

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2019	31.03.2018	Change	31.03.2019	31.03.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	143,816	138,871	3.6%	415,441	414,599	0.2%
Other operating income	7,683	2,644	> 100%	19,299	9,555	> 100%
Gross revenue	151,499	141,515	7.1%	434,740	424,154	2.5%
Quit rent, assessment and insurance	(3,772)	(2,654)	42.1%	(10,440)	(10,156)	2.8%
Other property operating expenses	(33,953)	(33,558)	1.2%	(95,787)	(94,342)	1.5%
Property operating expenses	(37,725)	(36,212)	4.2%	(106,227)	(104,498)	1.7%
Net property income	113,774	105,303	8.0%	328,513	319,656	2.8%
Interest income	681	1,672	-59.3%	4,340	4,398	-1.3%
Other income	59	500	-88.2%	101	1,969	-94.9%
Net investment income	114,514	107,475	6.5%	332,954	326,023	2.1%
Manager's fees	(8,994)	(8,548)	5.2%	(26,852)	(25,826)	4.0%
Trustee's fees	(161)	(353)	-54.4%	(493)	(995)	-50.5%
Other trust expenses	(752)	(826)	-9.0%	(2,616)	(1,983)	31.9%
Finance costs	(28,798)	(27,396)	5.1%	(87,730)	(76,641)	14.5%
	(38,705)	(37,123)	4.3%	(117,691)	(105,445)	11.6%
Profit before tax	75,809	70,352	7.8%	215,263	220,578	-2.4%
Income tax expense	(6,895)	-	N/A	(6,895)	-	N/A
Profit for the period	68,914	70,352	-2.0%	208,368	220,578	-5.5%
Profit for the period comprise the following:						
Realised	75,762	69,852	8.5%	215,172	218,633	-1.6%
Unrealised	(6,848)	500	> -100%	(6,804)	1,945	> -100%
	68,914	70,352	-2.0%	208,368	220,578	-5.5%
Basic earnings per unit (sen):						
Realised	2.58	2.37	8.9%	7.31	7.41	-1.3%
Unrealised	(0.24)	0.01	> -100%	(0.24)	0.06	> -100%
	2.34	2.38	-1.7%	7.07	7.47	-5.4%
Proposed/declared distribution per unit (sen)	2.58	2.37	8.9%	7.31	7.42	-1.5%

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

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2019	31.03.2018	Change	31.03.2019	31.03.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	68,914	70,352	-2.0%	208,368	220,578	-5.5%
Other comprehensive income						
Cash flow hedge - fair value of derivative ¹	(3,599)	(22,207)	-83.8%	(5,516)	(47,179)	-88.3%
Cash flow hedge reserve recycled to profit or loss ²	3,686	21,500	-82.9%	5,921	46,150	-87.2%
Total comprehensive income for the period	69,001	69,645	-0.9%	208,773	219,549	-4.9%

¹ Please refer to Note B15b) for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2019	31.03.2018	Change	31.03.2019	31.03.2018	Change
	SM'000	RM'000	%	RM'000	RM'000	%
Rental income	143,816	138,871	3.6%	415,441	414,599	0.2%
Interest income	681	1,672	-59.3%	4,340	4,398	-1.3%
Other income *	7,695	2,644	> 100%	19,309	9,579	> 100%
	152,192	143,187	6.3%	439,090	428,576	2.5%
Less: Expenses	(76,430)	(73,335)	4.2%	(223,918)	(209,943)	6.7%
Realised income for the period	75,762	69,852	8.5%	215,172	218,633	-1.6%
Previous period/year's undistributed realised income	658	501	31.3%	550	447	23.0%
Total realised income available for distribution	76,420	70,353	8.6%	215,722	219,080	-1.5%
Less: Proposed/declared income distribution	(75,983)	(69,798)	8.9%	(215,285)	(218,525)	-1.5%
Balance undistributed realised income	437	555	-21.3%	437	555	-21.3%
Distribution per unit (sen)	2.58	2.37	8.9%	7.31	7.42	-1.5%

* 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 interim financial statements.

