

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	First Quarter ended			Cumulative Quarter ended		
	30.09.2019	30.09.2018	Change	30.09.2019	30.09.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	148,950	135,611	9.8%	148,950	135,611	9.8%
Other operating income	6,402	8,130	-21.3%	6,402	8,130	-21.3%
<b>Gross revenue</b>	<b>155,352</b>	<b>143,741</b>	<b>8.1%</b>	<b>155,352</b>	<b>143,741</b>	<b>8.1%</b>
Quit rent, assessment and insurance	(3,614)	(3,389)	6.6%	(3,614)	(3,389)	6.6%
Other property operating expenses	(32,667)	(29,838)	9.5%	(32,667)	(29,838)	9.5%
<b>Property operating expenses</b>	<b>(36,281)</b>	<b>(33,227)</b>	<b>9.2%</b>	<b>(36,281)</b>	<b>(33,227)</b>	<b>9.2%</b>
<b>Net property income</b>	<b>119,071</b>	<b>110,514</b>	<b>7.7%</b>	<b>119,071</b>	<b>110,514</b>	<b>7.7%</b>
Interest income	1,032	2,194	-53.0%	1,032	2,194	-53.0%
Other income	91	25	> 100%	91	25	> 100%
Net investment income	120,194	112,733	6.6%	120,194	112,733	6.6%
Manager's fees	(9,828)	(9,020)	9.0%	(9,828)	(9,020)	9.0%
Trustee's fees	(169)	(166)	1.8%	(169)	(166)	1.8%
Other trust expenses	(1,028)	(909)	13.1%	(1,028)	(909)	13.1%
Finance costs	(30,345)	(29,629)	2.4%	(30,345)	(29,629)	2.4%
	(41,370)	(39,724)	4.1%	(41,370)	(39,724)	4.1%
<b>Profit before tax</b>	<b>78,824</b>	<b>73,009</b>	<b>8.0%</b>	<b>78,824</b>	<b>73,009</b>	<b>8.0%</b>
Income tax expense	-	-	N/A	-	-	N/A
<b>Profit for the period</b>	<b>78,824</b>	<b>73,009</b>	<b>8.0%</b>	<b>78,824</b>	<b>73,009</b>	<b>8.0%</b>
Profit for the period comprises the following:						
Realised						
- Unitholders	73,729	72,984	1.0%	73,729	72,984	1.0%
- Perpetual note holders	5,013	-	N/A	5,013	-	N/A
	78,742	72,984	7.9%	78,742	72,984	7.9%
Unrealised	82	25	> 100%	82	25	> 100%
	78,824	73,009	8.0%	78,824	73,009	8.0%
Basic earnings per unit attributable to unitholders (sen):						
Realised	2.50	2.48	0.8%	2.50	2.48	0.8%
Unrealised	-	-	N/A	-	-	N/A
	2.50	2.48	0.8%	2.50	2.48	0.8%
<b>Proposed/declared distribution per unit (sen)</b>	<b>2.50</b>	<b>2.48</b>	<b>0.8%</b>	<b>2.50</b>	<b>2.48</b>	<b>0.8%</b>

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these financial statements.

SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	First Quarter ended			Cumulative Quarter ended		
	30.09.2019	30.09.2018	Change	30.09.2019	30.09.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Profit for the period</b>	<b>78,824</b>	<b>73,009</b>	<b>8.0%</b>	<b>78,824</b>	<b>73,009</b>	<b>8.0%</b>
<b>Other comprehensive income</b>						
Cash flow hedge - fair value of derivative <sup>1</sup>	(10,808)	9,221	> -100%	(10,808)	9,221	> -100%
Cash flow hedge reserve recycled to profit or loss <sup>2</sup>	9,382	(9,150)	> 100%	9,382	(9,150)	> 100%
<b>Total comprehensive income for the period</b>	<b>77,398</b>	<b>73,080</b>	<b>5.9%</b>	<b>77,398</b>	<b>73,080</b>	<b>5.9%</b>

<sup>1</sup> Please refer to Note B15b) for details.

<sup>2</sup> Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	First Quarter ended			Cumulative Quarter ended		
	30.09.2019	30.09.2018	Change	30.09.2019	30.09.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	148,950	135,611	9.8%	148,950	135,611	9.8%
Interest income	1,032	2,194	-53.0%	1,032	2,194	-53.0%
Other income *	6,411	8,130	-21.1%	6,411	8,130	-21.1%
	156,393	145,935	7.2%	156,393	145,935	7.2%
Less: Expenses	(77,651)	(72,951)	6.4%	(77,651)	(72,951)	6.4%
Realised income for the period	78,742	72,984	7.9%	78,742	72,984	7.9%
Less: Amount reserved for distribution to perpetual note holders	(5,013)	-	N/A	(5,013)	-	N/A
Realised income attributable to unitholders	73,729	72,984	1.0%	73,729	72,984	1.0%
Add: Previous period's undistributed realised income	453	550	-17.6%	453	550	-17.6%
Total income available for distribution	74,182	73,534	0.9%	74,182	73,534	0.9%
Less: Proposed / declared income distribution to unitholders	(73,627)	(73,038)	0.8%	(73,627)	(73,038)	0.8%
Balance undistributed realised income	555	496	11.9%	555	496	11.9%
<b>Distribution per unit (sen)</b>	<b>2.50</b>	<b>2.48</b>	<b>0.8%</b>	<b>2.50</b>	<b>2.48</b>	<b>0.8%</b>

\* Included in other income above is other operating income

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER**

	Current Quarter ended 30.09.2019	Immediate Preceding Quarter ended 30.06.2019	Change
	RM'000	RM'000	%
Rental income	148,950	141,703	5.1%
Other operating income	6,402	3,856	66.0%
<b>Gross revenue</b>	<b>155,352</b>	<b>145,559</b>	<b>6.7%</b>
Quit rent, assessment and insurance	(3,614)	(3,334)	8.4%
Other property operating expenses	(32,667)	(31,043)	5.2%
<b>Property operating expenses</b>	<b>(36,281)</b>	<b>(34,377)</b>	<b>5.5%</b>
<b>Net property income</b>	<b>119,071</b>	<b>111,182</b>	<b>7.1%</b>
Interest income	1,032	825	25.1%
Other income	91	34	> 100%
Changes in fair value of investment properties	-	107,730	-100.0%
Net investment income	120,194	219,771	-45.3%
Manager's fees	(9,828)	(9,408)	4.5%
Trustee's fees	(169)	(235)	-28.1%
Other trust expenses	(1,028)	(1,139)	-9.7%
Finance costs	(30,345)	(29,934)	1.4%
	(41,370)	(40,716)	1.6%
<b>Profit before tax</b>	<b>78,824</b>	<b>179,055</b>	<b>-56.0%</b>
Income tax expense	-	(1,050)	-100.0%
<b>Profit for the period</b>	<b>78,824</b>	<b>178,005</b>	<b>-55.7%</b>
Profit for the period comprises the following:			
Realised			
- Unitholders	73,729	67,164	9.8%
- Perpetual note holders	5,013	4,141	21.1%
	78,742	71,305	10.4%
Unrealised	82	106,700	-99.9%
	78,824	178,005	-55.7%
Basic earnings per unit attributable to unitholders (sen):			
Realised	2.50	2.28	9.6%
Unrealised	-	3.63	-100.0%
	2.50	5.91	-57.7%
<b>Proposed/declared distribution per unit (sen)</b>	<b>2.50</b>	<b>2.28</b>	<b>9.6%</b>

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these financial statements.

SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER (CONT'D)

	Current Quarter ended 30.09.2019	Immediate Preceding Quarter ended 30.06.2019	Change
	RM'000	RM'000	%
<b>Profit for the period</b>	<b>78,824</b>	<b>178,005</b>	<b>-55.7%</b>
<b>Other comprehensive income</b>			
Cash flow hedge - fair value of derivative	(10,808)	(997)	> 100%
Cash flow hedge reserve recycled to profit or loss	9,382	567	> 100%
<b>Total comprehensive income for the period</b>	<b>77,398</b>	<b>177,575</b>	<b>-56.4%</b>

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended 30.09.2019	Immediate Preceding Quarter ended 30.06.2019	Change
	RM'000	RM'000	%
Rental income	148,950	141,703	5.1%
Interest income	1,032	825	25.1%
Other income *	6,411	3,870	65.7%
	156,393	146,398	6.8%
Less: Expenses	(77,651)	(75,093)	3.4%
Realised income for the period	78,742	71,305	10.4%
Less: Amount reserved for distribution to perpetual note holders	(5,013)	(4,141)	21.1%
Realised income attributable to unitholders	73,729	67,164	9.8%
Add: Previous period's undistributed realised income	453	437	3.7%
Total income available for distribution	74,182	67,601	9.7%
Less: Proposed / declared income distribution to unitholders	(73,627)	(67,148)	9.6%
Balance undistributed realised income	555	453	22.5%
<b>Distribution per unit (sen)</b>	<b>2.50</b>	<b>2.28</b>	<b>9.6%</b>

\* Included in other income above is other operating income

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As At 30.09.2019 (Unaudited)</b>	<b>As At 30.06.2019 (Audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties	8,058,763	8,047,410
Plant and equipment	12,864	12,517
	<u>8,071,627</u>	<u>8,059,927</u>
<b>Current assets</b>		
Trade receivables	18,072	19,380
Other receivables	14,497	11,473
Short term investment	99,708	-
Cash and bank balances	69,395	67,258
	<u>201,672</u>	<u>98,111</u>
<b>Total assets</b>	<b>8,273,299</b>	<b>8,158,038</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,734,247	1,729,010
Total Unitholders' funds	4,462,076	4,456,839
Perpetual note holders' funds	339,717	339,717
Total equity	<u>4,801,793</u>	<u>4,796,556</u>
<b>Non-current liabilities</b>		
Long term liabilities	78,774	77,018
Deferred tax liability	14,841	14,841
	<u>93,615</u>	<u>91,859</u>
<b>Current liabilities</b>		
Borrowings	3,191,429	3,090,793
Trade payables	5,986	3,057
Other payables	168,535	174,640
Derivatives	11,941	1,133
	<u>3,377,891</u>	<u>3,269,623</u>
Total liabilities	<u>3,471,506</u>	<u>3,361,482</u>
<b>Total equity and liabilities</b>	<b>8,273,299</b>	<b>8,158,038</b>
Units in circulation ('000 units)	2,945,078	2,945,078
<b>Net Asset Value ("NAV") attributable to unitholders:</b>		
Before income distribution	4,462,076	4,456,839
After income distribution	4,388,449	4,389,691
<b>NAV per unit attributable to unitholders (RM):</b>		
Before income distribution <sup>1</sup>	1.5151	1.5133
After income distribution <sup>2</sup>	1.4901	1.4905

<sup>1</sup> Before the 1Q2020 proposed income distribution of 2.50 sen per unit (4Q2019: 2.28 sen per unit).

<sup>2</sup> After the 1Q2020 proposed income distribution of 2.50 sen per unit (4Q2019: 2.28 sen per unit).

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE**

	Unitholders' Capital	<---- Undistributed Income ----> Realised	Unrealised	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 1 July 2019</b>	2,727,829	(11)	1,729,021	4,456,839	339,717	4,796,556
<b>Total comprehensive income</b>						
Profit for the period	-	78,742	82	78,824	-	78,824
Other comprehensive income:						
- Cash flow hedge - fair value of derivative	-	-	(10,808)	(10,808)	-	(10,808)
- Cash flow hedge reserve recycled to profit or loss	-	-	9,382	9,382	-	9,382
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	78,731	1,727,677	4,534,237	339,717	4,873,954
<b>Unitholders' Transactions</b>						
Distribution to unitholders:						
- Income distribution proposed in prior year but paid in current period	-	(67,148)	-	(67,148)	-	(67,148)
Decrease in net assets resulting from unitholders' transactions	-	(67,148)	-	(67,148)	-	(67,148)
<b>Perpetual Note Holders' Transactions</b>						
Amount reserved for distribution to perpetual note holders	-	(5,013)	-	(5,013)	-	(5,013)
Decrease in net assets resulting from perpetual note holders' transactions	-	(5,013)	-	(5,013)	-	(5,013)
<b>As at 30 September 2019 (Unaudited)</b>	2,727,829	6,570	1,727,677	4,462,076	339,717	4,801,793

The unaudited condensed consolidated statement of changes in net asset value should be read in conjunction with the accompanying explanatory notes attached to these financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE (CONT'D)**

	Unitholders' Capital	<---- Undistributed Income ----> Realised	Unrealised	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 1 July 2018</b>	2,727,829	(3,743)	1,629,150	4,353,236	-	4,353,236
<b>Total comprehensive income</b>						
Profit for the financial year	-	286,477	99,896	386,373	-	386,373
Other comprehensive income:						
- Cash flow hedge - fair value of derivative	-	-	(6,513)	(6,513)	-	(6,513)
- Cash flow hedge reserve recycled to profit or loss	-	-	6,488	6,488	-	6,488
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	282,734	1,729,021	4,739,584	-	4,739,584
<b>Unitholders' Transactions</b>						
Distribution to unitholders:						
- Income distribution declared and paid in current year	-	(215,285)	-	(215,285)	-	(215,285)
- Income distribution proposed in prior year but paid in current year	-	(63,319)	-	(63,319)	-	(63,319)
Decrease in net assets resulting from unitholders' transactions	-	(278,604)	-	(278,604)	-	(278,604)
<b>Perpetual Note Holders' Transactions</b>						
Issuance of perpetual note (net of transaction costs)	-	-	-	-	339,717	339,717
Amount reserved for distribution to perpetual note holders	-	(4,141)	-	(4,141)	-	(4,141)
Increase in net assets resulting from perpetual note holders' transactions	-	(4,141)	-	(4,141)	339,717	335,576
<b>As at 30 June 2019 (Audited)</b>	2,727,829	(11)	1,729,021	4,456,839	339,717	4,796,556

