018  
(continued)

	Note	Group		Trust	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Earnings per unit</b>	22				
– After Manager's fees (sen)		<b>13.61</b>	8.96	<b>14.28</b>	8.96
– Before Manager's fees (sen)		<b>14.76</b>	10.08	<b>15.44</b>	10.08
<b>Net income distribution</b>					
– Interim distribution of 4.04 sen (2017: 4.18 sen) paid on 30 August 2018 (2017: 30 August 2017)		<b>17,084,018</b>	17,676,040	<b>17,084,018</b>	17,676,040
– Proposed final distribution of 5.09 sen (2017: 4.37 sen) payable on 28 February 2019 (2017: 28 February 2018)		<b>21,524,173</b>	18,478,885	<b>21,524,173</b>	18,478,885
		<b>38,608,191</b>	36,154,925	<b>38,608,191</b>	36,154,925
<b>Interim income distribution per unit*</b>					
– Gross (sen)		<b>4.04</b>	4.18	<b>4.04</b>	4.18
– Net (sen)		<b>4.04***</b>	4.18	<b>4.04***</b>	4.18
<b>Final income distribution per unit*</b>					
– Gross (sen)		<b>5.09</b>	4.37	<b>5.09</b>	4.37
– Net (sen)**		<b>5.09***</b>	4.37	<b>5.09***</b>	4.37

\* Based on 422,871,776 (2017: 422,871,776) units entitled to distribution.

\*\* Approximately Nil (2017: 0.25 sen) out of the 5.09 sen (2017: 4.37 sen) final income distribution per unit is exempted from income tax due to the utilisation of capital allowances from the investment properties of the Trust and the interest income received from financial institutions pursuant to paragraph 35A, Schedule 6 of the Income Tax Act, 1967.

\*\*\* Pursuant to the amended Section 6(1)(i) of the Income Tax Act, 1967, the following withholding tax rates as stipulated in Part X, Schedule 1 of the Income Tax Act, 1967 will be deducted for distribution of income by the Trust to the following categories of unitholders:

	Withholding tax rate	
	2018	2017
Resident corporate	—#	—#
Resident non-corporate	<b>10%</b>	10%
Non-resident individual	<b>10%</b>	10%
Non-resident corporate	<b>24%</b>	24%
Non-resident institutional	<b>10%</b>	10%

# No withholding tax; to tax at prevailing tax rate

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN NET ASSET VALUE

For The Financial Year Ended 31 December 2018

	Note	Unitholders' capital RM	Undistributed Income			
			Realised RM	Unrealised RM	Sub-total RM	Total RM
Group						
Balance as at 1 January 2017		476,062,161	22,145,893	206,383,039	228,528,932	704,591,093
Net income/total comprehensive income for the financial year		—	38,010,082	(132,672)	37,877,410	37,877,410
Distribution to unitholders	14	—	(36,154,925)	—	(36,154,925)	(36,154,925)
Balance as at 31 December 2017		476,062,161	24,001,050	206,250,367	230,251,417	706,313,578
Net income/total comprehensive income for the financial year		—	35,002,263	22,534,509	57,536,772	57,536,772
Realisation upon disposal of investment properties		—	31,436,561	(31,436,561)	—	—
Distribution to unitholders	14	—	(38,608,191)	—	(38,608,191)	(38,608,191)
Balance as at 31 December 2018		476,062,161	51,831,683	197,348,315	249,179,998	725,242,159
Trust						
Balance as at 1 January 2017		476,062,161	22,150,073	206,383,039	228,533,112	704,595,273
Net income/total comprehensive income for the financial year		—	38,015,474	(132,672)	37,882,802	37,882,802
Distribution to unitholders	14	—	(36,154,925)	—	(36,154,925)	(36,154,925)
Balance as at 31 December 2017		476,062,161	24,010,622	206,250,367	230,260,989	706,323,150
Net income/total comprehensive income for the financial year		—	37,618,135	22,781,857	60,399,992	60,399,992
Realisation upon disposal of investment properties		—	33,689,214	(33,689,214)	—	—
Distribution to unitholders	14	—	(38,608,191)	—	(38,608,191)	(38,608,191)
Balance as at 31 December 2018		476,062,161	56,709,780	195,343,010	252,052,790	728,114,951

The accompanying notes form an integral part of the financial statements.



# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2018

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before tax	<b>57,649,915</b>	37,877,410	<b>60,511,135</b>	37,882,802
Adjustments for:-				
Allowance for doubtful debts	<b>145,693</b>	942,821	<b>145,693</b>	942,821
Allowance for doubtful debts no longer required	<b>(1,005,510)</b>	(34,456)	<b>(1,005,510)</b>	(34,456)
Bad debts written off	—	(74,178)	—	(74,178)
Depreciation	<b>14,961</b>	13,128	<b>14,961</b>	13,128
Fair value gain on investment properties	<b>(22,569,944)</b>	—	<b>(22,817,292)</b>	—
Loss/(Gain) on disposal of investment properties	<b>660,160</b>	—	<b>(1,592,492)</b>	—
Plant and equipment written off	<b>1,286</b>	2,615	<b>1,286</b>	2,615
Net changes on financial liabilities measured at amortised cost	<b>35,435</b>	132,672	<b>35,435</b>	132,672
Interest income	<b>(120,536)</b>	(37,950)	<b>(112,015)</b>	(37,950)
Interest expense	<b>15,836,883</b>	16,479,286	<b>15,836,883</b>	16,479,286
Operating profit before working capital changes	<b>50,648,343</b>	55,301,348	<b>51,018,084</b>	55,306,740
Changes in working capital:				
Receivables	<b>(4,074,349)</b>	(1,958,587)	<b>(4,059,833)</b>	(1,958,587)
Payables	<b>(3,769,288)</b>	(1,755,751)	<b>(3,248,721)</b>	(1,755,436)
Cash generated from operating activities	<b>42,804,706</b>	51,587,010	<b>43,709,530</b>	51,592,717
Tax paid	<b>(111,143)</b>	—	<b>(111,143)</b>	—
Net cash from operating activities	<b>42,693,563</b>	51,587,010	<b>43,598,387</b>	51,592,717
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of plant and equipment	<b>(40,672)</b>	(30,966)	<b>(40,672)</b>	(30,966)
Proceeds from disposal of investment properties	<b>120,000,000</b>	—	<b>127,000,000</b>	—
Enhancements to investment properties	<b>(1,733,935)</b>	(141,819)	<b>(1,733,935)</b>	(141,819)
Interest income	<b>120,536</b>	37,950	<b>112,015</b>	37,950
Advances to a subsidiary company	—	—	<b>(6,820,699)</b>	(1,105,165)
Net cash from/(used in) investing activities	<b>118,345,929</b>	(134,835)	<b>118,516,709</b>	(1,240,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of bank borrowings	<b>45,700,000</b>	38,800,000	<b>45,700,000</b>	38,800,000
Repayment of bank borrowings	<b>(155,900,000)</b>	(33,450,000)	<b>(155,900,000)</b>	(33,450,000)
Interest paid	<b>(15,836,883)</b>	(16,479,286)	<b>(15,836,883)</b>	(16,479,286)
Distribution to unitholders	<b>(35,563,514)</b>	(39,919,094)	<b>(35,563,514)</b>	(39,919,094)
Net cash used in financing activities	<b>(161,600,397)</b>	(51,048,380)	<b>(161,600,397)</b>	(51,048,380)
<b>CASH AND CASH EQUIVALENTS</b>				
Net changes	<b>(560,905)</b>	403,795	<b>514,699</b>	(695,663)
Brought forward	<b>3,881,501</b>	3,477,706	<b>2,780,073</b>	3,475,736
Carried forward	<b>3,320,596</b>	3,881,501	<b>3,294,772</b>	2,780,073

## STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2018  
(continued)

### NOTES TO THE STATEMENTS OF CASH FLOWS

Cash and cash equivalents included in the Statements of Cash Flows comprise the following:-

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
Bank balances	<b>1,620,596</b>	2,681,501	<b>1,594,772</b>	1,580,073
Deposits with licensed financial institutions	<b>1,700,000</b>	1,200,000	<b>1,700,000</b>	1,200,000
	<b>3,320,596</b>	3,881,501	<b>3,294,772</b>	2,780,073

### RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Bank borrowings</b>				
As at 1 January	<b>387,500,000</b>	382,150,000	<b>387,500,000</b>	382,150,000
Drawdown	<b>45,700,000</b>	38,800,000	<b>45,700,000</b>	38,800,000
Repayment	<b>(155,900,000)</b>	(33,450,000)	<b>(155,900,000)</b>	(33,450,000)
As at 31 December	<b>277,300,000</b>	387,500,000	<b>277,300,000</b>	387,500,000

The accompanying notes form an integral part of the financial statements.

## 1. GENERAL INFORMATION

UOA Real Estate Investment Trust ("UOA REIT" or "Trust") was constituted under a Deed dated 28 November 2005 ("Deed"), by the Manager, UOA Asset Management Sdn Bhd ("Manager") and RHB Trustees Berhad ("Trustee"). UOA REIT commenced operations on 1 December 2005.

UOA REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 30 December 2005. The principal activity of UOA REIT is investment in real estate and real estate-related assets used, or predominantly used, for commercial purposes, whether directly or indirectly through the ownership of single-purpose companies which wholly own real estate. There has been no significant change in the nature of this activity during the financial year.

The Manager, a company incorporated in Malaysia, is a subsidiary of UOA Corporation Bhd, (a subsidiary of UOA Holdings Sdn Bhd which in turn, is a wholly owned subsidiary of United Overseas Australia Ltd, a company incorporated in Australia and listed on the Australian Stock Exchange and the Stock Exchange of Singapore). The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year.

The principal activity of the subsidiary company is disclosed in Note 7 to the financial statements.

## 2. TERM OF THE TRUST

UOA REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 26 of the Deed.

## 3. BASIS OF PREPARATION

### 3.1 Statement of compliance

The financial statements of the Group and of the Trust have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts.

### 3.2 Basis of measurement

The financial statements of the Group and of the Trust are prepared under the historical cost convention, except for investment properties that have been measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Trust.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Trust use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

## 3. BASIS OF PREPARATION (CONT'D)

### 3.2 Basis of measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

Level 1:	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2:	Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
Level 3:	Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Trust determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Group and the Trust have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

### 3.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Trust's functional currency and all values are rounded to the nearest RM except when otherwise stated.

### 3.4 Adoption of new standards/amendments/improvements to MFRSs

The Group and the Trust have consistently applied the accounting policies set out in Note 4 to all years presented in these financial statements.

At the beginning of the current financial year, the Group and the Trust adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial years beginning on or after 1 January 2018.

Initial application of the new standards/amendments/improvements to financial standards did not have material impact to the Financial Statements, except for the following:

#### Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's and the Trust's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group and on the Trust.

Trade receivables and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

#### Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Trust's accounting for impairment losses for financial assets by replacing MFRS 9's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Trust to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. Initial application of this impairment policy has no significant financial impact to the Group and to the Trust.

### 3. BASIS OF PREPARATION (CONT'D)

#### 3.5 Standards issued but not yet effective

The Group and the Trust have not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Trust:-

MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019:-

MFRS 16	Leases
Amendments to MFRS 9*	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119*	Employee Benefits: Post-employment Benefits: Defined Benefit Plans
Amendments to MFRS 128*	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23*	Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	

Amendments to MFRSs and IC Interpretations effective 1 January 2020:-

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to Reference to the Conceptual Framework on MFRS Standards (MFRS 2, 3, 6, 14, 101, 108, 134, 137, 138 and IC Interpretation 12, 19, 20, 22 and 132)

MFRS effective 1 January 2021:-

MFRS 17*	Insurance Contracts
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Amendments to MFRSs – effective date deferred indefinitely:-

Amendments to MFRS 10 and 128	Consolidated Financial Statements and Investments in Associates and Joint Venture: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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\* Not applicable to the Group's and the Trust's operation

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

### 3. BASIS OF PREPARATION (CONT'D)

#### 3.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Trust's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual result may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

##### 3.6.1 Estimation uncertainty

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

###### Useful lives of depreciable assets

Plant and equipment are depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of the depreciable assets to be within 5 to 10 years and reviews the useful lives of depreciable assets at each reporting date. As at the reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group and to the Trust. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in adjustments to the Group's and to the Trust's assets.

###### Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and to the Trust's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustments to market risk and the appropriate adjustment to asset-specific risk factors.

###### Fair value of investment properties

The Group's and the Trust's measure their investment properties at fair value with changes in fair value being recognised in profit or loss. The Group and the Trust engage independent valuation specialists to determine fair values.

The carrying amount of investment properties at the end of the reporting year and the relevant revaluation bases are disclosed in the Note 6 to the Financial Statements.

### 3. BASIS OF PREPARATION (CONT'D)

#### 3.6 Significant accounting estimates and judgements (cont'd)

##### 3.6.1 Estimation uncertainty (cont'd)

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below (cont'd):-

##### Provision for expected credit losses of trade receivables

The Group and the Trust use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's and on the Trust's historical observed default rates. The Group and the Trust will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Group's and the Trust's related economic sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's and the Trust's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's and the Trust's trade receivables is disclosed in Note 30 to the Financial Statements.

##### 3.6.2 Significant management judgements

The following are significant management judgements in applying the accounting policies of the Group and of the Trust that have the most significant effect on these financial statements.

##### Classification between investment properties and owner-occupied properties

The Group and the Trust determine whether properties qualify as investment properties and have developed the criteria in making that judgement. Investment properties are properties held to earn rentals or for capital appreciation or both.

Certain properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group and the Trust account for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the properties are investment properties only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

## 4. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Trust apply the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements, unless otherwise stated.

### 4.1 Consolidation

#### 4.1.1 Subsidiary company

Subsidiary company is entity, including structured entity, controlled by the Trust. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary company is stated at cost less any impairment losses in the Trust's financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

#### 4.1.2 Basis of consolidation

The Group financial statements consolidate the audited financial statements of the Trust and its subsidiary, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Trust and its subsidiary are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

Subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Trust owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

#### 4.1.3 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.2 Plant and equipment

All plant and equipment are initially stated at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and to the Trust and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

All plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group and the Trust recognises such costs as individual assets with specific useful lives and depreciation respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

Plant and equipment are written down to recoverable amount if, in the opinion of the Managers, it is less than their carrying value. Recoverable amount is the net selling price of the plant and equipment, that is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life.