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Current Quarter 31.03.2019	Immediate Preceding Quarter 31.12.2018	Change
	RM'000	RM'000	%
Rental income	143,816	136,014	5.7%
Other operating income	7,683	3,486	> 100%
Gross revenue	151,499	139,500	8.6%
Quit rent, assessment and insurance	(3,772)	(3,279)	15.0%
Other property operating expenses	(33,953)	(31,996)	6.1%
Property operating expenses	(37,725)	(35,275)	6.9%
Net property income	113,774	104,225	9.2%
Interest income	681	1,465	-53.5%
Other income	59	17	> 100%
Net investment income	114,514	105,707	8.3%
Manager's fees	(8,994)	(8,838)	1.8%
Trustee's fees	(161)	(166)	-3.0%
Other trust expenses	(752)	(955)	-21.3%
Finance costs	(28,798)	(29,303)	-1.7%
	(38,705)	(39,262)	-1.4%
Profit before tax	75,809	66,445	14.1%
Income tax expense	(6,895)	-	N/A
Profit for the period	68,914	66,445	3.7%
Profit for the period comprise the following:			
Realised	75,762	66,426	14.1%
Unrealised	(6,848)	19	> -100%
	68,914	66,445	3.7%
Basic earnings per unit (sen):			
Realised	2.58	2.25	14.7%
Unrealised	(0.24)	-	N/A
	2.34	2.25	4.0%
Proposed/declared distribution per unit (sen)	2.58	2.25	14.7%

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

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)

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

	Current Quarter	Immediate Preceding Quarter	Change
	31.03.2019	31.12.2018	
	RM'000	RM'000	%
Profit for the period	68,914	66,445	3.7%
Other comprehensive income			
Cash flow hedge - fair value of derivative	(3,599)	(11,138)	-67.7%
Cash flow hedge reserve recycled to profit or loss	3,686	11,385	-67.6%
Total comprehensive income for the period	69,001	66,692	3.5%

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter	Immediate Preceding Quarter	Change
	31.03.2019	31.12.2018	
	RM'000	RM'000	%
Rental income	143,816	136,014	5.7%
Interest income	681	1,465	-53.5%
Other income *	7,695	3,484	> 100%
	152,192	140,963	8.0%
Less: Expenses	(76,430)	(74,537)	2.5%
Realised income for the period	75,762	66,426	14.1%
Previous period's undistributed realised income	658	496	32.7%
Total realised income available for distribution	76,420	66,922	14.2%
Less: Proposed/declared income distribution	(75,983)	(66,264)	14.7%
Balance undistributed realised income	437	658	-33.6%
Distribution per unit (sen)	2.58	2.25	14.7%

* 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 interim financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.03.2019 (Unaudited)	As At 30.06.2018 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Investment properties	7,366,732	7,280,225
Plant and equipment	14,210	13,591
	7,380,942	7,293,816
Current assets		
Trade receivables	26,371	21,423
Other receivables	69,251	10,669
Derivatives	-	10,766
Short term investment	-	129,625
Cash and bank balances	48,354	57,559
	143,976	230,042
Total assets	7,524,918	7,523,858
Financed by:		
Unitholders' funds		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,631,559	1,625,407
Total Unitholders' funds	4,359,388	4,353,236
Non-current liabilities		
Borrowings	-	299,750
Long term liabilities	65,877	77,519
Deferred tax liability	13,791	6,896
	79,668	384,165
Current liabilities		
Borrowings	2,890,758	2,602,750
Trade payables	1,481	2,096
Other payables	173,724	181,583
Derivatives	19,899	28
	3,085,862	2,786,457
Total equity and liabilities	7,524,918	7,523,858
Units in circulation ('000 units)	2,945,078	2,945,078
Net Asset Value ("NAV"):		
Before income distribution	4,359,388	4,353,236
After income distribution	4,283,405	4,289,917
NAV per unit (RM):		
Before income distribution ¹	1.4802	1.4781
After income distribution ²	1.4544	1.4566

¹ Before the 3Q2019 proposed income distribution of 2.58 sen per unit (4Q2018: 2.15 sen per unit).

