

SUNWAY REAL ESTATE INVESTMENT TRUST
 SECOND QUARTER ENDED 31 DECEMBER 2020
 FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2021 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter ended			Cumulative Quarter ended		
	31.12.2020	31.12.2019	Change	31.12.2020	31.12.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income	88,055	149,453	-41.1%	193,663	298,403	-35.1%
Other operating income	7,715	6,345	21.6%	9,550	12,747	-25.1%
Gross revenue	95,770	155,798	-38.5%	203,213	311,150	-34.7%
Quit rent, assessment and insurance	(3,838)	(3,778)	1.6%	(7,590)	(7,392)	2.7%
Other property operating expenses	(25,920)	(35,397)	-26.8%	(61,522)	(68,064)	-9.6%
Property operating expenses	(29,758)	(39,175)	-24.0%	(69,112)	(75,456)	-8.4%
Net property income	66,012	116,623	-43.4%	134,101	235,694	-43.1%
Interest income	2,145	1,702	26.0%	3,645	2,734	33.3%
Other income	27	59	-54.2%	57	150	-62.0%
Net investment income	68,184	118,384	-42.4%	137,803	238,578	-42.2%
Manager's fees	(8,845)	(9,793)	-9.7%	(17,281)	(19,621)	-11.9%
Trustee's fees	(192)	(170)	12.9%	(359)	(339)	5.9%
Other trust expenses	(1,457)	(734)	98.5%	(2,310)	(1,762)	31.1%
Finance costs	(24,194)	(30,485)	-20.6%	(49,959)	(60,830)	-17.9%
	(34,688)	(41,182)	-15.8%	(69,909)	(82,552)	-15.3%
Profit before tax	33,496	77,202	-56.6%	67,894	156,026	-56.5%
Income tax expense	-	-	N/A	-	-	N/A
Profit for the period	33,496	77,202	-56.6%	67,894	156,026	-56.5%
Profit for the period comprises the following:						
Realised						
- Unitholders	28,454	72,145	-60.6%	57,810	145,874	-60.4%
- Perpetual note holders	5,014	5,014	0.0%	10,027	10,027	0.0%
	33,468	77,159	-56.6%	67,837	155,901	-56.5%
Unrealised	28	43	-34.9%	57	125	-54.4%
	33,496	77,202	-56.6%	67,894	156,026	-56.5%
Basic earnings per unit attributable to unitholders (sen):						
Realised	0.91	2.45	-62.9%	1.91	4.95	-61.4%
Unrealised	-	-	N/A	-	-	N/A
	0.91	2.45	-62.9%	1.91	4.95	-61.4%
Distributable income per unit (sen) ¹	0.83	2.45	-66.1%	1.83	4.95	-63.0%
Proposed/declared distribution per unit (sen) ²	0.77	2.45	-68.6%	1.67	4.95	-66.3%

N/A - Not Applicable

¹ Represents realised income attributable to unitholders and distribution adjustments, if any.

² Please refer to Note A12 for details on income distribution.

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
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 FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2021 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Second Quarter ended			Cumulative Quarter ended		
	31.12.2020	31.12.2019	Change	31.12.2020	31.12.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	33,496	77,202	-56.6%	67,894	156,026	-56.5%
Other comprehensive income:						
Cash flow hedge - fair value of derivative ¹	20,007	6,098	> 100%	23,694	(4,710)	> 100%
Cash flow hedge reserve recycled to profit or loss ²	(18,711)	(5,198)	> 100%	(22,086)	4,184	> -100%
Total comprehensive income for the period	34,792	78,102	-55.5%	69,502	155,500	-55.3%

¹ Please refer to Note B15 for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Second Quarter ended			Cumulative Quarter ended		
	31.12.2020	31.12.2019	Change	31.12.2020	31.12.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income	88,055	149,453	-41.1%	193,663	298,403	-35.1%
Interest income	2,145	1,702	26.0%	3,645	2,734	33.3%
Other income ³	7,714	6,361	21.3%	9,550	12,772	-25.2%
	97,914	157,516	-37.8%	206,858	313,909	-34.1%
Less: Expenses	(64,446)	(80,357)	-19.8%	(139,021)	(158,008)	-12.0%
Realised income for the period	33,468	77,159	-56.6%	67,837	155,901	-56.5%
Less: Amount reserved for distribution to perpetual note holders	(5,014)	(5,014)	0.0%	(10,027)	(10,027)	0.0%
Realised income attributable to unitholders	28,454	72,145	-60.6%	57,810	145,874	-60.4%
Add: Previous period's undistributed realised income	2,850	555	> 100%	-	453	-100.0%
Total income available for distribution	31,304	72,700	-56.9%	57,810	146,327	-60.5%
Less: Proposed/declared income distribution to unitholders	(26,371)	(72,154)	-63.5%	(52,877)	(145,781)	-63.7%
Balance undistributed realised income ⁴	4,933	546	> 100%	4,933	546	> 100%
Distribution per unit (sen)	0.77	2.45	-68.6%	1.67	4.95	-66.3%

³ Included other operating income.

⁴ Arising from the distribution payout ratio of at least 90% (2Q2020: 100%) of distributable income.

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

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FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Current	Immediate	Change
	Quarter ended	Preceding Quarter ended	
	31.12.2020	30.09.2020	
	RM'000	RM'000	%
Rental and lease income	88,055	105,608	-16.6%
Other operating income	7,715	1,835	> 100%
Gross revenue	95,770	107,443	-10.9%
Quit rent, assessment and insurance	(3,838)	(3,752)	2.3%
Other property operating expenses	(25,920)	(35,602)	-27.2%
Property operating expenses	(29,758)	(39,354)	-24.4%
Net property income	66,012	68,089	-3.1%
Interest income	2,145	1,500	43.0%
Other income	27	30	-10.0%
Net investment income	68,184	69,619	-2.1%
Manager's fees	(8,845)	(8,436)	4.8%
Trustee's fees	(192)	(167)	15.0%
Other trust expenses	(1,457)	(853)	70.8%
Finance costs	(24,194)	(25,765)	-6.1%
	(34,688)	(35,221)	-1.5%
Profit before tax	33,496	34,398	-2.6%
Income tax expense	-	-	N/A
Profit for the period	33,496	34,398	-2.6%
Profit for the period comprises the following:			
Realised			
- Unitholders	28,454	29,356	-3.1%
- Perpetual note holders	5,014	5,013	0.0%
	33,468	34,369	-2.6%
Unrealised	28	29	-3.4%
	33,496	34,398	-2.6%
Basic earnings per unit attributable to unitholders (sen):			
Realised	0.91	1.00	-9.0%
Unrealised	-	-	N/A
	0.91	1.00	-9.0%
Distributable income per unit (sen) ¹	0.83	1.00	-17.0%
Proposed/declared distribution per unit (sen) ²	0.77	0.90	-14.4%

N/A - Not Applicable

¹ Represents realised income attributable to unitholders and distribution adjustments, if any.

² Please refer to Note A12 for details on income distribution.

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

	Current Quarter ended 31.12.2020	Immediate Preceding Quarter ended 30.09.2020	Change
	RM'000	RM'000	%
Profit for the period	33,496	34,398	-2.6%
Other comprehensive income:			
Cash flow hedge - fair value of derivative ¹	20,007	3,687	> 100%
Cash flow hedge reserve recycled to profit or loss ²	(18,711)	(3,375)	> 100%
Total comprehensive income for the period	34,792	34,710	0.2%

¹ Please refer to Note B15 for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended 31.12.2020	Immediate Preceding Quarter ended 30.09.2020	Change
	RM'000	RM'000	%
Rental and lease income	88,055	105,608	-16.6%
Interest income	2,145	1,500	43.0%
Other income ³	7,714	1,836	> 100%
	97,914	108,944	-10.1%
Less: Expenses	(64,446)	(74,575)	-13.6%
Realised income for the period	33,468	34,369	-2.6%
Less: Amount reserved for distribution to perpetual note holders	(5,014)	(5,013)	0.0%
Realised income attributable to unitholders	28,454	29,356	-3.1%
Add: Previous period's undistributed realised income	2,850	-	N/A
Total income available for distribution	31,304	29,356	6.6%
Less: Proposed/declared income distribution to unitholders	(26,371)	(26,506)	-0.5%
Balance undistributed realised income ⁴	4,933	2,850	73.1%
Distribution per unit (sen)	0.77	0.90	-14.4%

N/A - Not Applicable

³ Included in other income above is other operating income.