The unaudited condensed consolidated statement of changes in net asset value should be read in conjunction with the accompanying explanatory notes attached to these financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Cumulative Quarter ended</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	162,467	149,722
Refundable security deposits from customers	3,166	1,596
Cash paid for operating expenses	(70,143)	(63,046)
Net cash from operating activities	95,490	88,272
<b>Cash flows from investing activities</b>		
Acquisition of plant and equipment	(1,570)	(374)
Subsequent expenditure of investment properties	(11,505)	(21,009)
Investment in short term money market instrument	(250,000)	(345,000)
Redemption of short term money market instrument	150,000	355,000
Net cash flows to licensed financial institutions with maturity of over 3 months	(3,000)	-
Interest received	1,590	1,880
Net cash used in investing activities	(114,485)	(9,503)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of commercial papers	160,000	301,000
Drawdown of revolving loans	4,610,000	4,302,500
Repayment of commercial papers	(160,000)	(301,000)
Repayment of unrated medium term notes	-	(300,000)
Repayment of revolving loans	(4,500,000)	(3,989,900)
Interest paid	(24,720)	(24,162)
Distribution paid to unitholders	(67,148)	(63,319)
Net cash from/(used in) financing activities	18,132	(74,881)
Net (decrease)/increase in cash and cash equivalents	(863)	3,888
Cash and cash equivalents at beginning of year	47,258	57,559
Cash and cash equivalents at end of period	46,395	61,447
Cash and bank balances	69,395	61,447
Deposits with licensed financial institutions with maturity of over 3 months	(23,000)	-
Cash and cash equivalents	46,395	61,447
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	29,395	26,147
Deposits placed with licensed financial institutions	40,000	35,300
Cash and bank balances	69,395	61,447

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these financial statements.



**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standards ("MFRS") 134**

**A1. Corporate Information**

Sunway Real Estate Investment Trust ("Sunway REIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to a deed dated 20 May 2010, a supplementary deed dated 10 June 2010 and an amended and restated deed dated 18 September 2018 (collectively referred to as the "Deed") between Sunway REIT Management Sdn. Bhd. (the "Manager") and RHB Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010. The unaudited condensed consolidated financial statements comprise Sunway REIT and its subsidiaries (the "Group").

**A2. Significant Accounting Policies and Basis of Preparation**

The unaudited condensed consolidated financial statements of the Group for the financial period ended 30 September 2019 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts (the "REIT Guidelines"). These unaudited condensed consolidated financial statements of the Group also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited condensed consolidated financial statements of the Group should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The audited financial statements of the Group for the financial year ended 30 June 2019 were prepared under MFRS and are available upon request from the Manager's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

The accounting policies adopted by the Group in this unaudited condensed consolidated financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2019, except for the adoption of the following new MFRSs, amendments to MFRSs and IC interpretation that are effective for annual periods beginning on or after 1 January 2019:

MFRS 16 Leases  
IC Interpretation 23 *Uncertainty over Income Tax Treatments*  
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*  
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*  
Annual Improvements to MFRS Standards 2015 - 2017 Cycle  
- Amendments to MFRS 3 *Business Combinations*  
- Amendments to MFRS 11 *Joint Arrangements*  
- Amendments to MFRS 112 *Income Taxes*  
- Amendments to MFRS 123 *Borrowings Costs*  
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*

The adoption of the above new MFRSs, amendments to MFRSs and IC interpretation do not have material effect on the financial performance or position of the Group.

**A3. Audit Report of Preceding Financial Year**

The auditors have expressed an unqualified opinion on Sunway REIT's financial statements for the preceding financial year ended 30 June 2019.

**A4. Changes in Estimates**

This is not applicable as no estimates were previously reported.

**A5. Unusual Items**

There were no material unusual items affecting the amounts reported for the current quarter ended 30 September 2019.

**A6. Issuance, Repurchases and Repayments of Debt and Equity Securities**

There were no issuance, repurchases and repayments of debt and equity securities for the current quarter/cumulative quarter ended 30 September 2019, except as disclosed in Note A16.

**A7. Changes in the Composition/Fund Size of the Trust**

There was no change to Sunway REIT's fund size of 2,945.1 million for the current quarter/cumulative quarter ended 30 September 2019.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**A8. Segmental Reporting**

Segmental revenue and results for the first/cummulative quarter ended 30 September 2019 and 30 September 2018 are as follows:

Business segments	First/Cumulative Quarter ended 30.09.2019						First/Cumulative Quarter ended 30.09.2018					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
<b>Revenue and results</b>												
Gross revenue	105,529	23,650	10,122	14,512	1,539	155,352	104,941	22,567	9,073	5,760	1,400	143,741
Net property income	75,309	22,032	5,679	14,512	1,539	119,071	77,710	20,520	5,124	5,760	1,400	110,514
Interest income						1,032						2,194
Other income						91						25
Trust and other expenses						(11,025)						(10,095)
Finance costs						(30,345)						(29,629)
Profit before tax						78,824						73,009
Income tax expense						-						-
Profit for the period						78,824						73,009

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

Segmental assets and liabilities as at 30 September 2019 and 30 June 2019 are as follows:

Business segments	As at 30.09.2019						As at 30.06.2019					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
<b>Assets</b>												
Segment assets	4,937,011	1,698,395	488,519	895,987	95,000	8,114,912	4,927,476	1,698,472	487,652	895,987	95,000	8,104,587
Unallocated assets						158,387						53,451
Total assets						<u>8,273,299</u>						<u>8,158,038</u>
<b>Liabilities</b>												
Segment liabilities	183,916	20,767	10,423	-	-	215,106	190,107	25,389	11,604	-	-	227,100
Unallocated liabilities						3,256,400						3,134,382
Total liabilities						<u>3,471,506</u>						<u>3,361,482</u>

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

Properties	Gross Revenue			Net Property Income		
	First Quarter ended			First Quarter ended		
	30.09.2019	30.09.2018	Change	30.09.2019	30.09.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Retail</b>						
Sunway Pyramid Shopping Mall	80,428	80,329	0.1%	61,201	64,168	-4.6%
Sunway Carnival Shopping Mall	11,690	11,294	3.5%	7,291	6,812	7.0%
SunCity Ipoh Hypermarket	1,100	1,100	0.0%	1,025	1,050	-2.4%
Sunway Putra Mall	12,311	12,218	0.8%	5,792	5,680	2.0%
	105,529	104,941	0.6%	75,309	77,710	-3.1%
<b>Hotel</b>						
Sunway Resort Hotel & Spa	7,105	4,027	76.4%	6,686	3,663	82.5%
Sunway Pyramid Hotel	4,731	4,542	4.2%	4,563	4,324	5.5%
Sunway Hotel Seberang Jaya	646	745	-13.3%	601	698	-13.9%
Sunway Putra Hotel	3,412	3,343	2.1%	3,149	2,977	5.8%
Sunway Hotel Georgetown	1,176	1,453	-19.1%	1,126	1,401	-19.6%
Sunway Clio Property	6,580	8,457	-22.2%	5,907	7,457	-20.8%
	23,650	22,567	4.8%	22,032	20,520	7.4%
<b>Office</b>						
Menara Sunway	4,493	4,243	5.9%	3,005	2,872	4.6%
Sunway Tower	922	749	23.1%	(122)	93	> -100%
Sunway Putra Tower	3,083	2,759	11.7%	1,978	1,604	23.3%
Wisma Sunway	1,624	1,322	22.8%	818	555	47.4%
	10,122	9,073	11.6%	5,679	5,124	10.8%
<b>Services</b>						
Sunway Medical Centre (Tower A & B)	5,961	5,760	3.5%	5,961	5,760	3.5%
Sunway university & college campus	8,551	-	N/A	8,551	-	N/A
	14,512	5,760	> 100%	14,512	5,760	> 100%
<b>Industrial &amp; Others</b>						
Sunway REIT Industrial - Shah Alam 1	1,539	1,400	9.9%	1,539	1,400	9.9%
	1,539	1,400	9.9%	1,539	1,400	9.9%
<b>TOTAL PORTFOLIO</b>	<b>155,352</b>	<b>143,741</b>	<b>8.1%</b>	<b>119,071</b>	<b>110,514</b>	<b>7.7%</b>