² After the 3Q2019 proposed income distribution of 2.58 sen per unit (4Q2018: 2.15 sen per unit).

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

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders'	<-- Undistributed Income -->		Total
	Capital	Realised	Unrealised	Unitholders'
	RM'000	RM'000	RM'000	Funds
				RM'000
As at 1 July 2018	2,727,829	(3,743)	1,629,150	4,353,236
Total comprehensive income				
Profit for the period	-	215,172	(6,804)	208,368
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	(5,516)	(5,516)
- Cash flow hedge reserve recycled to profit or loss	-	-	5,921	5,921
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	211,429	1,622,751	4,562,009
Unitholders' transactions				
Distribution to unitholders:				
- Income distribution declared and paid in current period	-	(139,302)	-	(139,302)
- Income distribution proposed in prior year but paid in current period	-	(63,319)	-	(63,319)
Decrease in net assets resulting from unitholders' transactions	-	(202,621)	-	(202,621)
As at 31 March 2019 (Unaudited)	2,727,829	8,808	1,622,751	4,359,388

	Unitholders'	<-- Undistributed Income -->		Total
	Capital	Realised	Unrealised	Unitholders'
	RM'000	RM'000	RM'000	Funds
				RM'000
As at 1 July 2017	2,727,829	(312)	1,484,203	4,211,720
Total comprehensive income				
Profit for the year	-	281,947	145,744	427,691
Other comprehensive income:				
- Cash flow hedge - fair value of derivative	-	-	(29,497)	(29,497)
- Cash flow hedge reserve recycled to profit or loss	-	-	28,700	28,700
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	281,635	1,629,150	4,638,614
Unitholders' transactions				
Distribution to unitholders:				
- Income distribution declared and paid in current year	-	(218,525)	-	(218,525)
- Income distribution proposed in prior year but paid in current year	-	(66,853)	-	(66,853)
Decrease in net assets resulting from unitholders' transactions	-	(285,378)	-	(285,378)
As at 30 June 2018 (Audited)	2,727,829	(3,743)	1,629,150	4,353,236

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	456,647	466,430
Refundable security deposits from customers	3,099	1,099
Cash paid for operating expenses	(181,375)	(182,575)
Net cash from operating activities	<u>278,371</u>	<u>284,954</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(1,162)	(3,356)
Deposit for acquisition of investment property	(55,000)	-
Acquisition of investment properties	-	(422,350)
Incidental costs on acquisition of investment properties	-	(5,190)
Subsequent expenditure of investment properties	(100,951)	(24,954)
Investment in short term money market instrument	(455,000)	-
Redemption of short term money market instrument	585,000	-
Interest received	3,722	4,575
Net cash used in investing activities	<u>(23,391)</u>	<u>(451,275)</u>
Cash flows from financing activities		
Proceeds from issuance of commercial papers	301,000	185,600
Proceeds from issuance of unrated medium term notes	200,000	300,000
Drawdown of revolving loans	12,213,600	8,833,200
Repayment of commercial papers	(301,000)	(219,600)
Repayment of unrated medium term notes	(500,000)	-
Repayment of revolving loans	(11,894,400)	(8,220,700)
Repayment of term loan	-	(422,000)
Interest paid	(80,764)	(75,486)
Distribution paid	(202,621)	(215,580)
Net cash (used in)/from financing activities	<u>(264,185)</u>	<u>165,434</u>
Net decrease in cash and bank balances	(9,205)	(887)
Cash and bank balances at beginning of year	57,559	100,544
Cash and bank balances at end of period	<u>48,354</u>	<u>99,657</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	14,854	29,657
Deposits placed with licensed financial institutions	33,500	70,000
Cash and bank balances	<u>48,354</u>	<u>99,657</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 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 the trust 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 interim financial statements comprise Sunway REIT and its subsidiaries (the "Group").