⁴ Arising from the distribution payout ratio of at least 90% of distributable 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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.12.2020 (Unaudited)	As At 30.06.2020 (Restated) ¹
	RM'000	RM'000
Assets		
Non-current assets		
Investment properties	8,544,431	8,020,233
Investment properties - accrued lease income	16,930	16,930
Plant and equipment	12,707	12,902
	8,574,068	8,050,065
Current assets		
Trade receivables	50,070	53,266
Other receivables	19,402	55,349
Derivatives	43,733	20,039
Short term investment	-	179,710
Cash and bank balances	444,502	101,816
	557,707	410,180
Total assets	9,131,775	8,460,245
Equity and liabilities		
Equity		
Unitholders' capital	3,433,952	2,727,829
Undistributed income	1,665,104	1,702,228
Total Unitholders' funds	5,099,056	4,430,057
Perpetual note holders' funds	339,717	339,717
Total equity	5,438,773	4,769,774
Non-current liabilities		
Borrowings	2,200,000	1,800,000
Long term liabilities	74,576	78,524
Deferred tax liability	13,941	13,941
	2,288,517	1,892,465
Current liabilities		
Borrowings	1,217,645	1,645,418
Trade payables	3,866	1,698
Other payables	182,974	150,890
	1,404,485	1,798,006
Total liabilities	3,693,002	3,690,471
Total equity and liabilities	9,131,775	8,460,245
Units in circulation ('000 units)	3,424,808	2,945,078
Net Asset Value ("NAV") attributable to unitholders:		
Before income distribution	5,099,056	4,430,057
After income distribution ²	5,072,685	4,359,964
NAV per unit attributable to unitholders (RM):		
Before income distribution	1.4889	1.5042
After income distribution ²	1.4812	1.4804

¹ Certain balances in the audited consolidated statement of financial position have been reclassified to conform to current financial period's presentation. Further details are disclosed in Note B19.

² Interim income distribution of 0.77 sen per unit for the period from 1 October 2020 to 31 December 2020 (30 June 2020: Final income distribution of 2.38 sen per unit for the period from 1 January 2020 to 30 June 2020).

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Undistributed Income	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 July 2020	2,727,829	1,702,228	4,430,057	339,717	4,769,774
Total comprehensive income					
Profit for the period	-	67,894	67,894	-	67,894
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	23,694	23,694	-	23,694
- Cash flow hedge reserve recycled to profit or loss	-	(22,086)	(22,086)	-	(22,086)
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	1,771,730	4,499,559	339,717	4,839,276
Unitholders' Transactions					
Creation of units pursuant to private placement ¹	710,000	-	710,000	-	710,000
Unit issuance expenses	(3,877)	-	(3,877)	-	(3,877)
Distribution to unitholders:					
- Income distribution declared and paid in current year	-	(26,506)	(26,506)	-	(26,506)
- Income distribution proposed in prior year but paid in current period	-	(70,093)	(70,093)	-	(70,093)
Increase in net assets resulting from unitholders' transactions	706,123	(96,599)	609,524	-	609,524
Perpetual Note Holders' Transactions					
Amount reserved for distribution to perpetual note holders	-	(10,027)	(10,027)	-	(10,027)
Decrease in net assets resulting from perpetual note holders' transactions	-	(10,027)	(10,027)	-	(10,027)
As at 31 December 2020 (Unaudited)	3,433,952	1,665,104	5,099,056	339,717	5,438,773

¹ Issuance of 479,729,700 new units at the issue price of RM1.48 per unit. Further details are disclosed in Notes A6 and A18b).

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

	Unitholders' Capital	Undistributed Income	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 July 2019	2,727,829	1,729,010	4,456,839	339,717	4,796,556
Total comprehensive income					
Profit for the financial year	-	208,207	208,207	-	208,207
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	9,184	9,184	-	9,184
- Cash flow hedge reserve recycled to profit or loss	-	(11,300)	(11,300)	-	(11,300)
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	1,935,101	4,662,930	339,717	5,002,647
Unitholders' Transactions					
Distribution to unitholders:					
- Income distribution declared and paid in current year	-	(145,781)	(145,781)	-	(145,781)
- Income distribution proposed in prior year but paid in current year	-	(67,148)	(67,148)	-	(67,148)
Decrease in net assets resulting from unitholders' transactions	-	(212,929)	(212,929)	-	(212,929)
Perpetual Note Holders' Transactions					
Amount reserved for distribution to perpetual note holders	-	(19,944)	(19,944)	-	(19,944)
Decrease in net assets resulting from perpetual note holders' transactions	-	(19,944)	(19,944)	-	(19,944)
As at 30 June 2020 (Audited)	2,727,829	1,702,228	4,430,057	339,717	4,769,774

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
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.12.2020	31.12.2019 (Restated) ¹
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	219,034	324,645
Refundable security deposits from customers	8,329	2,357
Cash paid for operating expenses	<u>(100,628)</u>	<u>(122,190)</u>
Net cash from operating activities	<u>126,735</u>	<u>204,812</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(956)	(1,511)
Balance payment for acquisition of an investment property	(405,000)	-
Incidental costs on acquisition of an investment property	(5,217)	-
Subsequent expenditure of investment properties	(58,060)	(31,783)
Investment in short term money market instrument	(600,000)	(450,000)
Redemption of short term money market instrument	780,000	350,000
Net cash flows to licensed financial institutions with maturity of over 3 months	-	(23,000)
Interest received	2,935	3,119
Net cash used in investing activities	<u>(286,298)</u>	<u>(153,175)</u>
Cash flows from financing activities		
Proceeds from issuance of commercial papers	150,000	560,000
Proceeds from issuance of unrated medium term notes	400,000	400,000
Repayment of commercial papers	(200,000)	(420,000)
Repayment of unrated medium term notes	(400,000)	(400,000)
Interest paid	(47,303)	(55,030)
Proceeds from issuance of new units	710,000	-
Payment of unit issuance expenses	(3,877)	-
Distribution paid to unitholders	(96,599)	(140,775)
Distribution paid to perpetual note holders	<u>(9,972)</u>	<u>(9,972)</u>
Net cash from/(used in) financing activities	<u>502,249</u>	<u>(65,777)</u>
Net increase/(decrease) in cash and cash equivalents	342,686	(14,140)
Cash and cash equivalents at beginning of year	<u>101,816</u>	<u>47,258</u>
Cash and cash equivalents at end of period	<u>444,502</u>	<u>33,118</u>
Cash and bank balances	444,502	76,118
Deposits with licensed financial institutions with maturity of over 3 months	<u>-</u>	<u>(43,000)</u>
Cash and cash equivalents	<u>444,502</u>	<u>33,118</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	129,502	26,118
Deposits placed with licensed financial institutions	<u>315,000</u>	<u>50,000</u>
Cash and bank balances	<u>444,502</u>	<u>76,118</u>

¹ Certain balances in the consolidated statement of cash flows have been reclassified to conform to current financial period's presentation. Further details are disclosed in Note B19.

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
SECOND QUARTER ENDED 31 DECEMBER 2020
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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 31 December 2020 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Main Market Listing Requirements of 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 2020 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 2020 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 2020, except for the adoption of the following amendments to MFRSs that are effective for annual periods beginning on or after 1 January 2020:

- *Amendments to References to the Conceptual Framework in MFRS Standards*
- *Amendments to MFRS 3 Definition of a Business*
- *Amendments to MFRS 101 and MFRS 108 Definition of Material*
- *Amendment to MFRS 16 Covid-19-Related Rent Concessions*
- *Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9*
- *Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform - Phase 2*

The adoption of the above amendments to MFRSs did 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 2020.

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 31 December 2020, except for material events as disclosed in Note A18.

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

During the quarter ended 31 December 2020, Sunway REIT has issued 479,729,700 new units pursuant to a private placement exercise at the issue price of RM1.48 per unit, representing a 2.8% discount to the 5-day volume-weighted average price of Sunway REIT units up to and including 9 October 2020 of RM1.5224. The new units were listed on the Main Market of Bursa Securities on 28 October 2020. The details of the private placement exercise are set out in Note A18b).