The principal annual depreciation rates used are as follows:-

Office equipment	10%
Computer	20%

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Restoration cost relating to an item of plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing asset beyond its previously assessed standard of performance.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and rate of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

Plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss in the financial year in which such asset is derecognised.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.3 Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statements of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and are supported by market evidence.

Investment properties are derecognised when either they are disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group and the Trust accounts for such property in accordance with the policy stated under plant and equipment up to the date of change.

### 4.4 Financial instruments

#### 4.4.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group and the Trust becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### 4.4.2 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the years presented the Group and the Trust do not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the Group's and the Trust's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 Financial instruments (cont'd)

#### 4.4.2 Classification and initial measurement of financial assets (cont'd)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

At the reporting date, the Group and the Trust carry only financial assets measured at amortised cost on its statement of financial position.

#### 4.4.3 Financial assets - subsequent measurement

##### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Trust's trade and other receivables, amount owing by subsidiary company and cash and cash equivalents fall into this category of financial instruments.

#### 4.4.4 Financial assets – Impairment

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces MFRS 139 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group and the Trust first identifying a credit loss event. Instead the Group and the Trust consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 Financial instruments (cont'd)

##### 4.4.4 Financial assets – Impairment (cont'd)

###### Previous financial asset impairment under MFRS 139

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics.

The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

###### Trade receivables

The Group and the Trust make use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group and the Trust uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group and the Trust assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. A detailed analysis of how the impairment requirements of MFRS 9 are applied is in Note 30 to the Financial Statements.

##### 4.4.5 Financial liabilities – classification and measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's and the Trust's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

At the reporting date, the Group and the Trust only carry financial liabilities measured at amortised cost on its statements of financial position.

The Group's and the Trust's financial liabilities comprise other payables, borrowings and provision of income distribution.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Trust designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.5 Impairment of non-financial assets

At each reporting date, the Group and the Trust review the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a cash-generating unit or groups of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised as an expense in the profit or loss immediately.

An assessment is made at each end of the reporting year as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount since the last impairment loss was recognised. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

##### 4.6 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, deposits with licensed financial institutions and short term demand deposits which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

##### 4.7 Borrowing costs

Borrowing costs consist of interest and other costs that the Group and the Trust incurred in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Other borrowing costs are expensed in the year in which they incurred.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.8 Revenue from contracts with customers

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue is measured at the amount of consideration to which the Group and the Trust expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties.

The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Group and the Trust perform;
- the Group's and the Trust's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Trust's performance do not create an asset with an alternative use and the Group and the Trust have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time.

#### 4.8.1 Rental income

Rental income is recognised on a straight-line basis over the specific tenure of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### 4.8.2 Interest income

Interest income is recognised on a time proportion basis.

### 4.9 Tax expense

#### 4.9.1 Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and are measured using tax rates that have been enacted by the end of reporting year and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

#### 4.9.2 Deferred tax

Deferred tax is recognised using the liabilities method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting date.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.10 Goods and Services Tax**

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6% up until 31 May 2018. Input GST that the Group and the Trust paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

##### **4.11 Related party**

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:-
  - (i) has control or joint control over the Group; or
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the holding companies of the Group, or the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group.
  - (ii) One entity is an associate or joint venture of the other entity.
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the holding companies or the entity.
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the holding companies or the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

## 5. PLANT AND EQUIPMENT

Group and Trust	Office equipment RM	Computer RM	Total RM
<b>Cost</b>			
At 1.1.2017	135,467	7,885	143,352
Additions	27,066	3,900	30,966
Disposal	(4,540)	–	(4,540)
At 31.12.2017	157,993	11,785	169,778
Additions	36,792	3,880	40,672
Written off	(3,160)	(4,985)	(8,145)
Disposal	(5,350)	–	(5,350)
At 31.12.2018	186,275	10,680	196,955
<b>Accumulated depreciation</b>			
At 1.1.2017	70,016	7,644	77,660
Charge for the year	12,566	562	13,128
Disposal	(1,925)	–	(1,925)
At 31.12.2017	80,657	8,206	88,863
Charge for the year	13,664	1,297	14,961
Written off	(1,877)	(4,982)	(6,859)
Disposal	(2,302)	–	(2,302)
At 31.12.2018	90,142	4,521	94,663
<b>Net carrying amount</b>			
31.12.2018	96,133	6,159	102,292
31.12.2017	77,336	3,579	80,915

## 6. INVESTMENT PROPERTIES

	Group RM	Trust RM
At 1.1.2017	1,128,154,302	1,128,154,302
Additions from enhancements	141,819	141,819
At 31.12.2017	1,128,296,121	1,128,296,121
Additions from enhancements	1,733,935	1,733,935
Disposal	(117,500,000)	(122,247,348)
Fair value gain	22,569,944	22,817,292
At 31.12.2018	<b>1,035,100,000</b>	<b>1,030,600,000</b>

Investment properties as at 31 December 2018 are stated at fair value based on valuations conducted by an independent firm of professional valuers registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and income method of valuation.

The fair value represents the amount at which the properties could be exchanged on an open market basis between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the reporting date. The fair value should also reflect market conditions at the reporting date.

A full valuation has been conducted and the Board of Directors have obtained updated market values of the investment properties as at 31 December 2018 from a registered independent valuer ("Valuer"). In arriving at the updated market value, the Valuer has applied the comparison and income method to assess the market value of the investment properties.

The fair value of investment properties is classified under Level 3.

Details of Level 3 fair value measurements are as follows:

Valuation method and key inputs	Significant unobservable inputs	Relationship of unobservable inputs and fair value
Investment method which capitalises the actual or estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields	Discount rate of 6.25% (2017: 6.25% to 6.30%)	The higher the discount rate the lower the fair value
	Estimated market yield of 6.50% (2017: 6.00%)	The higher the estimated market yield, the lower the fair value
	Occupancy rate of 84.90% to 98.10% (2017: 50.98% to 96.11%)	The higher the occupancy rate, the higher the fair value

All land/strata titles are registered in the name of the Trustee.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