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

The Group comprises the following major business segments:

- (i) Retail - renting of retail premises to tenants
- (ii) Hotel - leasing of hotel premises to hotel operators
- (iii) Office - renting of office premises to tenants
- (iv) Services - leasing of services related premises on long term leases
- (v) Industrial & Others - leasing of industrial and other types of premises on long term leases

There have been no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

**a) Review of Current/Cumulative Quarter Results**

Retail segment

The retail segment recorded gross revenue of RM105.5 million for the current quarter ended 30 September 2019 (1Q2020), an increase of 0.6% or RM0.6 million compared to the preceding year corresponding quarter (1Q2019), mainly contributed by Sunway Carnival Shopping Mall.

Sunway Carnival Shopping Mall registered a 3.5% increase or RM0.4 million contributed by higher promotional income.

Sunway Pyramid Shopping Mall registered marginally higher gross revenue by RM0.1 million for 1Q2020 mainly due to higher average gross rent per sq. ft. contributed by better turnover rent in the current quarter. Gross revenue for Sunway Putra Mall was similarly higher in the current quarter by RM0.1 million compared to 1Q2019.

Property operating expenses of the retail segment for 1Q2020 was RM30.2 million, an increase of 11.0% or RM3.0 million compared to 1Q2019, mainly attributable to lower A&P expense in 1Q2019 for Sunway Pyramid Shopping Mall.

Correspondingly, net property income of the retail segment for 1Q2020 was RM75.3 million, lower by 3.1% or RM2.4 million compared to 1Q2019.

Hotel segment

The hotel segment registered higher gross revenue by RM1.1 million, or 4.8%, than 1Q2019 with an overall average occupancy of 80.1% (1Q2019: 72.0%).

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM18.4 million in the current quarter, higher by RM1.3 million, mainly due to the resumption of operation of the Grand Ballroom and Meeting Rooms in Sunway Resort Hotel & Spa which was closed for refurbishment during 1Q2019. There was a lower provision for income guarantee recognised in the current quarter for Sunway Clio Property compared to 1Q2019.

Sunway Hotel Seberang Jaya registered marginal decrease in gross revenue by RM0.1 million and Sunway Hotel Georgetown reported a lower gross revenue by RM0.3 million for the same period due to decline in occupancy rate.

Net property income of the hotel segment for 1Q2020 was RM22.0 million, higher by RM1.5 million as compared to 1Q2019, for reasons similar to the above.

Note 1: The hotel properties are under hotel master leases and hence, incurred minimum property operating expenses which comprise mainly quit rent, assessment and insurance. The gross revenue represents the hotel lease rental income.

Note 2: The gross revenue and net property income of Sunway Clio Property include the contribution from the retail component in addition to the hotel lease rental income.

## **A8. Segmental Reporting (Cont'd)**

### **a) Review of Current/Cumulative Quarter Results (Cont'd)**

#### Office segment

Despite the challenging office market environment, the office segment recorded gross revenue of RM10.1 million for 1Q2020, an increase of 11.6% or RM1.0 million compared to 1Q2019, mainly contributed by improved performance from all office properties.

Menara Sunway recorded an increase of RM0.3 million or 5.9% whilst Sunway Putra Tower and Sunway Tower registered higher gross revenue by RM0.3 million and RM0.2 million respectively, on the back of higher average occupancy following commencement of new tenancies. Wisma Sunway recorded higher gross revenue by RM0.3 million or 22.8% with the expansion of an existing tenant requiring additional space and is closing at full occupancy of 100%.

Property operating expenses of the office segment for 1Q2020 was higher by 12.5% or RM0.5 million mainly due to vacancy allowance received in 1Q2019 for Sunway Tower.

Net property income of the office segment in 1Q2020 was RM5.7 million, higher by RM0.6 million compared to the preceding year corresponding quarter.

#### Services segment

The services segment recorded gross revenue and net property income of RM14.5 million in the current quarter from RM5.8 million in 1Q2019, mainly due to new contribution of RM8.6 million from Sunway university & college campus post completion of acquisition on 15 April 2019.

Sunway Medical Centre contributed RM6.0 million to gross revenue and net property income for 1Q2020, an increase of 3.5% compared to 4Q2018 due to rental reversion in accordance with the master lease agreement.

#### Industrial & Others segment

Contribution from Sunway REIT Industrial - Shah Alam 1 of RM1.5 million in the current quarter, an increase of 10%, due to rental reversion in accordance with the master lease agreement.

Note: Further details on the lease and rental structure of the above properties are available in Sunway REIT's Annual Report 2019.

#### Profit for the period

Interest income for 1Q2020 was lower by RM1.2 million mainly due to higher investment in money market instrument and higher interest income from financial institutions in the preceding year corresponding quarter.

Finance costs for 1Q2020 was RM30.3 million, marginally higher by RM0.7 million, due to higher principal loan amount mainly to fund acquisition and planned capital expenditure, partially offset by the savings in interest cost from the recent OPR cut by 25 bps on 7 May 2019.

Net profit for 1Q2020 was RM78.8 million (1Q2019: RM73.0 million) mainly comprising realised profit.

The realised profit for 1Q2020 was higher by RM5.8 million in line with higher NPI, partially offset by lower interest income, higher manager's fees and higher finance costs.

## **A9. Seasonality of Operations**

The quarterly results were not materially affected by seasonal or cyclical factors except for the hotel segment, which will typically enjoy better performance from July to December due to higher leisure and business activities and year end corporate functions.

#### A10. Profit Before Tax

Included in the profit before tax are the following items:

	First Quarter ended		Cumulative Quarter ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Interest income	(1,032)	(2,194)	(1,032)	(2,194)
Net changes in fair value of long term liabilities	(82)	(20)	(82)	(20)
Unrealised foreign exchange gain (hedged item)	(9,382)	(1,700)	(9,382)	(1,700)
Cash flow hedge reserve recycled to profit or loss	9,382	1,700	9,382	1,700
Net changes in fair value of derivative financial instrument	-	(5)	-	(5)
Allowance of impairment on trade receivables	131	499	131	499
Depreciation of plant and equipment	570	456	570	456

#### A11. Income Tax Expense

##### Taxation of the REIT

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967, exempts the REIT from income tax in a year of assessment if the REIT distributes at least 90% of its total taxable income in the same year of assessment.