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

Sunway REIT's fund size increased from 2,945.1 million units to 3,424.8 million units with the issuance of new units as mentioned in Note A6.

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A8. Segmental Reporting

Segmental revenue and results for the second quarter ended 31 December 2020 and 31 December 2019 are as follows:

Business segments	Second Quarter ended 31.12.2020						Second Quarter ended 31.12.2019					
	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
Revenue and results												
Gross revenue	56,782	7,930	14,534	14,985	1,539	95,770	106,729	22,569	10,382	14,578	1,540	155,798
Net property income	33,904	6,606	8,978	14,985	1,539	66,012	74,015	21,031	5,459	14,578	1,540	116,623
Interest income						2,145						1,702
Other income						27						59
Trust and other expenses						(10,494)						(10,697)
Finance costs						(24,194)						(30,485)
Profit before tax						33,496						77,202
Income tax expense						-						-
Profit for the period						33,496						77,202

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A8. Segmental Reporting (Cont'd)

Segmental revenue and results for the cumulative quarter ended 31 December 2020 and 31 December 2019 are as follows:

Business segments	Cumulative Quarter ended 31.12.2020						Cumulative Quarter ended 31.12.2019					
	Retail	Hotel	Office	Services	Industrial & Others	Total	Retail	Hotel	Office	Services	Industrial & Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue and results												
Gross revenue	134,506	10,721	25,005	29,902	3,079	203,213	212,258	46,219	20,504	29,090	3,079	311,150
Net property income	78,061	7,829	15,230	29,902	3,079	134,101	149,324	43,063	11,138	29,090	3,079	235,694
Interest income						3,645						2,734
Other income						57						150
Trust and other expenses						(19,950)						(21,722)
Finance costs						(49,959)						(60,830)
Profit before tax						67,894						156,026
Income tax expense						-						-
Profit for the year						67,894						156,026

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A8. Segmental Reporting (Cont'd)

Segmental assets and liabilities as at 31 December 2020 and 30 June 2020 are as follows:

Business segments	As at 31.12.2020						As at 30.06.2020					
	Retail	Hotel	Office	Services	Industrial & Others	Total	Retail	Hotel	Office	Services	Industrial & Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets												
Segment assets	5,044,780	1,643,804	948,374	913,342	96,000	8,646,300	4,997,765	1,625,718	486,257	910,057	96,000	8,115,797
Unallocated assets						485,475						344,448
Total assets						9,131,775						8,460,245
Liabilities												
Segment liabilities	200,253	9,242	21,610	-	-	231,105	180,036	10,567	11,230	-	-	201,833
Unallocated liabilities						3,461,897						3,488,638
Total liabilities						3,693,002						3,690,471

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A8. Segmental Reporting (Cont'd)

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Second Quarter ended			Second Quarter ended			Cumulative Quarter ended			Cumulative Quarter ended		
	31.12.2020	31.12.2019	Change	31.12.2020	31.12.2019	Change	31.12.2020	31.12.2019	Change	31.12.2020	31.12.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	38,669	81,090	-52.3%	24,060	60,074	-59.9%	99,355	161,518	-38.5%	60,775	121,275	-49.9%
Sunway Carnival Shopping Mall	9,699	11,894	-18.5%	5,993	7,048	-15.0%	17,502	23,584	-25.8%	9,743	14,339	-32.1%
SunCity Ipoh Hypermarket	769	1,100	-30.1%	725	996	-27.2%	1,411	2,200	-35.9%	1,355	2,021	-33.0%
Sunway Putra Mall	7,645	12,645	-39.5%	3,126	5,897	-47.0%	16,238	24,956	-34.9%	6,188	11,689	-47.1%
	56,782	106,729	-46.8%	33,904	74,015	-54.2%	134,506	212,258	-36.6%	78,061	149,324	-47.7%
Hotel												
Sunway Resort Hotel ¹	112	7,727	-98.6%	(279)	7,311	> -100%	323	14,832	-97.8%	(468)	13,997	> -100%
Sunway Pyramid Hotel	178	4,214	-95.8%	22	4,040	-99.5%	502	8,945	-94.4%	168	8,603	-98.0%
Sunway Hotel Seberang Jaya	40	670	-94.0%	(5)	639	> -100%	92	1,316	-93.0%	-	1,240	-100.0%
Sunway Putra Hotel	497	3,208	-84.5%	164	2,876	-94.3%	1,274	6,620	-80.8%	608	6,025	-89.9%
Sunway Hotel Georgetown	134	1,038	-87.1%	86	991	-91.3%	367	2,214	-83.4%	270	2,117	-87.2%
Sunway Clio Property	6,969	5,712	22.0%	6,618	5,174	27.9%	8,163	12,292	-33.6%	7,251	11,081	-34.6%
	7,930	22,569	-64.9%	6,606	21,031	-68.6%	10,721	46,219	-76.8%	7,829	43,063	-81.8%
Office												
Menara Sunway	4,522	4,552	-0.7%	3,051	2,992	2.0%	8,994	9,045	-0.6%	6,187	5,997	3.2%
Sunway Tower	1,151	1,023	12.5%	68	(239)	> 100%	2,381	1,945	22.4%	321	(361)	> 100%
Sunway Putra Tower	3,022	3,110	-2.8%	1,839	1,802	2.1%	6,048	6,193	-2.3%	3,770	3,780	-0.3%
Wisma Sunway	1,749	1,697	3.1%	948	904	4.9%	3,492	3,321	5.1%	1,880	1,722	9.2%
The Pinnacle Sunway ²	4,090	N/A	N/A	3,072	N/A	N/A	4,090	N/A	N/A	3,072	N/A	N/A
	14,534	10,382	40.0%	8,978	5,459	64.5%	25,005	20,504	22.0%	15,230	11,138	36.7%
Services												
Sunway Medical Centre (Tower A & B)	6,170	5,962	3.5%	6,170	5,962	3.5%	12,340	11,923	3.5%	12,340	11,923	3.5%
Sunway university & college campus	8,815	8,616	2.3%	8,815	8,616	2.3%	17,562	17,167	2.3%	17,562	17,167	2.3%
	14,985	14,578	2.8%	14,985	14,578	2.8%	29,902	29,090	2.8%	29,902	29,090	2.8%
Industrial & Others												
Sunway REIT Industrial - Shah Alam 1	1,539	1,540	-0.1%	1,539	1,540	-0.1%	3,079	3,079	0.0%	3,079	3,079	0.0%
	1,539	1,540	-0.1%	1,539	1,540	-0.1%	3,079	3,079	0.0%	3,079	3,079	0.0%
TOTAL PORTFOLIO	95,770	155,798	-38.5%	66,012	116,623	-43.4%	203,213	311,150	-34.7%	134,101	235,694	-43.1%

N/A - Not Applicable

¹ Closed for phased refurbishment commencing from July 2020 for 12 - 24 months.

² Acquired on 20 November 2020.

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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 Quarter Results

Retail segment

The footfall and sales recovery in 2Q2021 was hindered by the implementation of the Conditional MCO (CMCO) in Kuala Lumpur and Selangor. Gross revenue for current quarter was at RM56.8 million, dropped by 46.8% or RM49.9 million compared to the preceding year corresponding quarter (2Q2020), largely due to the ongoing rental support programme provided on a case-to-case basis to assist affected tenants, lower turnover rent and car park income.

The lower revenue was partially mitigated by lower property operating expenses by RM9.8 million mainly from lower property management fee and reimbursements, utilities and marketing expenses.

Correspondingly, net property income of the retail segment for 2Q2021 was RM33.9 million, lower by 54.2% or RM40.1 million.

Hotel segment

Despite the challenging market condition for the hospitality sector, our hotels remained open during the quarter with exception to Sunway Resort Hotel which took the opportunity of the lull period for phased refurbishment commencing from July 2020 for 12 - 24 months. The hotel segment recorded gross revenue of RM7.9 million for 2Q2021, a decrease of 64.9% or RM14.6 million from 2Q2020 resulting from the closure of Sunway Resort Hotel and cautious sentiment with the increasing COVID-19 cases. The contribution in current quarter was largely from the guaranteed income accrued for Sunway Clio Property.

Net property income of the hotel segment for 2Q2021 correspondingly reported a drop of 68.6% or RM14.4 million as compared to 2Q2020.

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 revenue represents the hotel lease income.