A2. Significant Accounting Policies and Basis of Preparation

The unaudited condensed consolidated interim financial statements of the Group for the financial period ended 31 March 2019 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts (the "REIT Guidelines"). These condensed consolidated interim financial statements of the Group also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim 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 2018 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

The audited financial statements of the Group for the financial year ended 30 June 2018 which 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 interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2018, 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 2018:

MFRS 9 Financial Instruments (IFRS as issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 140 Transfers of Investment Property
Clarification to MFRS 15
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)**

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 2018.

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 March 2019, except for the following:

	Third Quarter ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Profit for the period	68,914	70,352
Add: Deferred taxation ¹	6,895	-
Profit for the period, excluding unusual items	75,809	70,352

¹ Relates to deferred tax provided at 10% on unrealised fair value gain of freehold land component within the investment properties which is expected to be recovered through sale.

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 and cumulative quarter ended 31 March 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 and cumulative quarter ended 31 March 2019.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)**

A8. Segmental Reporting

Segmental revenue and results for the third quarter ended 31 March 2019 are as follows:

Business segments	Third Quarter ended 31.03.2019						Third Quarter ended 31.03.2018					
	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
Revenue and results												
Gross revenue	110,674	23,385	9,940	5,961	1,539	151,499	107,943	17,955	8,458	5,760	1,399	141,515
Net property income	79,523	21,493	5,258	5,961	1,539	113,774	77,027	16,677	4,440	5,760	1,399	105,303
Interest income						681						1,672
Other income						59						500
Trust and other expenses						(9,907)						(9,727)
Finance costs						(28,798)						(27,396)
Profit before tax						75,809						70,352
Income tax expense						(6,895)						-
Profit for the period						68,914						70,352

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

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

Business segments	Cumulative Quarter ended 31.03.2019						Cumulative Quarter ended 31.03.2018					
	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
Revenue and results												
Gross revenue	320,937	63,588	28,395	17,481	4,339	434,740	315,273	63,891	24,373	16,890	3,727	424,154
Net property income	233,218	57,949	15,526	17,481	4,339	328,513	226,263	60,697	12,079	16,890	3,727	319,656
Interest income						4,340						4,398
Other income						101						1,969
Trust and other expenses						(29,961)						(28,804)
Finance costs						(87,730)						(76,641)
Profit before tax						215,263						220,578
Income tax expense						(6,895)						-
Profit for the period						208,368						220,578

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

Segmental assets and liabilities as at 31 March 2019 and 30 June 2018 are as follows:

Business segments	As at 31.03.2019						As at 30.06.2018					
	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
Assets												
Segment assets	4,742,980	1,770,339	479,945	341,987	92,000	7,427,251	4,699,399	1,719,715	476,318	341,920	92,000	7,329,352
Unallocated assets						97,667						194,506
Total assets						<u>7,524,918</u>						<u>7,523,858</u>
Liabilities												
Segment liabilities	190,271	19,347	10,467	-	-	220,085	202,721	26,135	10,730	-	-	239,586
Unallocated liabilities						2,945,445						2,931,036
Total liabilities						<u>3,165,530</u>						<u>3,170,622</u>