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ending 30 June 2020.

##### Taxation of the Unitholders

Pursuant to Section 109D of the Income Tax Act 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to unitholders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Category/ type of unitholders	Withholding tax rate
Individuals and all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24%

Resident corporate investors are required to report the distributions in their corporate tax return and subject to the prevailing corporate tax rate of 24%.

#### A12. Income Distribution

For the quarter ended 30 September 2019, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM73.6 million or 2.50 sen per unit, comprising taxable and non-taxable/tax exempt amount of 2.04 sen per unit and 0.46 sen per unit respectively.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 20 November 2019 and 4 December 2019 respectively.

### A13. Investment Properties

	<b>As at</b> <b>30.09.2019</b> <b>RM'000</b>	<b>As at</b> <b>30.06.2019</b> <b>RM'000</b>
Investment properties	7,984,744	7,981,500
Investment property under construction	74,019	65,910
	<u>8,058,763</u>	<u>8,047,410</u>

Investment property under construction relates to the property development activities for the expansion of Sunway Carnival Shopping Mall which includes the land cost of RM17.2 million and the property development costs incurred to-date of RM56.8 million. Piling works were completed and the other structural works are on-going.

### A14. Valuation of Investment Properties

Investment properties are valued by independent registered valuers, Knight Frank Malaysia Sdn Bhd, Savills (Malaysia) Sdn Bhd and C H Williams Talhar & Wong Sdn Bhd. The difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. There was no valuation performed during the quarter under review.

### A15. Trade Receivables

	<b>As at</b> <b>30.09.2019</b> <b>RM'000</b>	<b>As at</b> <b>30.06.2019</b> <b>RM'000</b>
Third parties	16,879	15,232
Amount due from parties related to the Manager	4,011	6,840
	<u>20,890</u>	<u>22,072</u>
Less: Allowance for impairment	(2,818)	(2,692)
Total trade receivables	<u>18,072</u>	<u>19,380</u>

Trade receivables, before allowance for impairment, was lower by RM1.3 million as at 30 September 2019 mainly attributable to lower billings for hotel lease rentals in September 2019.

The ageing analysis of Sunway REIT's trade receivables is as follows:

	<b>As at</b> <b>30.09.2019</b> <b>RM'000</b>	<b>As at</b> <b>30.06.2019</b> <b>RM'000</b>
Neither past due nor impaired	2,048	8,007
Past due but not impaired		
1 to 30 days	7,695	5,564
31 to 60 days	3,127	2,501
61 to 90 days	1,693	1,323
91 to 120 days	721	227
More than 120 days	2,788	1,758
	<u>16,024</u>	<u>11,373</u>
Impaired	2,818	2,692
	<u>20,890</u>	<u>22,072</u>

The trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	<b>As at</b> <b>30.09.2019</b> <b>RM'000</b>	<b>As at</b> <b>30.06.2019</b> <b>RM'000</b>
At beginning of financial year	2,692	2,271
Charge for the period/year	131	1,275
Written off	(5)	(854)
At end of financial period/year	<u>2,818</u>	<u>2,692</u>



## A16. Borrowings and Debt Securities

	As at 30.09.2019 RM'000	As at 30.09.2018 RM'000
<u>Short term borrowings</u>		
Secured		
- Revolving loan (USD100 million)	381,901	413,650
- Unrated medium term notes	1,200,000	1,000,000
	<hr/> 1,581,901	<hr/> 1,413,650
Unsecured		
- Revolving loan	1,610,000	1,500,000
	<hr/> 3,191,901	<hr/> 2,913,650
Less: Unamortised transaction costs	(472)	-
Total short term borrowings	<hr/> 3,191,429	<hr/> 2,913,650
Total borrowings	<hr/> <hr/> 3,191,429	<hr/> <hr/> 2,913,650

The secured 1-year USD100 million revolving loan was renewed in December 2018 with the option for drawdown in multicurrency.

The USD100 million revolving loan was drawn in AUD135 million and was hedged with a 1-year cross currency swap ("CCS") contract with notional value of AUD135 million (equivalent to RM392.31 million) until May 2020 to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation.

The AUD135 million revolving loan was translated at an exchange rate of 2.8289 on 30 September 2019 (30 September 2018: USD100 million revolving loan at an exchange rate of 4.1365) with unrealised foreign exchange gain of RM9.4 million (30 September 2018: unrealised foreign exchange loss of RM9.2 million).

The unamortised transaction costs of RM0.5 million as at 30 September 2019 relates to upfront expenses incurred for establishment of the 7-year CP Programme of up to RM3.0 billion commencing from April 2019.

Total borrowings stood at RM3.2 billion as at 30 September 2019, all due within one (1) year and disclosed as short term borrowings, with the drawdown of short-term revolving loan primarily to fund planned capital expenditure and issuance of short term unrated medium term notes of RM200 million to partially fund the acquisition of Sunway university & college campus.

The weighted average interest rate of borrowings as at 30 September 2019 was 3.87% (30 September 2018: 4.03%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 43 : 57 (30 September 2018: 54 : 46).

## A17. Fair Value Hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 - Quoted market prices in an active market for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**A17. Fair Value Hierarchy (Cont'd)**

The following table provides the fair value hierarchy of the Group's assets and financial instruments:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>At 30 September 2019</b>				
<b>Financial asset</b>				
Investment properties	-	-	8,058,763	8,058,763
<b>Financial liability</b>				
Derivatives	-	(11,941)	-	(11,941)
<b>At 30 September 2018</b>				
<b>Financial assets</b>				
Investment properties	-	-	7,300,440	7,300,440
Derivatives	-	9,138	-	9,138
<b>Financial liability</b>				
Derivatives	-	(23)	-	(23)

No transfers between any levels of the fair value hierarchy took place during the current financial period and the preceding financial period.

**A18. Material Events**

There were no material events since the end of the last financial year ended 30 June 2019.

**A19. Material Events Subsequent to the end of the Current Quarter**

There were no material events subsequent to the quarter ended 30 September 2019.

**A20. Capital Commitments**

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated financial statements as at 30 September 2019 were as follows:

	<b>As at 30.09.2019 RM'000</b>
Approved and contracted for	302,320
Approved but not contracted for	198,333
	<u>500,653</u>

The capital commitment approved and contracted for mainly relates to the on-going works for the expansion of Sunway Carnival Shopping Mall and completed refurbishment of Sunway Resort Hotel & Spa's grand ballroom, meeting and function rooms.

The capital commitment approved but not contracted for mainly relates to future refurbishment of the existing Sunway Carnival Shopping Mall and proposed refurbishment works at Sunway Tower.

**A21. Contingent Liabilities and Assets**

There were no contingent liabilities or contingent assets as at 30 September 2019.