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

Office segment

Sunway REIT completed the acquisition of The Pinnacle Sunway on 20 November 2020. The office segment registered gross revenue of RM14.5 million for 2Q2021, jumped by 40.0% or RM4.2 million compared to 2Q2020, contributed by revenue from The Pinnacle Sunway of RM4.1 million and largely stable average occupancy rate.

Similarly, property operating expenses for 2Q2021 increased by RM0.6 million due to the property operating expenses for The Pinnacle Sunway of RM1.0 million.

Net property income of the office segment for 2Q2021 was RM9.0 million, higher by 64.5% or RM3.5 million compared to 2Q2020.

A8. Segmental Reporting (Cont'd)

a) Review of Current Quarter Results (Cont'd)

Services segment

The services segment contributed gross revenue and net property income of RM14.9 million for 2Q2021, an increase of 2.8% or RM0.4 million compared to 2Q2020, due to annual rental reversion of Sunway Medical Centre and Sunway university & college campus in accordance with the master lease agreements.

Industrial & Others segment

Contribution from Sunway REIT Industrial - Shah Alam 1 was stable at RM1.5 million per quarter, since the last rent review in January 2019 in accordance with the master lease agreement. The next rent review is in January 2022.

Note: Further details on the master leases of the above properties can be found in pages 16 and 17 of Sunway REIT Integrated Report 2020.

Results for the quarter

Interest income for 2Q2021 was higher by RM0.4 million, contributed by higher deposits with financial institutions during the quarter with the proceeds from the private placement exercise.

Manager's fees for 2Q2021 was lower by RM0.9 million, following the drop in net property income for the quarter. The fee structure of the Manager is disclosed in Note B8.

Other trust expenses for 2Q2021 increased by RM0.7 million due to professional fees incurred for the acquisition of The Pinnacle Sunway and one-off authority consent fee for borrowing facilities.

Finance costs for 2Q2021 was lower by RM6.3 million due to the lower average interest rate for the quarter, despite higher principal loan amount.

Profit for the quarter mainly comprise of realised profit of RM33.5 million (2Q2020: RM77.2 million). Realised profit for 2Q2021 was lower by RM43.7 million in line with lower net property income of RM50.6 million, partially mitigated by lower finance costs and Manager's fees as explained above.

b) Review of Cumulative Quarter Results

Retail segment

The retail segment shown encouraging recovery in 1Q2021 following the easing of movement restrictions coupled with few festive celebrations before retracted in 2Q2021 with the re-introduction of CMCO on 14 October 2020. The retail segment recorded gross revenue of RM134.5 million for the cumulative period ended 31 December 2020 (YTD 2Q2021), a decrease of 36.6% or RM77.8 million compared to YTD 2Q2020, mainly due to reasons as mentioned in Note A8a) above.

Property operating expenses of the retail segment for YTD 2Q2021 was RM56.4 million, lower by 10.3% or RM6.5 million compared to YTD 2Q2020, mainly due to reasons as mentioned in Note A8a) above, partially offset by higher provision for doubtful debts in 1Q2021.

Net property income of the retail segment for YTD 2Q2021 was RM78.1 million, a decrease of 47.7% or RM71.3 million compared to YTD 2Q2020.

Hotel segment

The hotel segment recorded gross revenue of RM10.7 million for YTD 2Q2021, a decrease of 76.8% or RM35.5 million, due the same reasons as stated in Note A8a) above. Revenue was largely supported by the base rent for some of the hotel master leases and guaranteed income accrued for Sunway Clio Property.

Net property income of the hotel segment for YTD 2Q2021 was at RM7.8 million, lower by 81.8% or RM35.2 million.

A8. Segmental Reporting (Cont'd)

b) Review of Cumulative Quarter Results (Cont'd)

Office segment

The office segment recorded gross revenue of RM25.0 million for YTD 2Q2021, an increase of 22.0% or RM4.5 million compared to YTD 2Q2020, due to new contribution from The Pinnacle Sunway in 2Q2021.

Property operating expenses of the office segment for YTD 2Q2021 was RM9.8 million, higher by 4.4% or RM0.4 million compared to YTD 2Q2020, due the expenses of The Pinnacle Sunway which was partially covered by the lower property management expenses of the other offices.

Correspondingly, net property income of the office segment for YTD 2Q2021 stood at RM15.2 million, higher by 36.7% or RM4.1 million.

Services segment

Revenue and net property income in services segment stood at RM29.9 million, increased by 2.8% or RM0.8 million due to the annual rental reversion in accordance with the master lease agreements.

Industrial & Others segment

Sunway REIT Industrial - Shah Alam 1 contributed RM3.1 million to revenue and net property income for YTD2Q2021 and YTD2Q2020, in accordance with the master lease agreement.

Results for the period

Interest income for YTD 2Q2021 increased by RM0.9 million from the higher short term investment and deposits with financial institutions.

Manager's fees for YTD 2Q2021 was lower by RM2.3 million, following lower net property income for the period.

Other trust expenses for YTD 2Q2021 was higher by RM0.5 million due to the one-off expenses in 2Q2021 as mentioned in Note A8a).

Finance costs for YTD 2Q2021 shrunk by RM10.9 million as a result of lower average interest rate for the period, from floating rate borrowings and refinancing of borrowings at lower market rate.

Profit for the period was RM67.9 million (YTD 2Q2020: RM156.0 million) mainly comprised of realised profit of RM67.8 million (YTD 2Q2020: RM155.9 million).

Realised profit for YTD 2Q2021 was lower by RM88.1 million primarily due to lower net property income of RM101.6 million, partially cushioned by lower finance costs and Manager's fees as explained above.

A9. Seasonality of Operations

The quarterly results were not materially affected by seasonal or cyclical factors.

A10. Profit Before Tax

Included in the profit before tax are the following items:

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Interest income	(2,145)	(1,702)	(3,645)	(2,734)
Net changes in fair value of long term liabilities	(28)	(43)	(57)	(125)
Unrealised foreign exchange loss/(gain) (hedged item)	18,711	5,198	22,086	(4,184)
Cash flow hedge reserve recycled to profit or loss (Reversal)/Allowance of impairment on trade receivables	(18,711)	(5,198)	(22,086)	4,184
	(3,442)	339	6,687	470

A10. Profit Before Tax (Cont'd)

Included in the profit before tax are the following items: (Cont'd)

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Depreciation of plant and equipment	569	623	1,191	1,193
Loss on disposal of plant and equipment	16	-	15	-

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.

Sunway REIT will not incur any tax expense in the current financial year as it will distribute at least 90% of its distributable income which translates to more than 90% of its total taxable income.

Taxation of the Unitholders

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

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

In accordance to the Deed, the Manager will make regular distributions of all (or such lower percentage as determined by the Manager) of the distributable income of Sunway REIT.

The Manager intends to distribute at least 90% of the distributable income to the unitholders of Sunway REIT in each financial year on a semi-annual basis, for each six-month period ending 30 June and 31 December, unless varied by the Manager.

Distribution reinvestment scheme of Sunway REIT was established following the approval of the unitholders at the Eighth Annual General Meeting on 2 October 2020. The Manager may, at its absolute discretion, determine whether to pay a particular income distribution declared in cash or to offer the unitholders of Sunway REIT the option to reinvest all or part of their cash income distribution in new units of Sunway REIT.

For the financial period ended 31 December 2020, the proposed income distributions were as follows:

- (i) For the period from 1 July 2020 to 30 September 2020, interim income distribution amounting to RM26.5 million or 0.90 sen per unit paid in cash on 10 November 2020. This was an advance income distribution to the existing unitholders of Sunway REIT prior to the issuance of new units pursuant to the private placement exercise as disclosed in Note A18b).
- (ii) For the period from 1 October 2020 to 31 December 2020, interim income distribution amounting to RM26.4 million or 0.77 sen per unit comprising taxable and non-taxable/tax-exempt amount of 0.39 sen per unit and 0.38 sen per unit respectively, payable in cash on 11 March 2021.

Future income distributions of Sunway REIT shall be based on distributable income for the semi-annual period ending 30 June and 31 December respectively.