## 6. INVESTMENT PROPERTIES (CONT'D)

Description of properties	Tenure	Acquisition cost RM	Date of last valuation*	Last valuation RM	Fair value RM	Percentage off air value to Net Asset Value %
<b>Group</b>						
<b>As at 31 December 2018</b>						
UOA Centre Parcels	Freehold	55,981,272	31.12.2018	85,100,000	85,100,000	11.73
UOA II Parcels	Freehold	194,502,300	31.12.2018	294,000,000	294,000,000	40.54
UOA Damansara Parcels	Freehold	72,000,000	31.12.2018	121,000,000	121,000,000	16.68
Wisma UOA Damansara II	Freehold	211,000,000	31.12.2018	235,000,000	235,000,000	32.40
Parcel B – Menara UOA Bangsar	Leasehold	289,000,000	31.12.2018	300,000,000	300,000,000	41.37
		<b>822,483,572</b>		<b>1,035,100,000</b>	<b>1,035,100,000</b>	
<b>As at 31 December 2017</b>						
UOA Centre Parcels	Freehold	55,981,272	31.12.2015	85,000,000	85,026,400	12.04
UOA II Parcels	Freehold	194,502,300	31.12.2015	294,000,000	294,000,000	41.62
UOA Damansara Parcels	Freehold	72,000,000	31.12.2015	120,000,000	120,953,585	17.12
Wisma UOA Pantai	Freehold	86,000,000	31.12.2015	95,000,000	95,035,680	13.46
Wisma UOA Damansara II	Freehold	211,000,000	31.12.2015	233,000,000	233,260,168	33.03
Parcel B – Menara UOA Bangsar	Leasehold	289,000,000	31.12.2015	300,000,000	300,020,288	42.48
		<b>908,483,572</b>		<b>1,127,000,000</b>	<b>1,128,296,121</b>	
<b>Trust</b>						
<b>As at 31 December 2018</b>						
UOA Centre Parcels	Freehold	55,981,272	31.12.2018	85,100,000	85,100,000	11.69
UOA II Parcels	Freehold	194,502,300	31.12.2018	294,000,000	294,000,000	40.38
UOA Damansara Parcels	Freehold	72,000,000	31.12.2018	121,000,000	121,000,000	16.62
Wisma UOA Damansara II	Freehold	211,000,000	31.12.2018	235,000,000	235,000,000	32.28
Parcel B – Menara UOA Bangsar	Leasehold	284,252,653	31.12.2018	295,500,000	295,500,000	40.58
		<b>817,736,225</b>		<b>1,030,600,000</b>	<b>1,030,600,000</b>	
<b>As at 31 December 2017</b>						
UOA Centre Parcels	Freehold	55,981,272	31.12.2015	85,000,000	85,026,400	12.04
UOA II Parcels	Freehold	194,502,300	31.12.2015	294,000,000	294,000,000	41.62
UOA Damansara Parcels	Freehold	72,000,000	31.12.2015	120,000,000	120,953,585	17.12
Wisma UOA Pantai	Freehold	86,000,000	31.12.2015	95,000,000	95,035,680	13.45
Wisma UOA Damansara II	Freehold	211,000,000	31.12.2015	233,000,000	233,260,168	33.02
Parcel B – Menara UOA Bangsar	Leasehold	289,000,000	31.12.2015	300,000,000	300,020,288	42.48
		<b>908,483,572</b>		<b>1,127,000,000</b>	<b>1,128,296,121</b>	

\* The valuation was conducted by PPC International Sdn Bhd, an independent firm of professional valuers registered with the Board of Valuers, Appraisers & Estate Agents Malaysia, using the comparison and income method of valuation.



## 6. INVESTMENT PROPERTIES (CONT'D)

As at 31 December 2018, UOA Centre Parcels, UOA II Parcels (excluding Level 17, UOA II), UOA Damansara Parcels, Wisma UOA Damansara II and Parcel B – Menara UOA Bangsar with an aggregate carrying amount of RM1,021,100,000 (2017: RM1,019,260,441) have been pledged as security for borrowings referred to in Note 13 to the Financial Statements

The direct operating expenses are disclosed in Note 17 to the Financial Statements.

## 7. INVESTMENT IN A SUBSIDIARY COMPANY

	Trust	
	2018 RM	2017 RM
Unquoted shares, in cost	2	2

The details of the subsidiary company which is incorporated in Malaysia, is as follows:-

	Equity interest		Principal activity
	2018 %	2017 %	
Angkara Restu Sdn Bhd	100	100	Property investment

## 8. TRADE RECEIVABLES

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables	2,893,105	3,387,267	2,878,589	3,387,267
Less: Allowance for expected credit losses				
As at 1 January	(1,567,437)	(733,250)	(1,567,437)	(733,250)
Additions	(145,693)	(942,821)	(145,693)	(942,821)
Reversal	1,005,510	34,456	1,005,510	34,456
Written off	–	74,178	–	74,178
As at 31 December	(707,620)	(1,567,437)	(707,620)	(1,567,437)
	2,185,485	1,819,830	2,170,969	1,819,830

The credit term for monthly rental from tenants is 14 (2017: 14) days.

Allowance for expected credit losses was reversed as a result of receipts during the financial year.

Included in trade receivables of the Group and of the Trust is amount owing by a company related to the Manager amounting to RM525,883 (2017: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

### 9. OTHER RECEIVABLES

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-trade receivables	<b>5,410,276</b>	2,152,106	<b>5,410,276</b>	2,152,106
Deposits	<b>3,278,107</b>	3,261,220	<b>3,278,107</b>	3,261,220
Prepayment	<b>99,023</b>	162,681	<b>99,023</b>	162,681
	<b>8,787,406</b>	5,576,007	<b>8,787,406</b>	5,576,007

### 10. AMOUNT OWING BY A SUBSIDIARY COMPANY

The amount owing by a subsidiary company represents interest free advances which are unsecured and expected to be repaid in the next 12 months.

### 11. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The effective interest rates of deposits ranged between 2.65% and 3.20% (2017: 2.50% and 3.00%) per annum. The deposits had maturity terms of one month or less.

### 12. OTHER PAYABLES

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-current</b>				
Tenants' deposits	<b>10,026,518</b>	8,234,136	<b>10,026,518</b>	8,234,136
<b>Current</b>				
Amount owing to the Manager	<b>429,133</b>	430,235	<b>429,133</b>	430,235
Amount owing to companies related to the Manager	<b>39,187</b>	59,964	<b>39,187</b>	59,964
Non-trade payables	<b>636,172</b>	1,030,518	<b>1,156,172</b>	1,030,242
Interest payables	<b>719,765</b>	426,762	<b>719,765</b>	426,762
Accruals	<b>1,345,534</b>	1,271,936	<b>1,342,266</b>	1,268,377
Tenants' deposits	<b>12,231,138</b>	15,907,749	<b>12,231,138</b>	15,907,749
	<b>15,400,929</b>	19,127,164	<b>15,917,661</b>	19,123,329
	<b>25,427,447</b>	27,361,300	<b>25,944,179</b>	27,357,465

The amount owing to the Manager which represents management fee payable and the amounts owing to companies related to the Manager are expected to be settled within the normal credit period of 30 (2017: 30) days.

Included in tenants' deposits refundable within 12 months of the Group and of the Trust are deposits received from companies related to the Manager amounting to RM2,633,250 (2017: RM2,823,000).

### 13. BANK BORROWINGS

	Group and Trust	
	2018 RM	2017 RM
Revolving credit I	<b>66,300,000</b>	62,700,000
Revolving credit II	<b>55,000,000</b>	55,000,000
Revolving credit III	—	113,800,000
Revolving credit IV	<b>156,000,000</b>	156,000,000
	<b>277,300,000</b>	387,500,000

Revolving credits I and II are secured by legal charges over UOA Centre Parcels and UOA II Parcels (excluding Level 17, UOA II).

Revolving credit III is secured by a legal charge over Wisma UOA Damansara II.

Revolving credit IV is secured by Loan Agreements cum Assignment, Deeds of Extension of Deed of Assignment, Deeds of Assignment of Rental Proceeds ("DARP"), Deeds of Extension of DARP and four (4) Powers of Attorney, and legal charges over UOA Damansara Parcels and Parcel B – Menara UOA Bangsar.

The revolving credits are subject to periodic review and repayable on demand. The Manager is of the opinion that the facility will be rolled over and remain available in the long term.

The effective interest/profit rates of the borrowings ranging from 4.31% to 4.35% (2017: 4.05% to 4.72%) per annum.