## A22. Transactions with Parties Related to the Manager

The following table provides information on the transactions which have been entered into with parties related to the Manager during the period ended 30 September 2019 and 30 September 2018:

	First Quarter ended		Cumulative Quarter ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(37,515)	(32,876)	(37,515)	(32,876)
- Purchases	26,860	35,499	26,860	35,499
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(77)	(139)	(77)	(554)
- Purchases	176	83	176	2,652
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Subscription of commercial paper	100,000	120,000	100,000	120,000

The following table provides information on the balances with the parties related to the Manager as at 30 September 2019 and 30 June 2019:

	As at 30.09.2019 RM'000	As at 30.06.2019 RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	4,157	7,564
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	13,205	15,832

## **Part B - Additional Information Pursuant to Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad**

### B1. Review of Performance

#### a) **Statement of Comprehensive Income**

Explanatory comments are provided in Note A8.

#### b) **Statement of Financial Position**

Investment properties increased by RM11.4 million primarily attributable to on-going works for the expansion of Sunway Carnival Shopping Mall.

The decrease in trade receivables by RM1.3 million as at 30 September 2019 is explained in Note A15.

Other receivables was higher by RM3.0 million mainly due to accrual for income guarantee receivable for Sunway Clio Property.

Short term investment as at 30 September 2019 relates to investment in money market instrument comprising 1-month commercial paper ("CP") issued by Sunway Berhad, as disclosed in Note A22 above, at the nominal value of RM100.0 million less discount on CP of RM0.3 million.

Perpetual note holders' funds represent proceed from an issuance of perpetual note of RM340 million by SUNREIT Perpetual Bond Berhad in April 2019, net of transaction costs incurred for establishment of the Perpetual Note Programme.

**b) Statement of Financial Position (Cont'd)**

Derivatives of RM11.9 million was in relation to cross currency swap contract for the USD100 million revolving loan. The movement in derivatives is explained in Note B15.

Total borrowings increased by RM100.6 million as at 30 September 2019 mainly due to the drawdown of loan of RM110.0 million for planned capital expenditure and net unrealised foreign exchange translation gain of RM9.4 million in the current quarter.

Total net asset value as at 30 September 2019 was RM4,801.8 million, comprise of unitholders' funds of RM4,462.1 million and perpetual note holders' funds of RM339.7 million. Unitholders' funds was higher by RM5.2 million due to net realised profit for 1Q2020 of RM6.5 million reduced by unrealised loss for 1Q2020 of RM1.3 million in relation to remeasuring of the fair value of the hedging instrument recognised in other comprehensive income. The net realised profit was derived after deducting the distribution to unitholders of RM67.1 million and amount reserved for distribution to perpetual note holders of RM5.0 million from the realised profit of RM78.4 million.

Correspondingly, net asset value per unit as at 30 September 2019, before proposed income distribution for the current quarter, was higher at RM1.5151, compared to RM1.5133 as at 30 June 2019.

**c) Statement of Cash Flows**

Net cash from operating activities for 1Q2020 was RM95.5 million, higher by RM7.2 million compared to 1Q2019, in line with the higher net property income for 1Q2020.

Net cash used in investing activities for 1Q2020 of RM114.5 million was largely due the investment in money market instrument of RM100.0 million.

Net cash used in financing activities for 1Q2020 of RM18.1 million was mainly contributed by drawdown of borrowings amounting to RM110 million, partially offset by interest and income distribution paid of RM24.7 million and RM67.1 million respectively.

The cash and bank balance as at 30 September 2019 and 30 September 2018 stood at RM69.4 million and RM61.4 million respectively. The higher balance at the end of current period was mainly due to higher net cash from operating activities as explained above.

**B2. Maintenance Costs and Major Capital Expenditure**

There was no unusual nor material maintenance costs during the quarter under review. Sunway REIT incurred capital expenditure of RM11.4 million for 1Q2020 mainly for ongoing works for the expansion of Sunway Carnival Shopping Mall of RM8.1 million, details as disclosed in Note A13.

**B3. Material Changes in Quarterly Results**

	<b>Current Quarter ended 30.09.2019 RM'000</b>	<b>Immediate Preceding Quarter ended 30.06.2019 RM'000</b>	<b>Change %</b>
Realised profit	78,742	71,305	10.4%
Unrealised profit	82	106,700	-99.9%
Profit for the quarter	<u>78,824</u>	<u>178,005</u>	<u>-55.7%</u>

Realised profit for 1Q2020 was higher by RM7.4 million compared to the immediate preceding quarter (4Q2019), mainly attributable to higher contribution from the hotel segment by RM8.7 million, reduced by marginal increase in Manager's fees and finance costs.

The higher contribution from the hotel segment was largely due to income guarantee for Sunway Clio Property of RM3.0 million and a better quarter for hotel segment with increased occupancy.

Unrealised profit for 4Q2019 was largely in relation to gain from annual revaluation of investment properties of RM107.7 million.

#### **B4. Commentary on Prospects**

In the latest World Economic Outlook issued in October 2019, the International Monetary Fund (IMF) has revised its global growth projection downwards to 3.0% in CY2019 (July 2019 forecast: 3.2%), its lowest level since Global Financial Crisis. The downward adjustment was in line with synchronized slowdown resulting from trade-war tension affecting business sentiment and confidence globally. The world economy is expected to strengthen to 3.4% in CY2020 (July 2019 forecast: 3.5%).

The Malaysian economy accelerated to 4.9% in second quarter CY2019 (1Q CY2019: 4.5%), demonstrating signs of resiliency despite global uncertainties. The domestic economy is projected to remain stable in CY2019 with a growth rate of 4.7% in CY2019 and 4.8% in CY2020, supported by resilient domestic demand, private investment and resumption of public infrastructure projects in CY2020 as announced in the Federal Budget 2020.

Headline inflation was well contained at 0.6% for the period between January to September 2019, through Government's various price stabilization mechanism such as capping of RON95 and diesel retail prices. Inflation is expected to remain benign at 0.9% in CY2019 with a gradual pick up to 2.0% in CY2020 as Federal Budget 2020 stimulus for the rakyat infuses higher domestic consumption and floatation of fuel prices.

Global monetary policy has shifted to higher level of accommodation, to cushion the impact of moderating global economy. The Federal Reserve trimmed the target range for the federal funds rate to 1.50% to 1.75% with a longer-term target of 2.0%. Aligning with the global monetary stance, Bank Negara Malaysia (BNM) has maintained the Overnight Policy Rate (OPR) in September 2019 at 3.0%, to support economic growth in an environment of low inflation and stable financial conditions.

The Manager expects the DPU in FY2020 to stay resilient, primarily supported by full year income recognition from acquisition of Sunway university & college campus and modest growth in retail segment. However, the Manager remains cautious on the performance of the hotel segment on the back of anticipated stronger headwinds facing the hospitality industry.

The Manager is committed to distribute 100% of its distributable net income for FY2020.

##### Review of retail market

The Malaysian retail industry expanded by 4.5% in 2Q CY2019 compared to the same period in CY2018. The growth came in below the Retail Group Malaysia (RGM)'s projection of 5.5%. Although there was a pick-up in retail sales momentum during the quarter on the back of Hari Raya celebration, consumers remained cautious and spent prudently resulted in the lower than expected retail sales growth. RGM commented that the cautious sentiment was due to uncertain economic prospects arising from external factors. Retail sales for the first 6 months of the year came in at 4.2%. Taking into account of the uncertainty in the macro economy coupled with softer capital market performance, RGM revised its CY2019 retail sales growth projection downwards from 4.9% to 4.4%.