A13. Investment Properties

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
Investment properties	8,402,644	7,916,070
Investment property under construction	141,787	104,163
Investment property - accrued lease income	16,930	16,930
Total property value	<u>8,561,361</u>	<u>8,037,163</u>

During the current quarter, Sunway REIT acquired an investment property namely The Pinnacle Sunway for a purchase consideration of RM450,000,000, which was financed through proceeds from the private placement exercise. Further details are disclosed in Note A18b).

Our flagship hotel, Sunway Resort Hotel, is currently undergoing a phased refurbishment for 12 – 24 months from July 2020 to modernise its offerings with technology-enhanced features and family-friendly amenities, with the property development costs incurred to-date of RM20.8 million being capitalised as investment properties.

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 RM124.6 million. Piling works were completed and the other structural works are on-going to be completed by end of 2021.

Included in the investment properties was the adjustment for accrued lease income in relation to the 30-year non-cancellable lease agreements for Sunway university & college campus, commencing on 15 April 2019 and expiring on 30 November 2048, with in-built incremental lease rental of 2.3% every year. The lease income has been recognised on a straight-line based over the lease period of 30 years pursuant to MFRS 16 Leases, with a total accrued lease income of RM16.9 million as at 31 December 2020.

A14. Valuation of Investment Properties

Investment properties are valued by independent registered valuers, Knight Frank Malaysia Sdn Bhd, Savills (Malaysia) Sdn Bhd and First Pacific Valuers Property Consultants 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

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
Third parties	62,779	55,505
Amount due from parties related to the Manager	-	3,808
	<u>62,779</u>	<u>59,313</u>
Less: Allowance for impairment	(12,709)	(6,047)
Total trade receivables	<u>50,070</u>	<u>53,266</u>

Trade receivables, before allowance for impairment, has increased by RM3.5 million as at 31 December 2020 due to longer collection period, especially from the retail segment in view of the flexible rent repayment scheme to eligible tenants. The trade receivables is expected to be collected over time with the recovery of the tenants' sales performance.

A15. Trade Receivables (Cont'd)

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

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
Neither past due nor impaired	2,898	9,696
Past due but not impaired		
1 to 30 days	8,534	15,482
31 to 60 days	11,367	15,328
61 to 90 days	7,745	6,177
91 to 120 days	6,531	513
More than 120 days	12,995	6,070
	47,172	43,570
Impaired	12,709	6,047
	62,779	59,313

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:

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
At beginning of financial year	6,047	2,692
Charge for the period/year	6,687	3,370
Written off	(25)	(15)
At end of financial period/year	12,709	6,047

A16. Borrowings and Debt Securities

	As at 31.12.2020 RM'000	As at 31.12.2019 (Restated) RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial paper	-	140,000
- Revolving loan (USD)	418,027	387,099
- Unrated medium term notes	800,000	1,200,000
	1,218,027	1,727,099
Less: Discount on commercial paper	-	(293)
Less: Unamortised transaction costs	(382)	(454)
Total short term borrowings	1,217,645	1,726,352
<u>Long term borrowings</u>		
Secured - Unrated medium term notes	600,000	-
Unsecured - Revolving loan (RM)	1,600,000	1,500,000
Total long term borrowings	2,200,000	1,500,000
Total borrowings	3,417,645	3,226,352

Other than the revolving loan (USD) which is denominated in Australian Dollar ("AUD"), all the other borrowings of Sunway REIT is denominated in Ringgit Malaysia ("RM").

The revolving loan (USD) was drawn in AUD135.0 million and has been fully hedged with a 9-month AUD-MYR cross currency swap ("CCS") contract at MYR notional value of RM373.7 million until February 2021 (31 December 2019: 1-year AUD-MYR CCS at MYR notional value of RM392.3 million until May 2020) to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period.

A16. Borrowings and Debt Securities (Cont'd)

The revolving loan (USD) (drawn in AUD135.0 million) was translated at an exchange rate of 3.0965 on 31 December 2020 (31 December 2019: 2.8674) with cumulative unrealised foreign exchange loss of RM44.3 million (31 December 2019: gain of RM5.2 million) since the drawdown.

The unamortised transaction costs of RM0.4 million as at 31 December 2020 relates to upfront expenses incurred for establishment of the 7-year CP Programme of up to RM3.0 billion commencing from April 2019.

The revolving loan (RM) has been reclassified to long term borrowings based on the tenor / repayment term of 7 years due in March 2026. The comparative has been reclassified to conform to current financial period's presentation. Further details are disclosed in Note B19.

Total borrowings stood at RM3.4 billion as at 31 December 2020, increased by RM0.2 billion compared to 31 December 2019, mainly from the issuance of RM200.0 million unrated medium term notes for planned capital expenditure.

The weighted average interest rate of borrowings as at 31 December 2020 was 2.96% (31 December 2019: 3.85%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 44 : 56 (31 December 2019: 43 : 57).

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.

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
At 31 December 2020				
<u>Financial assets</u>				
Investment properties	-	-	7,933,000	7,933,000
Derivatives	-	43,733	-	43,733
At 31 December 2019				
<u>Financial asset</u>				
Investment properties	-	-	7,981,500	7,981,500
<u>Financial liability</u>				
Derivatives	-	(5,843)	-	

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

a) COVID-19 Pandemic and Malaysia Movement Control Order

On 11 March 2020, World Health Organisation declared COVID-19 outbreak as a pandemic. The Movement Control Order, commonly referred to as the "MCO", is implemented as a preventive measure by the Government of Malaysia in response to the COVID-19 pandemic in the country since 18 March 2020. Sunway REIT continued to be affected by the different phases of MCO, albeit in varying degrees.

i) Impact on financials

Rental income from malls and hotels has been adversely impacted since the implementation of the MCO, while the impact on Sunway REIT's rental income from office, services and industrial properties has not been material. The impact on financials for the current quarter and cumulative quarter are discussed in Note A8a) above.

ii) Impact on liquidity

The Manager has taken pre-emptive measures to increase the liquidity position of Sunway REIT, both for ongoing business needs as well as for the purposes of averting any liquidity crunch in the credit market that could potentially arise. As at 31 December 2020, Sunway REIT has cash and short term investments amounting to RM444 million, largely for the on-going expansion of Sunway Carnival Shopping Mall and the phased refurbishment of Sunway Resort Hotel.

On 12 August 2020, the SC announced that it will temporarily increase the gearing limit for Malaysian real estate investment trusts from 50.0% to 60.0%, effective immediately until 31 December 2022. This temporary increase in gearing limit provides Sunway REIT with cash flow flexibility in light of the challenging operating environment during the COVID-19 pandemic.

iii) Impact on occupancies

Average occupancy rate of the retail segment remained relatively stable at 95% for YTD 2Q2021, while office segment has registered higher average occupancy rate of 85% for YTD 2Q2021 compared to 77% for YTD 2Q2020 with the inclusion of The Pinnacle Sunway.

Excluding Sunway Resort Hotel which was closed for phased refurbishment commencing from July 2020, the hotel segment registered average occupancy rate of 31% for YTD 2Q2021, a drop of 46% compared to 77% for YTD 2Q2020. With international travel restriction remains prevalent and restricted group meeting capacity, hotel pick-up pace remains challenging in the coming months.

Services and industrial and other segments remain relatively stable in terms of occupancy rate.

iv) Strategies and steps taken

The Manager has provided rental rebates and/or rental deferment on a case-to-case basis to eligible lessees'/tenants' ("Rental Support"), in efforts to mitigate the adverse impact of the current COVID-19 on the lessees'/tenants' business operations. The Manager believes that by providing the Rental Support, this will further strengthen its relationship with the lessees/tenants and enable it to maintain a higher retention rate for the properties of Sunway REIT, defending occupancy rate in the near term and paving the way for recovery in the medium term. The Manager has also provided other tenant support measures such as flexible operating hours, promotional space and marketing support such as online order and collection drive-through stations.

The Manager has also put in place strict standard operating procedures such as installing thermal scanners, sanitising stations, frequent fogging disinfection at public areas and maintaining social distancing protocols for all the properties of Sunway REIT, particularly in Sunway REIT's retail properties as they are necessary to build retail confidence.