Changes in borrowings arising from financing activities pertain to drawdown and repayment made in the statements of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

## 14. PROVISION FOR INCOME DISTRIBUTION

	Group and Trust	
	2018 RM	2017 RM
At 1 January	<b>18,479,496</b>	22,243,665
Provision during the year	<b>38,608,191</b>	36,154,925
Distribution paid/payable	<b>(35,563,514)</b>	(39,919,094)
At 31 December	<b>21,524,173</b>	18,479,496

The distribution to unitholders is from the following sources of the Trust:

	2018 RM	2017 RM
Sources of income		
Gross rental income	<b>78,176,804</b>	82,043,838
Interest income	<b>112,015</b>	37,950
Other income	<b>1,857,305</b>	267,763
	<b>80,146,124</b>	82,349,551
Expenses (excluding Manager's fees)		
Property expenses	<b>20,923,283</b>	22,514,184
Non-property expenses	<b>16,608,112</b>	17,068,086
	<b>37,531,395</b>	39,582,270
Net income before Manager's fees, income distribution, fair value gain on investment properties, net changes on financial liabilities measured at amortised cost and taxation	<b>42,614,729</b>	42,767,281
Fair value gain on investment properties	<b>22,817,292</b>	–
Net changes on financial liabilities measured at amortised cost	<b>(35,435)</b>	(132,672)
Manager's fees	<b>(4,885,451)</b>	(4,751,807)
Tax expense	<b>(111,143)</b>	–
	<b>60,399,992</b>	37,882,802
Undistributed income during the year		
– Unrealised	<b>(35,435)</b>	(132,672)
– Realised	<b>(21,756,366)</b>	(1,595,205)
Total income distribution during the year	<b>38,608,191</b>	36,154,925
Distribution per year (sen)	<b>9.13</b>	8.55

## 15. UNITHOLDERS' CAPITAL

	Trust	
	2018 Units/RM	2017 Units/RM
<b>Issued and fully paid</b>		
Number of units		
At 1 January/31 December	<b>422,871,776</b>	422,871,776
Unitholders' capital		
At 1 January/31 December	<b>476,062,161</b>	476,062,161

## 16. GROSS RENTAL

Gross rental represents rental income from the investment properties.

## 17. PROPERTY OPERATING EXPENSES

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
Assessment and quit rent	<b>4,057,073</b>	4,463,237	<b>4,056,109</b>	4,463,237
Insurance	<b>257,443</b>	408,139	<b>257,415</b>	408,139
Maintenance fees	<b>9,462,774</b>	8,808,122	<b>9,444,431</b>	8,808,122
Others	<b>4,715,296</b>	6,393,344	<b>4,714,328</b>	6,393,344
Direct operating expenses	<b>18,492,586</b>	20,072,842	<b>18,472,283</b>	20,072,842
Property management fees	<b>2,451,000</b>	2,441,342	<b>2,451,000</b>	2,441,342
	<b>20,943,586</b>	22,514,184	<b>20,923,283</b>	22,514,184

## 18. MANAGER'S FEES

The Manager is entitled under the Deed to a management fee of up to 1.00% per annum of the Net Asset Value of the Trust, calculated on a monthly accrual basis and payable monthly in arrears.

For the financial year, the Manager charged a manager's fees of RM4,885,451 (2017: RM4,751,807) which was calculated based on 0.67% (2017: 0.67%) of the Net Asset Value of the Trust.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

### 19. TRUSTEE'S FEES

The Trustee is entitled to a fee of up to 0.05% per annum of Net Asset Value of the Trust, calculated on a monthly accrual basis and payable monthly in arrears.

For the financial year, the Trustee charged a trustee's fees of RM218,752 (2017: RM212,768) which was calculated based on 0.03% (2017: 0.03%) of the Net Asset Value of the Trust.

### 20. FINANCE COSTS

	Group and Trust	
	2018 RM	2017 RM
Interest expense on revolving credit	<b>15,836,883</b>	16,479,286

### 21. TAX EXPENSE

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rate to the income before tax as a result of the following differences:

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
Accounting profits	<b>57,649,915</b>	37,877,410	<b>60,511,135</b>	37,882,802
Taxation at statutory tax rate of 24%	<b>13,835,980</b>	9,090,578	<b>14,522,672</b>	9,091,872
Non-deductible expenses	<b>1,589,655</b>	(280,606)	<b>1,452,962</b>	(281,900)
Non-taxable income	<b>(15,423,635)</b>	(8,809,972)	<b>(15,975,634)</b>	(8,809,972)
Real property gain tax	<b>111,143</b>	—	<b>111,143</b>	—
	<b>113,143</b>	—	<b>111,143</b>	—

Pursuant to the amended Section 61A of the Income Tax Act, 1967, where in the basis period for a year of assessment, 90% or more of the total income of the trust is distributed to its unitholders, the total income of the trust for that year of assessment shall be exempted from corporate tax.

### 22. EARNINGS PER UNIT

The earnings per unit after manager's fees of the Group and of the Trust have been calculated by dividing income after tax for the financial year of RM57,536,772 and RM60,399,992 (2017: RM37,877,410 and RM37,882,802) by the weighted average number of units in issue of 422,871,776 (2017: 422,871,776).

The earnings per unit before manager's fees of the Group and of the Trust have been calculated by dividing income after tax before deduction of manager's fees for the financial year of RM62,422,223 and RM65,285,443 (2017: RM42,629,217 and RM42,634,609) by the weighted average number of units in issue of 422,871,776 (2017: 422,871,776).

## 23. TRANSACTIONS WITH STOCKBROKING COMPANIES

There were no transactions made with stockbroking companies during current and prior years.

## 24. UNITHOLDERS BY THE MANAGER

The Manager did not hold any direct units in the Trust in current and prior years.

## 25. UNITHOLDERS' RELATED TO THE MANAGER

	Number of units		Percentage of units in issue		Market value	
	2018 RM	2017 RM	2018 %	2017 %	2018 RM	2017 RM
Directors of the Manager:						
– Alan Charles Winduss	100,000	100,000	0.02	0.02	131,000	162,000
– Dato' Gan Boon Khuay	100,000	100,000	0.02	0.02	131,000	162,000
– Kung Beng Hong	100,000	100,000	0.02	0.02	131,000	162,000
– Kong Sze Choon	39,000	39,000	0.01	0.01	51,090	63,180
Companies related to the Manager:						
– Desa Bukit Pantai Sdn Bhd	102,261,538	102,261,538	24.18	24.18	133,962,615	165,663,692
– Wisma UOA Sdn Bhd	77,729,000	77,729,000	18.38	18.38	101,824,990	125,920,980
– Rich Accomplishment Sdn Bhd	74,661,538	74,661,538	17.66	17.66	97,806,615	120,951,692
– Damai Positif Sdn Bhd	48,000,000	48,000,000	11.35	11.35	62,880,000	77,760,000
– Dynasty Portfolio Sdn Bhd	15,464,500	15,464,500	3.66	3.66	20,258,495	25,052,490
– LTG Development Sdn Bhd	5,600,700	5,600,700	1.32	1.32	7,336,917	9,073,134
Persons related to the Manager via relationship with a Director of the Manager						
– Kong May Chee	15,900	15,900	0.00	0.00	20,829	25,758
– Kong Ai Chee	13,500	13,500	0.00	0.00	17,685	21,870
Director of the Manager (indirect interest)						
– Kong Sze Choon*	24,000	24,000	0.01	0.01	31,440	38,880
Persons related to the Manager via relationship with a Director of the Manager (indirect interest)						
– Kong Sze Choon (Q Chi Suim)**	323,717,276	323,717,276	76.55	76.55	424,069,632	524,421,987

\* Deemed interest through his shareholding in Global Transact Sdn Bhd.