After picking up in 2Q CY2019, the Consumer Sentiment Index (CSI) reversed its trend and slipped by 9 points to 84 points in 3Q CY2019, the lowest level since 4Q CY2017. The cautious sentiment was weighed down by soft employment outlook and concerns of rising prices.

As at CY2018, Kuala Lumpur and Selangor both had 71.3 million sq.ft. of retail space, based on the Property Market Report 2018 by the Valuation and Property Services Department (JPPH). In 1H CY2019, a total of 1.5 million sq. ft. were added into the supply of retail space following the completion of Central i-City in Shah Alam and retail components of Star Boulevard in KL City, Pinnacle in Petaling Jaya and Shaftsbury@Putrajaya.

A total of additional retail space of 2.14 million sq.ft. is expected to come on-stream in 2H CY2019 upon the completion of 5 new retail malls which include retail components within integrated developments.

#### **B4. Commentary on Prospects (Cont'd)**

##### Review of retail market (Cont'd)

The outlook for the retail segment remains cautious on the back of continuous supply flooding the market amidst moderating economic landscape and soft consumer sentiment. In this era of digitalisation, the retail segment is currently confronted by the challenge of adapting to the evolving market. As e-commerce continues to gain prominence, it is necessary for both owners of retail malls and retailers to innovate to adjust to emerging trends as well as embrace technology in their tenancy mix, customers' acquisitions and retention, marketing activities and new marketing channels to create refreshing in-store experience to consumers. Prime retail malls with established track record are expected to remain resilient where occupancy and rental rates shall remain stable.

The Manager expects the retail segment to register a modest growth in FY2020, supported by modest growth from its flagship asset, Sunway Pyramid Shopping Mall.

##### Review of hotel market

Tourist arrivals in the 1H FY2019 grew by 4.9% y-o-y to 13.4 million with a corresponding growth of 6.8% (RM41.7 billion) in tourist expenditure. The growth was mainly attributable to higher tourist arrivals from main markets such as Singapore (+3.6%), Indonesia (+15.0%), China (6.4%) and Thailand (+4.2%). The Tourism, Arts and Culture Ministry targets to achieve tourist arrivals of 28.1 million in CY2019 further supported by Visit Malaysia 2020 (VM2020) to drive tourist arrivals to 30.0 million in CY2020.

Despite the encouraging growth in tourist arrivals, persistently weak business confidence has led to marginal contraction in business travelers and MICE activities in 1Q CY2019. Amidst soft business sentiment, hotel supply remained in the uptrend coupled with the rise of non-traditional accommodation providers, thus, leading to pressure on hotels' occupancy and average daily rates. The outlook for the hospitality industry remains challenging in the immediate term due to demand and supply disequilibrium.

In the Federal Budget 2020 announced on 11 October 2019, the Government placed importance in promoting the tourism industry in view that the tourism industry is one of the primary drivers of economic growth, accounting for 15.2% of GDP in CY2018.

The Government has allocated RM1.1 billion to the Ministry, Arts and Culture, including an allocation of RM90 million to drive awareness, promotions and programmes for VM2020 campaign. To amplify the economic benefits of VM2020, the Government introduces a host of tax incentives to tourism related business operators and parties promoting arts, cultural and heritage activities in Malaysia.

In addition, the Government is undertaking various efforts to market Malaysia while promoting innovative tourism products, intensified efforts to improve safety and security of the country as well as improving both air and land connectivity to unleash the full potential of Malaysia in driving social-economy prosperity over the medium to long-term horizon.

The Manager remains cautious on the prospect of the hotel segment's performance in FY2020 for the reasons mentioned above.

##### Review of office market

Total office space in the Klang Valley saw an increase of 3.73 million sq.ft. following the completion of five office buildings in 1H CY2019. Majority of the new supply came from the Tun Razak Exchange (TRX), namely The Exchange 106 and Menara Prudential@TRX.

The fundamental challenge for the office segment persisted on the back of massive oversupply situation coupled with high supply pipeline. This is exacerbated by slow take-up rate which exert further pressure on the tenant-led office market going forward. In the absence of major catalyst to drive an upsurge in demand, office building owners continue to compete vigorously in managing occupancy levels. In order for survival of the fittest, landlords need to be agile to respond to emerging trends that prevail, such as co-working, decentralization location, integrated development, transit oriented development (TOD), amongst others.

The Manager anticipates our office segment to improve marginally in FY2020, largely attributable to higher occupancy of tenancies which commenced in the preceding financial year due to competitive pricing strategy.

**B5. Investment Objectives**

The Manager's key investment objective for Sunway REIT is to provide the unitholders with exposure to a diverse portfolio of authorised investments (pursuant to provisions of the trust deed) that will provide stable cash distributions with the potential for sustainable growth in net asset value per unit and distribution per unit (DPU). The principal investment policy of Sunway REIT is to invest in retail, hospitality, office and other real estate assets, subject to the REIT Guidelines.

The Manager is confident in providing stable cash distributions going forward and will endeavour to grow the net asset value over a longer period of time. There was no change in the objectives during the period under review.

**B6. Performance Benchmark**

Performance indicators	Period ended 30.09.2019	Year ended 30.06.2019
a) Management expense ratio *	0.93%	0.86%
b) Total return *	7.9%	10.7%
c) Average annual total return (5 years) *	9.8%	10.8%
d) Distribution yield *	5.2%	5.1%
e) NAV per unit (after income distribution)(RM)	1.4901	1.4905

\* The performance indicators for the period ended 30 September 2019 was based on annualised results.

- a) The ratio of annualised trust expenses in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus annualised distribution yield for the year.
- c) Average annual total return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on annualised DPU of 9.92 sen divided by its closing price as at 30 September 2019 of RM1.92 (30 June 2019: DPU of 9.59 sen; closing price of RM1.87).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

**B7. Strategies and Policies**

The Manager's strategies can be broadly categorised as:

- a) active asset management strategy
- b) acquisition growth strategy
- c) capital and risk management strategy
- d) asset enhancement initiatives, including property development activities

There was no change in the strategies and policies employed during the period under review.

**B8. Manager's Fee**

Pursuant to the Deed constituting Sunway REIT, the Manager is entitled to receive the following fees from Sunway REIT:

- a) Base fee of 0.3% per annum on the total assets value;
- b) Performance fee of 3% per annum of net property income, but before deduction of fees payable to the Property Manager pursuant to the Property Management Agreement;
- c) Acquisition fee of 1% of the acquisition price of any future assets of Sunway REIT or a Single-Purpose Company acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest in Real Estate or Single-Purpose Company purchased by the Trustee for Sunway REIT); and
- d) Divestment fee of 0.5% of the sale price of any future assets of Sunway REIT or a Single-Purpose Company sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the assets of Sunway REIT sold).