A18. Material Events (Cont'd)

a) COVID-19 Pandemic and Malaysia Movement Control Order (Cont'd)

From the liquidity management aspect, the Manager has implemented certain cost containment initiatives such as reducing, cancelling and/or deferring non-essential operational and capital spending during the MCO, CMCO and RMCO period to preserve its cash flow and liquidity in view of the Rental Support granted to eligible lessees/tenants and slower collection pace. The Manager has also incorporated pre-emptive measures to conserve cash such as varying income distribution frequency from quarterly to semi-annual basis, adjustment in income distribution payout ratio and establishment of a distribution reinvestment scheme to provide flexibility to unitholders to receive future income distribution in cash, units or a combination of both.

With the completion of the private placement exercise raising gross proceeds of approximately RM710.0 million to fund the acquisition of The Pinnacle Sunway and the expansion of Sunway Carnival Shopping Mall, Sunway REIT's capital base is strengthened. Further details on the private placement are disclosed in Note A18b) below.

b) Multiple Corporate Proposals

I – Proposed acquisition of The Pinnacle Sunway for a cash consideration of RM450.0 million

II – Proposed private placement to raise gross proceeds of up to RM710.0 million

III - Proposed establishment of a distribution reinvestment scheme

On 29 June 2020, RHB Investment Bank Berhad announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd ("Board"), being the manager for Sunway REIT ("Manager"), that RHB Trustees Berhad, as the trustee of Sunway REIT ("Trustee"), entered into a conditional sale and purchase agreement ("SPA") with Sunway Integrated Properties Sdn. Bhd. and Sunway Pinnacle Sdn. Bhd. (collectively, the "Vendors"), both of which are wholly-owned indirect subsidiaries of Sunway Berhad, for the acquisition of The Pinnacle Sunway for a cash consideration of RM450.0 million ("Proposed Acquisition").

Further, RHB Investment Bank also wishes to announce that the Trustee, on the recommendation of the Manager, is proposing to undertake the following transactions:

- (i) a proposed private placement to raise gross proceeds of up to RM710.0 million at an issue price to be determined later by the Board which is to be undertaken under a new general mandate for the allotment and issuance of new units in Sunway REIT to be sought at the forthcoming annual general meeting of Sunway REIT ("New Mandate") ("Proposed Private Placement"); and
- (ii) the proposed establishment of a distribution reinvestment scheme that provides the unitholders of Sunway REIT with an option to elect to reinvest, in whole or in part, their cash income distribution in new units in Sunway REIT ("Proposed DRS").

The Proposed Acquisition, Proposed Private Placement and Proposed DRS are collectively referred to as the "Proposals".

The Board had subsequently elected to table a specific resolution for the Proposed Private Placement at the unitholders' meeting on 2 October 2020, instead of undertaking the Proposed Private Placement under a general mandate. Hence, the Vendors and the Trustee, on behalf of Sunway REIT, had entered into a supplemental letter dated 11 September 2020 to remove reference to the New Mandate being obtained in the relevant condition precedent in the SPA.

The Proposed Acquisition is conditional upon the completion of the Proposed Private Placement.

On 12 October 2020, following the bookbuilding process, the Board fixed the issue price at RM1.48 per unit. The Proposed Private Placement has been completed following the listing and quotation of 479,729,700 new units on the Main Market of Bursa Securities on 28 October 2020, raising gross proceeds of approximately RM710.0 million. Accordingly, the SPA has become unconditional on even date.

The Proposed Acquisition was completed on 20 November 2020 following the payment of the balance purchase consideration with the proceeds from the private placement.

A18. Material Events (Cont'd)**b) Multiple Corporate Proposals (Cont'd)****I – Proposed acquisition of The Pinnacle Sunway for a cash consideration of RM450.0 million****II – Proposed private placement to raise gross proceeds of up to RM710.0 million****III - Proposed establishment of a distribution reinvestment scheme**

As at 31 December 2020, the status of utilisation of the gross proceeds from the private placement was as follows:

Proposed utilisation	Proposed amount for utilisation	Actual utilisation	Balance unutilised	Estimated timeframe for utilisation upon listing on 28 October 2020
	RM'million	RM'million	RM'million	
Settlement of balance purchase consideration of The Pinnacle Sunway	405.0	405.0	-	Immediately
Capital expenditure for expansion of Sunway Carnival Shopping Mall	295.4	110.0	185.4	Within 36 months
Defray estimated expenses for the Proposals	9.6	9.6	-	Immediately
	710.0	524.6	185.4	

A19. Material Event Subsequent to the end of the Current Quarter

There was no material event subsequent to the quarter ended 31 December 2020.

A20. Capital Commitments

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

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
Approved and contracted for	564,238	329,682
Approved but not contracted for	153,801	304,114
	718,039	633,796

The capital commitment mainly relates to the on-going works for the expansion of Sunway Carnival Shopping Mall and the phased refurbishment of Sunway Resort Hotel.

A21. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 December 2020.

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 31 December 2020 and 31 December 2019:

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(18,022)	(35,521)	(37,754)	(73,036)
- Purchases	55,785	28,128	86,777	54,988
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(331)	(191)	(475)	(268)
- Purchases	23	165	56	341
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Net (redemption)/investment in money market	(100,000)	-	(180,000)	100,000

The following table provides information on the balances with the parties related to the Manager as at 31 December 2020 and 30 June 2020:

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	3,204	6,046
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	4,147	6,800

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 RM524.2 million pursuant to the completion of the acquisition of The Pinnacle Sunway on 20 November 2020 and on-going capital expenditure mainly for the expansion of Sunway Carnival Shopping Mall and the refurbishment of Sunway Resort Hotel.

Investment properties - accrued lease income is explained in Note A13.

The increase in trade receivables is explained in Note A15.

Other receivables was lower by RM35.9 million primarily due to reclassification of deposit for The Pinnacle Sunway of RM45.0 million as investment properties upon completion of the acquisition.

Derivatives of RM43.7 million was in relation to AUD-MYR CCS contract for the USD95.5 million revolving loan (drawn in AUD135.0 million). Further details and movement of the derivatives are explained in Notes A16 and B15.

B1. Review of Performance (Cont'd)

b) Statement of Financial Position (Cont'd)

The increase in cash and bank balances by RM342.7 million was mainly the balance proceeds from the private placement exercise. Status of utilisation of the gross proceeds is disclosed in Note A18b) above.

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 of RM0.3 million.

Borrowings decreased by RM27.8 million due to redemption of commercial papers of RM50.0 million, partially offset by foreign currency translation loss for AUD135.0 million (AUD/RM rate as at 31 December 2020: 3.0965 and 30 June 2020: 2.9329).

Other payables increased by RM34.4 million mainly due to accrued loan interest and accrued rent rebate.

Total net asset value as at 31 December 2020 was RM5,438.8 million, comprise of unitholders' funds of RM5,099.1 million and perpetual note holders' funds of RM339.7 million. Unitholders' funds increased by RM667.0 million with the issuance of new units pursuant to private placement exercise raising net proceeds of RM706.1 million and total comprehensive income for the financial period of RM69.5 million, partially reduced by distribution to unitholders of RM96.6 million and amount reserved for distribution to perpetual note holders of RM10.0 million. There was no movement in the perpetual note holders' funds during the financial period.

Net asset value per unit, after income distribution, remained stable at RM1.48 as at 31 December 2020 and 30 June 2020.

c) Statement of Cash Flows

Net cash from operating activities for YTD 2Q2021 of RM126.7 million was lower by RM78.1 million compared to YTD 2Q2020 mainly attributable to lower collection from hotel lessees and tenants of RM105.6 million, partially offset by higher refundable deposits of RM6.0 million mainly from The Pinnacle Sunway and lower cash paid for operating expenses of RM21.5 million.

Net cash used in investing activities for YTD 2Q2021 of RM286.3 million was mainly for the acquisition of The Pinnacle Sunway, progress payments for refurbishment works at Sunway Resort Hotel and expansion works at Sunway Carnival Shopping Mall, partially offset by net redemption of investment in money market instrument.

Net cash from financing activities for YTD 2Q2021 of RM502.2 million was attributable to gross proceeds from private placement of RM710.0 million, reduced by the redemption of commercial papers of RM50.0 million, income distribution paid to unitholders of RM96.6 million and interest paid of RM47.3 million.

Cash and bank balances as at 31 December 2020 and 31 December 2019 stood at RM444.5 million and RM76.1 million respectively. The higher balance of RM368.4 million was contributed by balance fund from borrowings for planned capital expenditure and proceeds received from private placement exercise in October 2020.