\*\* Deemed interest through his shareholdings in United Overseas Australia Ltd (the ultimate holding company of Desa Bukit Pantai Sdn Bhd, Wisma UOA Sdn Bhd, Rich Accomplishment Sdn Bhd, Damai Positif Sdn Bhd, Dynasty Portfolio Sdn Bhd and LTG Development Sdn Bhd).

The market value of the units is determined by using the closing market value of RM1.31 as at 31 December 2018 (31 December 2017: RM1.62).

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

### 26. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Trust has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Trust and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all Directors of the Manager, and certain members of senior management of the Manager.

Other than those disclosed elsewhere in the financial statements, the significant related party transactions are disclosed follows:

	Transaction value		Balance outstanding	
	2018 RM	2017 RM	2018 RM	2017 RM
Transactions with companies related to the Managers:				
<b>Group and Trust</b>				
Rental received/receivable	<b>11,253,806</b>	11,292,000	—	—
Parking fees paid	<b>58,493</b>	89,509	—	—
Security fees paid/payable	<b>440,751</b>	513,560	<b>24,592</b>	43,820
Landscaping fees paid/payable	<b>45,384</b>	52,720	<b>9,222</b>	9,222
Repair and maintenance paid/payable	<b>11,103</b>	13,296	<b>4,362</b>	3,345
Annual general meeting expenses paid	<b>22,310</b>	24,181	—	—
<b>Trust</b>				
Disposal of investment property	<b>7,000,000</b>	—	—	—

### 27. OPERATING LEASE COMMITMENTS

#### The Group as lessor

The Group leases out its investment properties under operating leases. These leases are non-cancellable and typically run for a period ranging from 1 to 3 years, with the option to renew. None of the leases include contingent rentals.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group and Trust	
	2018 RM	2017 RM
Not later than one year	<b>67,376,407</b>	54,488,438
Later than one year but not later than five years	<b>39,720,373</b>	31,131,429
	<b>107,096,780</b>	85,619,867

## 28. CAPITAL COMMITMENTS

	Group and Trust	
	2018 RM	2017 RM
Approved and not contracted for the fit out works for investment property – Wisma UOA Damansara II	<b>1,193,378</b>	1,562,906

## 29. FINANCIAL INSTRUMENTS

### Classification of financial instruments

The Group and the Trust have financial instruments categorised at cost only and details as follows:

	Group		Trust	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Financial assets – at amortised cost</b>				
Trade and other receivables	<b>10,873,868</b>	7,233,156	<b>10,859,352</b>	7,233,156
Amount owing by a subsidiary company	–	–	<b>7,927,862</b>	1,107,163
Deposits with licensed financial institutions	<b>1,700,000</b>	1,200,000	<b>1,700,000</b>	1,200,000
Bank balances	<b>1,620,596</b>	2,681,501	<b>1,594,772</b>	1,580,073
	<b>14,194,464</b>	11,114,657	<b>22,081,986</b>	11,120,392
<b>Financial liabilities – at amortised cost</b>				
Other payables	<b>25,427,447</b>	27,361,300	<b>25,944,179</b>	27,357,465
Bank borrowings	<b>277,300,000</b>	387,500,000	<b>277,300,000</b>	387,500,000
	<b>302,727,447</b>	414,861,300	<b>303,244,179</b>	414,857,465

### Fair value of financial instruments

Included in payables are tenants' deposits received. The tenants' deposits are determined based on the present value of future cash flows discounted at the market interest rate of 3.620% (2017: 3.441%) per annum at the end of the reporting period.

The carrying amounts of all other financial assets and liabilities approximate fair values due to the relatively short-term nature of these financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group and the Trust operates within clearly defined guidelines as set out in the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"). These REIT Guidelines seek to provide a regulatory framework that would protect the interests of the investing public. The Group and the Trust are exposed to a variety of financial risks, including credit risk, interest rate risk and liquidity risks arising from their operations and the use of financial instruments.

Information regarding the Group's exposure to the above-mentioned risks and the Group's risk management policies, which ensure compliance with the spirit of the REIT Guidelines, are set out below:

### (a) Credit risk

Credit risk arises from the possibility that a tenant or counter party may be unable to meet the terms of a contract in which the Group and the Trust have a gain position. At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

The Group and the Trust are is not exposed to significant credit risks as it is not permitted to extend loans or any other forms of credit facilities. The risk of non-collectability of monthly rentals is also mitigated with rental deposits collected from the tenants.

The ageing analysis of receivables as at the reporting date which is trade in nature is as follows:

Group	Expected credit loss rate %	Total gross carrying amount RM	Expected credit loss RM
<b>2018</b>			
Not past due	—	118,510	—
Past due 1 to 30 days	—	589,425	—
Past due 31 to 90 days	—	738,076	—
Past due more than 91 days	2.81	760,854	21,380
Past due more than 91 days and after set off with deposits paid	100.00	686,240	686,240
		<b>2,893,105</b>	<b>707,620</b>
	Gross RM	Impairment RM	Net RM
<b>2017</b>			
Not past due	169,795	—	169,795
Past due 1 to 30 days	234,607	—	234,607
Past due 31 to 90 days	235,638	—	235,638
Past due more than 91 days	2,747,227	1,567,437	1,179,790
	<b>3,387,267</b>	<b>1,567,437</b>	<b>1,819,830</b>



### 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

Information regarding the Group's exposure to the above-mentioned risks and the Group's risk management policies, which ensure compliance with the spirit of the REIT Guidelines, are set out below (cont'd):

#### (a) Credit risk (cont'd)

The ageing analysis of receivables as at the reporting date which is trade in nature is as follows (cont'd):

Trust	Expected credit loss rate %	Total gross carrying amount RM	Expected credit loss RM
<b>2018</b>			
Not past due	—	118,510	—
Past due 1 to 30 days	—	574,909	—
Past due 31 to 90 days	—	738,076	—
Past due more than 91 days	2.81	760,854	21,380
Past due more than 91 days and after set off with deposits paid	100.00	686,240	686,240
		<b>2,878,589</b>	<b>707,620</b>

	Gross RM	Impairment RM	Net RM
<b>2017</b>			
Not past due	169,795	—	169,795
Past due 1 to 30 days	234,607	—	234,607
Past due 31 to 90 days	235,638	—	235,638
Past due more than 91 days	2,747,227	1,567,437	1,179,790
	<b>3,387,267</b>	<b>1,567,437</b>	<b>1,819,830</b>

#### (b) Interest rate risk

The Group and the Trust have no exposure to movements in market interest rates other than revolving credit facilities and deposits with licensed financial institutions.

##### Financial assets

By placing its deposits on short tenures and at prevailing market interest rates, the Group and the Trust are able to reduce their exposures to interest rate fluctuations.

##### Financial liabilities

The Group and the Trust minimise their interest rate risk by borrowing as far as possible at a floating interest rate.

The information on maturity and effective interest/profit rates on the revolving credits are disclosed in Note 13 to the Financial Statements.