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2019 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Third Quarter ended			Third Quarter ended			Cumulative Quarter ended			Cumulative Quarter ended		
	31.03.2019	31.03.2018	Change	31.03.2019	31.03.2018	Change	31.03.2019	31.03.2018	Change	31.03.2019	31.03.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	85,604	81,684	4.8%	66,059	61,526	7.4%	246,618	237,399	3.9%	192,740	180,299	6.9%
Sunway Carnival Shopping Mall	12,047	11,860	1.6%	6,934	7,476	-7.2%	35,304	35,332	-0.1%	20,698	22,610	-8.5%
SunCity Ipoh Hypermarket	1,100	1,100	0.0%	1,007	1,017	-1.0%	3,300	3,286	0.4%	3,083	3,058	0.8%
Sunway Putra Mall	11,923	13,299	-10.3%	5,523	7,008	-21.2%	35,715	39,256	-9.0%	16,697	20,296	-17.7%
	110,674	107,943	2.5%	79,523	77,027	3.2%	320,937	315,273	1.8%	233,218	226,263	3.1%
Hotel												
Sunway Resort Hotel & Spa	8,143	7,724	5.4%	7,719	7,307	5.6%	15,878	31,073	-48.9%	14,674	29,845	-50.8%
Sunway Pyramid Hotel	3,405	3,866	-11.9%	3,251	3,744	-13.2%	12,275	12,023	2.1%	11,726	11,679	0.4%
Sunway Hotel Seberang Jaya	604	678	-10.9%	557	630	-11.6%	2,084	2,157	-3.4%	1,953	2,014	-3.0%
Sunway Putra Hotel	1,989	2,250	-11.6%	1,659	1,895	-12.5%	8,462	12,290	-31.1%	7,597	11,240	-32.4%
Sunway Hotel Georgetown	1,215	1,283	-5.3%	1,184	1,234	-4.1%	3,930	4,194	-6.3%	3,801	4,052	-6.2%
Sunway Clio Property ¹	8,029	2,154	> 100%	7,123	1,867	> 100%	20,959	2,154	> 100%	18,198	1,867	> 100%
	23,385	17,955	30.2%	21,493	16,677	28.9%	63,588	63,891	-0.5%	57,949	60,697	-4.5%
Office												
Menara Sunway	4,444	4,180	6.3%	2,695	2,654	1.5%	12,938	12,549	3.1%	8,320	7,947	4.7%
Sunway Tower	774	833	-7.1%	(242)	273	> -100%	2,209	2,504	-11.8%	(497)	(209)	> 100%
Sunway Putra Tower	3,027	2,058	47.1%	1,902	807	> 100%	8,547	5,021	70.2%	5,481	2,056	> 100%
Wisma Sunway	1,695	1,387	22.2%	903	706	27.9%	4,701	4,299	9.4%	2,222	2,285	-2.8%
	9,940	8,458	17.5%	5,258	4,440	18.4%	28,395	24,373	16.5%	15,526	12,079	28.5%
Services												
Sunway Medical Centre	5,961	5,760	3.5%	5,961	5,760	3.5%	17,481	16,890	3.5%	17,481	16,890	3.5%
	5,961	5,760	3.5%	5,961	5,760	3.5%	17,481	16,890	3.5%	17,481	16,890	3.5%
Industrial and Others												
Sunway REIT Industrial - Shah Alam 1 ²	1,539	1,399	10.0%	1,539	1,399	10.0%	4,339	3,727	16.4%	4,339	3,727	16.4%
	1,539	1,399	10.0%	1,539	1,399	10.0%	4,339	3,727	16.4%	4,339	3,727	16.4%
TOTAL PORTFOLIO	151,499	141,515	7.1%	113,774	105,303	8.0%	434,740	424,154	2.5%	328,513	319,656	2.8%

¹ Acquired on 9 February 2018

² Acquired on 1 August 2017

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 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 and 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, with the exception of (iv) and (v) above. Certain comparative figures have been reclassified to conform to the current year's presentation.

a) Review of Current Quarter Results

Retail segment

The retail segment recorded gross revenue of RM110.7 million for the current quarter ended 31 March 2019, an increase of 2.5% or RM2.7 million compared to the preceding year corresponding quarter (3Q2018), mainly contributed by Sunway Pyramid due to higher turnover rent but partially offset by Sunway Putra Mall.

Sunway Pyramid Shopping Mall registered higher gross revenue by RM3.9 million or 4.8% for 3Q2019 mainly due to higher average gross rent per sq. ft., attributed to better turnover rent in the current quarter whilst gross revenue for Sunway Carnival Shopping Mall was higher by RM0.2 million due to better turnover rent.

Gross revenue for Sunway Putra Mall was lower in the current quarter by RM1.4 million compared to the preceding year corresponding quarter mainly due to lower average gross rent per sq. ft. attributable to attractive rental packages offered on a selective basis as a strategy to maintain occupancy of the mall.

Correspondingly, net property income of the retail segment for 3Q2019 was RM79.5 million, higher by 3.2% or RM2.5 million compared to 3Q2018.