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 RM45.2 million for 2Q2021 and RM69.6 million for YTD 2Q2021, mainly for ongoing works for the expansion of Sunway Carnival Shopping Mall and the phased refurbishment for Sunway Resort Hotel, details as disclosed in Note A13.

B3. Material Changes in Quarterly Results

	Current Quarter ended 31.12.2020 RM'000	Immediate Preceding Quarter ended 30.09.2020 RM'000	Change %
Realised profit	33,468	34,369	-2.6%
Unrealised profit	28	29	-3.4%
Profit for the quarter	33,496	34,398	-2.6%

Realised profit for 2Q2021 was marginally lower by RM0.9 million compared to the immediate preceding quarter (1Q2021), mainly due to the impact on retail and hotel segments following the re-implementation of CMCO on 14 October 2020, which was partially cushioned by the guaranteed income accrued in the current quarter for Sunway Clio Property and the new income contribution from The Pinnacle Sunway acquired on 20 November 2020.

B4. Commentary on Prospects

The unprecedented Covid-19 pandemic has accelerated profound shifts on how global economy operates in CY2020. Following the devastating health and economic crisis in CY2020, the International Monetary Funds estimated a -3.5% growth (previous forecast: -4.4%) to the global economy in CY2020 due to stronger-than-expected momentum in 2H CY2020.

The tumult of CY2020 will eventually be behind us following the discovery of vaccine and passing of U.S. election uncertainty. With less restrictive movement orders around the world, the global economy is emerging from one of its deepest recessions into a recovery phase. The global economy is projected to rebound to 5.5% (previous forecast: 5.2%) in CY2021 on expectations of vaccine rollout and additional policy support in few large economies.

Downside risks to global growth include the possibility of COVID-19 resurgence, delays in vaccine procurement and distribution, potential output disruption caused by the pandemic, and financial stress as a result of high debt levels.

The resurgence of Covid-19 cases in Malaysia since September 2020 has led to the re-imposition of conditional movement order (CMCO) in selected states since 14 October 2020. The introduction of targeted restrictive measures continued to derail the recovery of the economy. Against this backdrop, the government projected the gross domestic product (GDP) to contract by 4.5% in CY2020.

In line with the anticipated global recovery, Malaysia's economy is expected to rebound to between 6.5% and 7.5% in CY2021, supported by accommodative monetary policy, expansionary fiscal stimulus, improvement in international trade, and roll-out of mass vaccination programme. In addition, the impact of the various stimulus packages implemented by the government is expected to have positive spillover effects and provide an additional boost to the economy.

Headline inflation declined by 1.4% year-on-year (y-o-y) in December 2020, attributed to the decline in transport, electricity, gas, and fuels. Consumer price index (CPI) for CY2020 decreased by 1.2% y-o-y. The deflationary trend is likely to reverse in CY2021, primarily due to higher global oil and commodity prices. Bank Negara Malaysia (BNM) has projected that headline inflation will remain at a benign level of 2.5% in CY2021.

On 20 January 2021, the Monetary Policy Committee (MPC) of BNM maintained the Overnight Policy Rate (OPR) at 1.75%. While maintaining an accommodative monetary policy, the MPC continues to monitor the development of the pandemic and remains committed to utilising its policy levers to create enabling environment for a sustainable economic recovery.

Following the reinstatement of movement control order (MCO) in January 2021 on the back of resurgence of COVID-19 transmission, the retail and hotel segments are anticipated to remain challenging in 3Q FP2021.

B4. Commentary on Prospects (Cont'd)

The outlook for Sunway REIT in FP2021 remains challenging with uncertainties surrounding the roll-out of vaccine in 1H CY2021 and success in containing the transmission of the virus, failing which, prolonged restrictive movements are expected to delay the recovery for Sunway REIT.

That said, Sunway REIT's earnings are cushioned by its diversified asset portfolio which is further strengthened by the expected new income contribution from The Pinnacle Sunway acquisition that was completed in November 2020.

The Manager continues to maintain an income distribution payout of at least 90% in FP2021 in line with the cautious stance as mentioned above. Notwithstanding that, Sunway REIT's robust balance sheet is in a good position to capitalise on potential mergers and acquisitions opportunities to grow its income base over the medium term horizon.

Review of retail market

The Retail Group Malaysia (RGM), reported that retail sales have declined by 9.7% y-o-y in 3Q CY2020 due to strict social distancing measures which has inhibited retailers from operating at full capacity coupled with cautious consumers' behaviours amidst the pandemic. Retail sales for 9M CY2020 slipped 18.4% y-o-y. RGM forecasted the retail sales to contract by 17.6% in CY2020 followed by a modest recovery of 4.9%, stating that the path to recovery remains challenging.

Malaysian Institute of Economic Research (MIER)'s Consumer Sentiment Index (CSI) inched marginally higher to 91.5 in 3Q CY2020 (2Q CY2020 CSI: 90.1) but remained below the optimism threshold. The results of the survey have suggested that financial and job outlook remain steady, however, consumers maintain a prudence stance in planning their consumption.

On the supply side, the cumulative retail space in Klang Valley has increased by approximately 850,000 sq.ft. in 2H CY2020 to 62.44 million sq.ft. The supply is expected to increase by an additional 1.93 million sq.ft. by 1H CY2021 with 7 retail malls / supporting retail components coming onstream.

Despite the challenging operating landscape, leading retail malls have demonstrated high level of resiliency in managing attrition rates. During the year, the consolidation of tenants has been refreshed with new retailers, comprising of domestic and international brands. This has contributed to the stability in occupancy rates amongst these leading retail malls.

Retail mall owners and retailers are seen to accelerate the adaptation of digital strategies and continue to explore innovative retail concepts in order to continue engaging with consumers in the absence of physical footfall.

Under the additional RM15 billion Perlindungan Ekonomi & Rakyat Malaysia (PERMAI) stimulus package, the burden of retail segment will be partially mitigated from the reintroduction of 10% discount on electricity bills from January to March 2021 alongside the continuation of wage subsidies.

The uncertainties surrounding the retail segment continue to persist in the immediate term on the back of the ongoing MCO. Any extension of MCO may further dampen the earnings prospect of the retail segment. The Manager remains cautious on the prospects of the financial performance for the retail segment in the short-term in anticipation of subdued footfall during the MCO period. The Manager expects footfall to improve gradually upon eventual relaxation of the restriction measures.

Review of hotel market

The tourism industry took a heavy blow from the COVID-19 pandemic in CY2020. During the year, the hotel industry has experienced consolidation and severe cost containment measures in order to minimise losses. That said, several hotels have decided to shut down permanently. The average occupancy for CY2020 hovered between 20% to a high of 43%.

Stemming from the ongoing restriction on international borders and countrywide interstate travelling in January 2021, the hotel segment continues to be crippled. The hotel segment is expected to remain highly challenging in the absence of domestic leisure business in the interim period.

B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

Similarly, the burden of hotel segment will be partially mitigated by the subsidies granted by the PERMAI stimulus package. It is believed that these subsidies are not adequate to cushion the losses arising from the extremely low occupancy rates.

The Manager expects the hotel segment to remain challenging until the travel restrictions are lifted upon the roll-out of vaccine. After a prolonged period of travel restrictions, we believe that the segment will benefit from the pent-up demand when global and domestic economies recover.

Review of office market

The cumulative supply in office space in Klang Valley stood at approximately 109.5 million sq.ft. in 2H CY2020. Within the Klang Valley, a total of 12 new office buildings, with a cumulative 4.9 million sq.ft, are scheduled for completion by 1H CY2021.

During the year, there has been delay for multinational corporations in establishing their presence in Malaysia amidst the pandemic. Meanwhile, the challenging landscape may continue to exert pressure on the office segment as tenants consolidate their businesses to contain costs and shift towards a more efficient workforce space allocation. Hence, offices located in decentralised locations may potentially be beneficiaries of tenants' relocation in pursuit of costs containment and space optimisation.

There will be more allocation for collaborative space in a workplace as well as the revival of open office trend to cater to the workforce mix of working from home and office. In addition, hybridization of space utilisation will provide opportunities for communal living where communities may live and work within the same premise.

The Manager expects the office segment to be largely stable, supported by new income contribution from The Pinnacle Sunway. The acquisition of The Pinnacle Sunway was completed in November 2020.