A sensitivity analysis has been performed based on the outstanding floating rate borrowings of the Group and the Trust as at the reporting date. If interest rates increase or decrease by 50 basis points with all other variables held constant, the Group's and the Trust's profit after tax would decrease or increase by RM1,387,000 (2017: RM1,938,000), as a result of higher or lower interest expense on these borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018  
(continued)

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

Information regarding the Group's exposure to the above-mentioned risks and the Group's risk management policies, which ensure compliance with the spirit of the REIT Guidelines, are set out below (cont'd):

#### (c) Liquidity risks

The Group and the Trust ensure that there are adequate funds to repay the revolving credit in a timely and cost-effective manner. Sources of funds can be via issuance of units, internally generated funds or borrowings. As timing of these arrangements is critical, the Group and the Trust may be exposed to the risk of its investment properties being foreclosed in the interim. However, the Manager is of the opinion that the facilities will be rolled over and remain available for the long term and there is no imminent obligation to repay.

Group	Carrying amount RM	Contractual cash flows RM	Less than 1 year RM	1 to 5 years RM
<b>2018</b>				
Other payables	25,427,447	25,679,875	15,400,929	10,278,946
Borrowings	277,300,000	277,300,000	277,300,000	–
	<b>302,727,447</b>	<b>302,979,875</b>	<b>292,700,929</b>	<b>10,278,946</b>

<b>2017</b>				
Other payables	27,361,300	27,649,163	19,127,164	8,521,999
Borrowings	387,500,000	387,150,000	387,150,000	–
	414,861,300	414,799,163	406,277,164	8,521,999

Trust	Carrying amount RM	Contractual cash flows RM	Less than 1 year RM	1 to 5 years RM
<b>2018</b>				
Other payables	25,944,179	26,196,607	15,917,661	10,278,946
Borrowings	277,300,000	277,300,000	277,300,000	–
	<b>303,244,179</b>	<b>303,496,607</b>	<b>293,217,661</b>	<b>10,278,946</b>

<b>2017</b>				
Other payables	27,357,465	27,645,328	19,123,329	8,521,999
Borrowings	387,500,000	387,500,000	387,500,000	–
	414,857,465	415,145,328	406,623,329	8,521,999

## 31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain unitholder, creditor and market confidence and to sustain future development of the business. The Directors of the Manager monitor and determine an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

UOA REIT is permitted to procure borrowings of up to 50% of its total asset value pursuant to the REIT Guidelines.

Total borrowings compared to total asset value at the reporting date is as follows:

	Group	
	2018 RM	2017 RM
Total asset value (RM)	<b>1,049,495,779</b>	1,139,654,374
Total borrowings (RM)	<b>277,300,000</b>	387,500,000
Total borrowings to total asset value (%)	<b>26</b>	34

## 32. EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE

On 8 June 2018, the Trust had entered into a sale and purchase agreement to disposed one of the investment properties – Wisma UOA Pantai to CIMB Bank Berhad with a total consideration of RM120,000,000.

In addition, on 21 June 2018, the Trust had entered into a sale and purchase agreement to disposed another investment property – Petak 9, Menara UOA Bangsar to its subsidiary company, Ankara Restu Sdn Bhd with a total consideration of RM7,000,000.

Both of the above transactions had been completed during the financial year.

On 26 October 2018, the Trust entered into a sale and purchase agreement with its subsidiary company, Ankara Restu Sdn Bhd to dispose Petak 14 Menara UOA Bangsar for a total consideration of RM5,200,000. The subsidiary company has paid a 10% deposit of RM520,000 as at financial year end and the ownership has been transferred on 17 January 2019.

# ANALYSIS OF UNITHOLDINGS

## DISTRIBUTION OF UNITHOLDERS AS AT 31 DECEMBER 2018

Unit Class	No. of Unitholders	%	No. of Units held	%
Less than 100	148	5.36	2,049	0.00
100 to 1,000 units	728	26.39	389,951	0.09
1,001 to 10,000 units	1,253	45.42	6,218,700	1.47
10,001 to 100,000 units	557	20.19	18,294,900	4.33
100,001 to less than 5% of issued units	68	2.46	71,687,500	16.95
5% and above of issued units	5	0.18	326,278,676	77.16
<b>Total</b>	<b>2,759</b>	<b>100.00</b>	<b>422,871,776</b>	<b>100.00</b>

## CLASSIFICATION OF UNITHOLDERS AS AT 31 DECEMBER 2018

Category of Unitholders	No. of Unitholders			No. of Units held		
	Malaysian Bumiputra	Malaysian Non-Bumiputra	Foreign	Malaysian Bumiputra	Malaysian Non-Bumiputra	Foreign
1. Individual	119	2,062	48	290,000	24,179,999	1,301,701
2. Body Corporate						
a. Banks/Finance Companies	3	—	—	16,981,100	—	—
b. Investment Trusts/Foundation/Charities	—	2	—	—	338,000	—
c. Industrial and Commercial Companies	2	30	2	115,000	324,742,176	5,158,500
3. Government Agencies/Institutions	—	—	—	—	—	—
4. Nominees	278	184	28	12,644,800	34,856,200	2,264,200
5. Others	—	1	—	—	100	—
<b>Total</b>	<b>402</b>	<b>2,279</b>	<b>78</b>	<b>30,030,900</b>	<b>384,116,475</b>	<b>8,724,401</b>

**Grand Total**

**2,759**

**422,871,776**

## SUBSTANTIAL SHAREHOLDERS AS AT 31 DECEMBER 2018

	Substantial Shareholders	Direct		Indirect	
		Units	%	Units	%
1	Damai Positif Sdn Bhd ("Damai Positif")	48,000,000	11.36	—	—
2	Desa Bukit Pantai Sdn Bhd ("Desa Bukit Pantai")	102,261,538	24.18	—	—
3	Rich Accomplishment Sdn Bhd ("Rich Accomplishment")	74,661,538	17.66	—	—
4	Wisma UOA Sdn Bhd ("Wisma UOA")	77,729,000	18.38	—	—
5	UOA Holdings Sdn Bhd ("UOAH")	—	—	323,717,276 <sup>1</sup>	76.55
6	United Overseas Australia Ltd ("UOAL")	—	—	323,717,276 <sup>1</sup>	76.55
7	Transmetro Sdn Bhd ("Transmetro")	—	—	323,717,276 <sup>2</sup>	76.55
8	Griyajaya Sdn Bhd ("Griyajaya")	—	—	323,717,276 <sup>3</sup>	76.55
9	Kong Chong Soon (Q Chi Suim)	—	—	323,717,276 <sup>4</sup>	76.55
10	Kong Pak Lim	—	—	323,717,276 <sup>2</sup>	76.55
11	Employees Provident Fund	23,626,600	5.59	—	—

### Notes:

- Deemed interested by virtue of Section 6A of the Companies Act 1965 ("the Act") through its unit holdings in Damai Positif, Desa Bukit Pantai, Dynasty Portfolio Sdn Bhd ("Dynasty"), LTG Development Sdn Bhd ("LTG"), Rich Accomplishment and Wisma UOA.
- Deemed interested by virtue of Section 6A of the Act through its/his unit holdings in UOAL and Griyajaya which in turn has direct interest in UOAL and indirect interest in UOAH.
- Deemed interested by virtue of Section 6A of the Act through its unit holdings in UOAL and indirect interest in UOAH.
- Deemed interested by virtue of Section 6A of the Act through his unit holdings in Transmetro which in turn has direct interest in Griyajaya which in turn has direct interest in UOAL and indirect interest in UOAH.