The Manager's fee shall be net of all applicable tax, duties and levies imposed by the relevant authorities in Malaysia. The Manager shall be paid the base fee and performance fee which may be in the forms of cash, new units or a combination thereof, such proportion which may be varied at the discretion of the Manager. The Manager's fee is fully paid in cash since FY2017.

**B8. Manager's Fee (Cont'd)**

Total Manager's fees for the current/cumulative quarter ended 30 September 2019 was RM9.8 million, higher than RM0.8 million compared to the preceding year corresponding quarter mainly attributable to the newly acquired Sunway university & college campus.

**B9. Trustee's Fees**

Pursuant to the Deed constituting Sunway REIT, the fee payable to the Trustee is up to 0.015% per annum of the net asset value of Sunway REIT, subject to a maximum of RM700,000 per annum, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months.

Total Trustee's fees for the current/cumulative quarter ended 30 September 2019 was RM0.2 million in line with preceding year corresponding quarter.

**B10. Status of Corporate Proposals**

There was no corporate proposal that has been announced but not completed as at the date of this report.

**B11. Material Litigation**

1. Sunway Putra (formerly known as Putra Place) - Claim for chattels and movable items - Assessment of damages  
(Kuala Lumpur High Court Civil Suit No. 22NCVC-523-09/2015)

Metroplex Holdings Sdn Bhd ("MHSB") had filed writ of summons and a statement of claim dated 28 September 2015 against the Trustee and the Manager, respectively, claiming for various chattels and movable items (e.g. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) which were allegedly acquired and owned by MHSB but not removed by MHSB when the Manager took possession of the hotel at Sunway Putra on 27 September 2011. MHSB has in its statement of claim alleged that the various chattels and movable items were worth in excess of RM80 million as at September 2011.

The trial for liability took place on 5 and 6 June 2017. The decision of the High Court of Malaya at Kuala Lumpur was delivered on 3 November 2017, in favour of MHSB and costs of RM20,000.00 was awarded to MHSB.

The Trustee and Manager had filed a stay application for the trial for assessment of damages which was dismissed by the Court on 21 May 2018 with no order as to costs.

On 30 January 2019, MHSB's solicitors informed the learned Registrar that the Court of Appeal has reversed the High Court decision on 22 January 2019 and that they are awaiting instructions to file an application for leave to appeal to the Federal Court and to stay the Court of Appeal decision. The matter is fixed for further case management on 22 February 2019. On 22 February 2019, Metroplex has withdrawn the assessment with liberty to file afresh and with no order as to cost.

2. Sunway Putra (formerly known as Putra Place) - Appeal to the Court of Appeal against the decision of 3 November 2017 above  
Mahkamah Rayuan Sivil No. 1 - 02(NCVC)(W)-2284-11/2017  
Federal Court Leave to Appeal No. 08-53-02/2019(W)

The Trustee and the Manager filed an appeal to the Court of Appeal on liability on 6 November 2017. The trial for the appeal was held on 29 June 2018 but was adjourned to 3 September 2018.

On 3 September 2018, both counsels submitted their verbal submissions before the learned Court of Appeal judges. The learned judges requested for further written submissions to be submitted by both parties, and these were submitted on 18 September 2018.

The Court of Appeal had, on 22 January 2019, allowed the appeal by the Trustee and Manager, with costs of RM50,000.00. The High Court's earlier decision allowing Metroplex's claim on liability was set aside. Therefore, Metroplex's claim on the chattels has been dismissed.



**B11. Material Litigation (Cont'd)**

2. Sunway Putra (formerly known as Putra Place) - Appeal to the Court of Appeal against the decision of 3 November 2017 above (Cont'd)  
Mahkamah Rayuan Sivil No. 1 - 02(NCVC)(W)-2284-11/2017  
Federal Court Leave to Appeal No. 08-53-02/2019(W)

Metroplex served LHAG with the Notice of Motion for leave to appeal on 21 February 2019. The hearing date for the leave to appeal was fixed on 28 August 2019 but was adjourned at the request of the Plaintiff. At case management on 30 August 2019, the Federal Court fixed the hearing date on 25 November 2019.

If the eventual outcome of this case is not in the Manager's favour, it would not have any impact on the distribution per unit and immaterial impact on the total asset value of Sunway REIT.

**B12. Soft Commission**

There was no soft commission received by the Manager and/or its delegate during the period under review from broker or dealer by virtue of transactions conducted for Sunway REIT.

**B13. Summary of EPU, DPU, NAV and Market Price**

	Current Quarter ended 30.09.2019	Immediate Preceding Quarter ended 30.06.2019	Change %
Number of units in issue (units)	2,945,078,000	2,945,078,000	0.0%
Realised net income (RM'000)	78,742	71,305	10.4%
Realised earnings per unit (EPU) (sen)	2.50	2.28	9.6%
Income distribution(RM'000)	73,627	67,148	9.6%
Distribution per unit (DPU)(sen)	2.50	2.28	9.6%
Net Asset Value (NAV) attributable to unitholders (After income distribution)	4,388,449	4,389,691	*
NAV per unit (After income distribution) (RM)	1.4901	1.4905	*
Market price per unit (RM)	1.92	1.87	2.7%

\* Denotes < 0.01%

**B14. Income Distribution**

Please refer to Note A12 for details.

**B15. Disclosure of Nature of Outstanding Derivative Financial Instruments**

Derivative financial instruments are recognised in the financial statements in accordance with MFRS 9: *Financial Instruments*.

Type of Derivatives	Contract/Notional Value		Fair value at reporting date Derivative Liability	
	As at 30.09.2019	As at 30.06.2019	As at 30.09.2019	As at 30.06.2019
	RM'000	RM'000	RM'000	RM'000
<b>Cross currency swap</b> - Less than 1 year	392,310	392,310	(11,941)	(1,133)

## **B15. Disclosure of Nature of Outstanding Derivative Financial Instruments (Cont'd)**

### Cross currency swap

In June 2019, Sunway REIT entered into a new 1-year CCS contract for the AUD 135 million revolving loan upon maturity of the earlier 6-month CCS contract, to manage its exposure in foreign currency risk arising from foreign currency borrowings. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognized directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the income statement. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the income statement.

The fair value of the CCS recognised in the statement of comprehensive income for 1Q2020 was a loss of RM10.8 million (1Q2019: gain of RM9.2 million). The loss recognised in current quarter of RM10.8 million and the loss recognised in 4Q2019 of RM1.1 million for the new CCS, have been reflected as a derivative liability in the balance sheet as at 30 September 2019.

## **B16. Risks and Policies of Derivatives**

The derivatives of the Group comprises cross currency swap contract as mentioned in Note B15.

The overall risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 2019.

## **B17. Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities**

Please refer to Note A10 for details.

## **B18. Directors' Declaration**

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 30 September 2019 and of its financial performance and cash flows for the period ended on that date and duly authorised for release by the Board of the Manager on 5 November 2019.

### **BY ORDER OF THE BOARD**

**Sunway REIT Management Sdn. Bhd.**  
**(As Manager for Sunway Real Estate Investment Trust)**

**Tan Kim Aun**  
**Ong Wei Leng**  
**Company Secretaries**

**Bandar Sunway**  
**Date: 5 November 2019**