Review of industrial market

Malaysia's Industrial Production Index (IPI) contracted 2.2% y-o-y in November 2020 despite growth seen in the manufacturing index (+2.0% y-o-y), lugged by the lower performance in the mining sectors (-15.4% y-o-y). The major growth contribution to the manufacturing sector is the Electrical & Electronics Products.

Malaysia saw its Purchasing Managers' Index rose 1.4% month-on-month to 49.1 in December 2020, its highest since the 49.3 reading in August 2020. Despite the increase, the impact of COVID-19 still lingers, and with MCO 2.0 in place, it may put further pressure on the supply chain turnaround time. On a brighter note, foreign demand for Malaysian's manufactured goods saw the pace of order reduction slowing down and stabilizing, pointing towards a potential recovery.

Notwithstanding the above, the growth of e-commerce platforms will continue to support, create opportunities, and sustain demand for manufacturing, logistics, and distribution activities.

The Manager continues to seek opportunities in this segment in view of Malaysia's strong fundamental and resiliency in the industrial sector, especially manufacturing, logistics, and distribution activities.

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 will continue to distribute the income of Sunway REIT on a semi-annual basis and will endeavour to grow the net asset value of Sunway REIT 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 31.12.2020	Year ended 30.06.2020
a) Management expense ratio	0.73%	0.86%
b) Total return	-5.2%	-8.9%
c) Average annual total return (5 years)	2.8%	6.5%
d) Distribution yield	2.2%	4.5%
e) NAV per unit (after income distribution) (RM)	1.4812	1.4804

* The performance indicators for the period ended 31 December 2020 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 period plus annualised distribution yield for the financial period.
- 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) Annualised DPU of 3.31 sen (based on DPU of 1.67 sen for YTD 2Q2021) divided by the closing unit price as at 31 December 2020 of RM1.50 (30 June 2020: DPU of 7.33 sen for FY2020; closing unit price as at 30 June 2020 of RM1.62).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value as at the period-end, divided by total issued units and after interim income distribution of 0.77 sen per unit (30 June 2019: final income distribution of 2.38 sen per unit).

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 base fee and performance fee 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.

Total Manager's fees for 2Q 2021 and YTD 2Q2021 were lower following the lower net property income for the current financial period. In 2Q2021, there was acquisition fee of RM4.5 million paid to the Manager for the acquisition of The Pinnacle Sunway, which was capitalised as part of the acquisition cost of investment properties.

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 and is calculated on a monthly accrual basis based on a year of 12 months.

The trustee of SUNREIT Capital Berhad, PB Trustee Services Berhad, is entitled to receive a predetermined annual fixed fee.

The trustee of SUNREIT Unrated Bond Berhad, AmanahRaya Trustees Berhad, is entitled to receive a predetermined annual fixed fee.

The trustee of SUNREIT Perpetual Bond Berhad, Pacific Trustees Berhad, is entitled to receive a predetermined annual fixed fee.

Total Trustee's fees for the 2Q2021 and YTD 2Q2021 were marginally higher compared with preceding year corresponding period.

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**Metroplex Holdings Sdn Bhd ("Metroplex") v RHB Trustees Berhad (as trustees for Sunway REIT) and Sunway REIT Management Sdn Bhd (collectively, the "Defendants")**

On 28 September 2015, Metroplex filed writ of summons and a statement of claim against the Defendants to claim, amongst others, damages 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 Metroplex but not removed by Metroplex when the Defendants took possession of the hotel at Sunway Putra on 27 September 2011. Metroplex has in its statement of claim alleged that the various chattels and movable items were worth in excess of RM80 million as at September 2011. The Defendants entered into defence on 9 November 2015.

On 3 November 2017, the High Court allowed Metroplex's claim on liability in which the damages to be awarded to Metroplex shall be subject to allocator ("High Court's Decision").

The Defendants filed an appeal to the Court of Appeal against the High Court's Decision on 6 November 2017. The Court of Appeal allowed the Defendants' Appeal and the High Court's Decision was set aside on 22 January 2019 ("Court of Appeal's Decision").

On 20 February 2019, Metroplex filed motion for leave to appeal to the Federal Court against the Court of Appeal's Decision ("Motion"). The Motion was allowed on 25 November 2019. Subsequently, Metroplex filed notice of appeal to appeal against the Court of Appeal's Decision on 2 December 2019 ("Appeal"). The case management for the Appeal is fixed on 3 March 2021 and the hearing for the Appeal is fixed on 31 March 2021 respectively.

The solicitors acting for the Defendants are of the view that the Defendants have a reasonably fair chance of successfully resisting the Appeal.

If the eventual outcome of this case is not in the Defendants' 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 31.12.2020	Immediate Preceding Quarter ended 30.09.2020	Change %
Number of units in issue (units)	3,424,807,700	2,945,078,000	16.3%
Realised net income (RM'000)	33,468	34,369	-2.6%
Realised earnings per unit (EPU) (sen)	0.91	1.00	-9.0%
Income distribution (RM'000)	26,371	26,506	-0.5%
Distribution per unit (sen)	0.77	0.90	-14.4%
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ¹	5,072,685	4,363,155	16.3%
NAV per unit (After income distribution) (RM) ¹	1.4812	1.4815	*
Market price per unit (RM)	1.50	1.56	-3.8%

* Denotes < 0.1%

¹ After proposed interim income distribution of 0.77 sen per unit for the period from 1 October 2020 to 31 December 2020 (30 September 2020: 0.90 sen per unit for the period from 1 July 2020 to 30 September 2020).

B14. Income Distribution

Please refer to Statement of Income Distribution and 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 Asset	
	As at 31.12.2020	As at 30.06.2020	As at 31.12.2020	As at 30.06.2020
	RM'000	RM'000	RM'000	RM'000
Cross currency swap - Less than 1 year	373,680	373,680	43,733	20,039

Sunway REIT entered into a CCS contract to manage its exposure in foreign currency risk arising from borrowings in AUD. 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 for 2Q2021 and YTD 2Q2021 were a gain of RM20.0 million (2Q2020: gain of RM6.1 million) and a gain of RM23.7 million (YTD 2Q2020: loss of RM4.7 million) respectively. The cumulative gain recognised for YTD 2Q2021 of RM23.7 million and the gain recognised in 4Q2020 of RM20.0 million, have been reflected as a derivative asset of RM43.7 million in the balance sheet as at 31 December 2020.

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 2020.

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

There was no gain/loss arising from fair value changes of financial liabilities for YTD 2Q2021.

B18. Change of Financial Year End

The Board, had on 5 November 2020, approved the change of financial year end ("FYE") of Sunway REIT from 30 June to 31 December to synchronise the FYE of Sunway REIT with its Manager and Sponsor, Sunway Berhad, with the approval granted from Trustee and the consent from the Securities Commission Malaysia. Therefore, the current financial period of Sunway REIT will be an 18-month period from 1 July 2020 to 31 December 2021. Thereafter, the financial year of Sunway REIT will be a 12-month period ending on 31 December each year.

In line with the change of FYE, the next annual report of Sunway REIT will be issued by February 2022, which is within two months after the current FYE on 31 December 2021. The next annual general meeting of Sunway REIT will be held by April 2022, which is within four months after the current FYE.

There will be no change in the frequency and timing of income distribution to unitholders of Sunway REIT, which is on a semi-annual basis, for each six-month period ending 30 June and 31 December.

B19. Comparatives

Certain balances in the condensed consolidated statement of financial position and the explanatory notes have been reclassified to conform to current financial period's presentation.

	As Previously Stated RM'000	Reclassification RM'000	Restated RM'000
Consolidated Statement of Financial Position			
<u>At 30 June 2020</u>			
Current liabilities - borrowings	3,245,418	(1,600,000)	1,645,418
Non-current liabilities - borrowings	200,000	1,600,000	1,800,000
Consolidated Statement of Cash Flows			
<u>Cummulative quarter ended 31 December 2019</u>			
Drawdown of revolving loans	9,110,000	(9,110,000)	-
Repayment of revolving loans	(9,110,000)	9,110,000	-
Part A - Explanatory Note A16			
<u>At 31 December 2019</u>			
Short term borrowings - revolving loan	3,226,352	(1,500,000)	1,726,352
Long term borrowings - revolving loan	-	1,500,000	1,500,000

B20. 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 31 December 2020 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 9 February 2021.

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: 9 February 2021