Hotel segment

Despite the soft market condition within the hospitality market, the hotel segment registered higher gross revenue of RM5.4 million, or 30.2% than 3Q2018, mainly contributed by Sunway Clio Property.

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM19.6 million in the current quarter, higher by 42.4% or RM5.8 million, mainly due to the recognition of income guarantee¹ of RM4.4 million for Sunway Clio Property and lower advertising and promotion (A&P) expenses for Sunway Resort Hotel and Spa.

Sunway Putra Hotel recorded gross revenue of RM2.0 million for 3Q2019, lower by RM0.3 million largely due to lower corporate and leisure group demand.

Net property income of the hotel segment for 3Q2019 was RM21.5 million, higher by RM4.8 million as compared to 3Q2018, 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.

¹ Based on the difference between total annual net property income and guaranteed net property income of RM20.23 million after the earlier provision of RM4.4 million made in 1Q2019.

A8. Segmental Reporting (Cont'd)

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

Office segment

Despite the challenging office market environment, the office segment recorded gross revenue of RM9.9 million for 3Q2019, an increase of 17.5% or RM1.5 million compared to 3Q2018, mainly contributed by improved performance from Sunway Putra Tower and Wisma Sunway.

Sunway Putra Tower registered higher gross revenue of RM1.0 million on the back of higher average occupancy following commencement of new tenancies, whilst Wisma Sunway recorded higher gross revenue by RM0.3 million or 22.2% with the expansion of an existing tenant requiring additional space. With the expansion, average occupancy of Wisma Sunway surged to 100% as at 31 March 2019.

Sunway Tower's lower gross revenue of RM0.1 million for 3Q2019 was due to non-renewal of tenants.

Net property income of the office segment in 3Q2019 was RM5.3 million, higher by RM0.8 million compared to the preceding year corresponding quarter.

Services

Sunway Medical Centre contributed RM6.0 million to gross revenue and net property income for 3Q2019, an increase of 3.5% compared to 3Q2018 due to rental reversion in accordance with the master lease agreement.

Industrial and Others

Contribution from Sunway REIT Industrial - Shah Alam 1 of RM1.5 million in the current quarter due to rental reversion with effect from 3Q2019 in accordance with the master lease agreement.

Note: The lease and rental structure of the above properties are available in Sunway REIT's Annual Report 2018.

Profit before tax

Interest income for 3Q2019 was lower by RM1.0 million mainly due to higher investment in money market instrument and higher interest income from financial institutions in the preceding year corresponding quarter.

Other income for 3Q2019 was lower by RM0.4 million attributable to lower fair value gain on interest rate swap ("IRS") contracts of which the balance of 3-year IRS contracts amounting to RM150 million ended in January 2019.

Trustee fee was lower in 3Q2019 as explained in Note B9.

Finance costs for 3Q2019 was RM28.8 million, higher by RM1.4 million, due to higher average cost of debt following the increase in overnight policy rate by 25 bps on 25 January 2018, as well as, higher principal loan amount mainly to fund investing activities, as described in Note B1c).

Income tax expense in 3Q2019 represents additional deferred tax expense on unrealised fair value gain of freehold land component of investment properties which is expected to be recovered through sale, for the increase in RPT rate pursuant to amendments to the Real Property Gains Tax Act 1976 effective from 1 January 2019.

Net profit for 3Q2019 was RM68.9 million (3Q2018: RM70.4 million) mainly comprising realised profit of RM75.7 million and unrealised loss of RM6.9 million (3Q2018: realised profit of RM69.9 million and unrealised profit of RM0.5 million).

The realised profit for 3Q2019 was higher by RM5.9 million in line with higher NPI, partially offset by lower interest income and higher finance costs.

The unrealised loss for 3Q2019 was largely in relation to the deferred tax expense while the unrealised profit of RM0.5 million in 3Q2018 was mainly attributable to fair value gain on IRS contracts.