## THIRTY (30) LARGEST UNITHOLDERS

As At 31 December 2018

	Unitholders	No. of Units	%
1.	Desa Bukit Pantai Sdn Bhd	102,261,538	24.18
2.	Wisma UOA Sdn Bhd	77,729,000	18.38
3.	Rich Accomplishment Sdn Bhd	74,661,538	17.66
4.	Damai Positif Sdn Bhd	48,000,000	11.35
5.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	23,626,600	5.59
6.	Dynasty Portfolio Sdn Bhd	15,464,500	3.66
7.	Valuecap Sdn Bhd	12,501,100	2.96
8.	LTG Development Sdn Bhd	5,370,700	1.27
9.	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	5,108,500	1.21
10.	Amanah Raya Berhad Kumpulan Wang Bersama	4,180,000	0.99
11.	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	4,080,500	0.96
12.	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Insurance Berhad (Life Par Fd)	3,639,400	0.86
13.	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Insurance Berhad (Shh Fd)	2,271,000	0.54
14.	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Insurance Berhad (Ann Fd)	1,986,300	0.47
15.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ramanathan A/L L.Manickavasagan (Solaris-CL)	1,125,000	0.27
16.	Maybank Nominees (Tempatan) Sdn Bhd Pledged securities account for Law Kiu Kiong	990,700	0.23
17.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for CLSA Limited (Cust-Non Res)	986,400	0.23
18.	Law Kiu Kiong	643,000	0.15
19.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Sieh Kok Swee (PB)	628,000	0.15
20.	Lian Mong Yee (Q Lian Mung Yee)	625,500	0.15
21.	Chong Kok Fah	606,000	0.14
22.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged securities account for Lim Chen Yik (Penang – CL)	555,000	0.13
23.	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Insurance Berhad (Grp Life Fd)	544,500	0.13
24.	Affin Hwang Nominees (Tempatan) Sdn Bhd Exempt An for DBS Vickers Securities (Singapore) Pte Ltd (Clients)	500,500	0.12
25.	Ng Inn Jwee	430,000	0.10
26.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Liew Tian Xiong (PB)	412,000	0.10
27.	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Insurance Berhad (Div Fd)	400,000	0.09
28.	Lai Yoke Ping	400,000	0.09
29.	Ling Thik Ping	350,000	0.08
30.	Yeh, Yeong-Jye	348,200	0.08
<b>Total</b>		<b>390,425,476</b>	<b>92.33</b>



# NOTICE OF SEVENTH ANNUAL GENERAL MEETING



REAL ESTATE INVESTMENT TRUST

UOA REAL ESTATE INVESTMENT TRUST

(constituted in Malaysia under the Deed dated 28 November 2005 entered into between UOA Asset Management Sdn Bhd and RHB Trustees Berhad, companies incorporated in Malaysia under the Companies Act, 1965)

**NOTICE IS HEREBY GIVEN THAT** the Seventh Annual General Meeting of UOA Real Estate Investment Trust (“**UOA REIT**”) will be held at The Zenith, Connexion Conference & Event Centre (CCEC), Level M1, The Vertical Podium, Avenue 3, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Thursday, 18 April 2019 at 10.00 a.m. or at any adjournment, for the following purposes:

## AGENDA

1. To lay the Audited Financial Statements for the financial year ended 31 December 2018 together with the Trustee’s Report to the Unitholders issued by RHB Trustees Berhad, as trustee for UOA REIT and the Statement by the Manager issued by UOA Asset Management Sdn Bhd, as the manager of UOA REIT and the Independent Auditors’ Report thereon. (Refer note 2)

By Order of the Board of  
**UOA ASSET MANAGEMENT SDN BHD (692639-U)**  
The Manager of UOA Real Estate Investment Trust

**YAP KAI WENG** (MAICSA 74580)  
**WONG YOKE LENG** (MAICSA 7032314)  
*Company Secretaries*

Kuala Lumpur  
28 February 2019

## Notes:

### 1. Appointment of Proxy

- (i) Only depositors whose names appear in the Record of Depositors as at 11 April 2019 shall be regarded as Unitholders and be entitled to attend and speak at the Seventh Annual General Meeting.
- (ii) A Unitholder of UOA REIT (“Unitholder”) shall be entitled to attend and speak and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and speak in his/her stead.
- (iii) Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and speak, and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and speak in its stead.
- (iv) Where a Unitholder is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with units of UOA REIT standing to the credit of the said Securities Account.
- (v) Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- (vi) The instrument appointing a proxy shall be in writing under the hand of the appointer or of its attorney duly authorised in writing or if the appointer is a corporation either under its common seal or under the hand of an officer or attorney duly authorised.
- (vii) The instrument appointing a proxy must be deposited at the Business Office of the Trustee at Level 11, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time appointed for holding the Meeting or any adjournment thereof.

### 2. Audited Financial Statements for the Financial Year Ended 31 December 2018

This Agenda is meant for discussion only as the Audited Financial Statements do not require formal approval of Unitholders under the Securities Commission’s Guidelines on Real Estate Investment Trusts. Hence, this matter will not be put forward for voting.

# PROXY FORM



## REAL ESTATE INVESTMENT TRUST

### UOA REAL ESTATE INVESTMENT TRUST

(constituted in Malaysia under the Deed dated 28 November 2005 entered into between UOA Asset Management Sdn Bhd and RHB Trustees Berhad, companies incorporated in Malaysia under the Companies Act. 1965)

CDS Account No.:
No. of Units held:

I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_

of \_\_\_\_\_ Tel No. \_\_\_\_\_

being a Unitholder/Unitholders of UOA REIT, hereby appoint the following person(s) as my proxy:

No.	Name as per NRIC	NRIC No.	% unitholding to be represented
1.			
2.			

or failing him/her the Chairman of the Meeting as my/our proxy to attend on my/our behalf the Seventh Annual General Meeting of UOA REIT to be held at The Zenith, Connexion Conference & Event Centre (CCEC), Level M1, The Vertical Podium, Avenue 3, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Thursday, 18 April 2019 at 10.00 a.m. or any adjournment.

\_\_\_\_\_  
Signature of Unitholder(s)/Common Seal for Corporate Unitholder(s)

Date:

### Notes:

- Only depositors whose names appear in the Record of Depositors as at 11 April 2019 shall be regarded as Unitholders and be entitled to attend and speak at the Sixth Annual General Meeting.
- A Unitholder of UOA REIT ("Unitholder") shall be entitled to attend and speak and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and speak in his/her stead.
- Where a Unitholder is a corporation, its duly authorised representative shall be entitled to attend and speak, and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to attend and speak in its stead.
- Where a Unitholder is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with units of UOA REIT standing to the credit of the said Securities Account.
- Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of its attorney duly authorised in writing or if the appointer is a corporation either under its common seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Business Office of the Trustee at Level 11, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time appointed for holding the Meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

AFFIX  
STAMP

**RHB TRUSTEES BERHAD (573019-U)**  
(as Trustee for UOA Real Estate Investment Trust)  
Level 11, Tower One  
Jalan Tun Razak  
50400 Kuala Lumpur, Malaysia

1<sup>ST</sup> FOLD HERE



**UOA Asset Management Sdn Bhd** (692639-U)

UOA Corporate Tower  
Lobby A, Avenue 10, The Vertical  
Bangsar South City  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia

**Telephone : +603 2245 9188      Facsimile : +603 2241 4862**

**[www.uoareit.com.my](http://www.uoareit.com.my)**