A8. Segmental Reporting (Cont'd)

b) Review of Cumulative Quarter Results

Retail segment

The retail segment recorded gross revenue of RM320.9 million for the cumulative current quarter ended 31 March 2019, an increase of 1.8% or RM5.7 million compared to the preceding year cumulative corresponding quarter (YTD 3Q2018), mainly contributed by Sunway Pyramid but partially offset by Sunway Putra Mall, due to reasons as mentioned in A8a) above.

Property operating expenses of the retail segment for YTD 3Q2019 was RM87.7 million, lower by 1.5% or RM1.3 million, due to lower A&P expenses.

Net property income of the retail segment for YTD 3Q2019 was RM233.2 million, an increase of 3.1% or RM7.0 million compared to YTD 3Q2018.

Hotel segment

The hotel segment recorded YTD 3Q2019 gross revenue of RM63.6 million, marginally lower by 0.5% or RM0.3 million, mainly contributed by Sunway Resort Hotel & Spa and Sunway Putra Hotel but mitigated by contribution of income from Sunway Clio Property.

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM49.1 million for YTD 3Q2019, compared to RM45.2 million for YTD 3Q2018 mainly for reasons as mentioned in Note A8a).

Gross revenue for Sunway Putra Hotel was lower by RM3.8 million primarily due to higher average occupancy rate on the back of one-off contribution from the SEA Games and ASEAN PARA Games in 1Q2018 and the lack of cluster demand due to the continued soft market condition for YTD 3Q2019.

Sunway Hotel Seberang Jaya maintained gross revenue with RM2.1 million whilst Sunway Hotel Georgetown reported marginally lower gross revenue by RM0.3 million for the same period.

Net property income of the hotel segment for YTD 3Q2019 was RM57.9 million, lower by 4.5% or RM2.7 million.

Office segment

The office segment recorded gross revenue of RM28.4 million for YTD 3Q2019, an increase of 16.5% or RM4.0 million compared to YTD 3Q2018, mainly contributed by improved performance from Sunway Putra Tower and Wisma Sunway, with commencement of new tenants and expansion from existing tenant, respectively.

Property operating expenses of the office segment for YTD 3Q2019 was RM12.9 million, higher by 4.7% compared to YTD 3Q2018, due to increased in maintenance cost in Wisma Sunway but offset against the vacancy allowance for assessment received by Sunway Putra Tower and Sunway Tower.

Correspondingly, net property income of the office segment for YTD 3Q2019 was RM15.5 million, higher by 28.5% or RM3.4 million.

Services

Gross revenue and net property income Sunway Medical Centre increased by 3.5% or RM0.6 million for YTD 3Q2019 compared to the preceding year corresponding cumulative quarter due to reasons mentioned in Note A8a).

Industrial and Others

Sunway REIT Industrial - Shah Alam 1 contributed RM4.3 million to gross revenue and net property income for YTD 3Q2019, an increase of 16.4% compared to YTD 3Q2018 due to rental reversion in the current quarter and full period contribution as compared to YTD 3Q2018, in which income recorded post completion of acquisition in August 2017.

A8. Segmental Reporting (Cont'd)**b) Review of Cumulative Quarter Results (Cont'd)**Profit before tax

Other income for YTD 3Q2019 was lower by RM1.9 million mainly due to the reason as explained in Note A8a).

Other trust expenses for YTD 3Q2019 was RM2.6 million, an increase of RM0.6 million, mainly due to allocation of legal fees for Sunway Putra's litigation cases and higher one-off professional fees for the proposed acquisition of a purpose-built campus and establishment of Perpetual Note Programme.

Finance costs for YTD 3Q2019 was RM87.7 million, higher by RM11.1 million mainly due to the reasons mentioned in Note A8a).

Net profit for YTD 3Q2019 was RM208.4 million (YTD 3Q2018: RM220.6 million) mainly comprising realised profit of RM215.2 million and unrealised loss of RM6.8 million (YTD 3Q2018: realised profit of RM218.6 million and unrealised profit of RM2.0 million).

Realised profit for YTD 3Q2019 was lower by RM3.5 million mainly attributed to higher finance costs despite higher NPI.

Unrealised loss for YTD 3Q2019 and unrealised profit for YTD 3Q2018 were mainly due to the reasons as explained in Note A8a).

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:

	<u>Third Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>31.03.2019</u>	<u>31.03.2018</u>	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	(681)	(1,672)	(4,340)	(4,398)
Net changes in fair value of long term liabilities	(22)	(16)	(63)	(51)
Unrealised foreign exchange gain (hedged item)	(3,686)	(21,500)	(5,921)	(46,150)
Cash flow hedge reserve recycled to profit or loss	3,686	21,500	5,921	46,150
Net changes in fair value of derivative financial instrument	(25)	(484)	(28)	(1,894)
Allowance of impairment on trade receivables	135	245	573	1,255
Depreciation of plant and equipment	485	457	1,483	1,296
Loss on disposal of plant and equipment	1	1	1	3

A11. Income Tax ExpenseTaxation 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 2019.

A11. Income Tax Expense (Cont'd)

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 31 March 2019, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM75.983 million or 2.58 sen per unit, comprising taxable and non-taxable/tax exempt amount of 2.08 sen per unit and 0.50 sen per unit respectively.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 17 May 2019 and 30 May 2019 respectively.

A13. Investment properties

	As at 31.03.2019 RM'000	As at 30.06.2018 RM'000
Investment properties	7,304,890	7,253,000
Investment property under construction	61,842	27,225
	<u>7,366,732</u>	<u>7,280,225</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 RM44.6 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, C H Williams Talhar & Wong Sdn Bhd. and Knight Frank Malaysia 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 31.03.2019 RM'000	As at 30.06.2018 RM'000
Third parties	14,869	15,785
Amount due from parties related to the Manager	13,492	7,909
	<u>28,361</u>	<u>23,694</u>
Less: Allowance for impairment	(1,990)	(2,271)
Total trade receivables	<u>26,371</u>	<u>21,423</u>

Trade receivables, before allowance for impairment, was higher by RM4.7 million as at 31 March 2019 mainly attributable to billing of the income guarantee for Sunway Clio Property of RM8.8 million in March 2019.

A15. Trade receivables (Cont'd)

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

	As at 31.03.2019 RM'000	As at 30.06.2018 RM'000
Neither past due nor impaired	17,548	6,625
Past due but not impaired		
1 to 30 days	1,502	5,699
31 to 60 days	2,996	3,654
61 to 90 days	1,900	1,668
91 to 120 days	806	145
More than 120 days	1,619	3,632
	8,823	14,798
Impaired	1,990	2,271
	<u>28,361</u>	<u>23,694</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:

	As at 31.03.2019 RM'000	As at 30.06.2018 RM'000
At beginning of financial year	2,271	1,485
Charge for the period/year	573	900
Written off	(854)	(114)
At end of financial period/year	<u>1,990</u>	<u>2,271</u>

A16. Borrowings and Debt Securities

	As at 31.03.2019 RM'000	As at 31.03.2018 RM'000
<u>Short term borrowings</u>		
Secured		
- Revolving loan (USD100 million)	390,879	386,300
- Unrated medium term notes	1,000,000	1,000,000
	<u>1,390,879</u>	<u>1,386,300</u>
Unsecured		
- Revolving loan	1,500,000	1,100,000
Total gross short term borrowings	<u>2,890,879</u>	<u>2,486,300</u>
Less: Unamortised transaction costs	(121)	-
Total short term borrowings	<u>2,890,758</u>	<u>2,486,300</u>
<u>Long term borrowings</u>		
Secured		
- Unrated medium term notes	-	300,000
Total long term borrowings	<u>-</u>	<u>300,000</u>
Total borrowings	<u>2,890,758</u>	<u>2,786,300</u>

In December 2018, the USD100 million revolving loan was renewed for another year with the option for drawdown in multicurrency. The USD100 million revolving loan was drawn in AUD (approximates AUD135 million and equivalent to RM411.1 million) and was hedged with a 6-month cross currency swap ("CCS") contract.

The AUD135 million revolving loan was translated at an exchange rate of 2.8954 as at 31 March 2019 (31 March 2018: USD100 million revolving loan at an exchange rate of 3.8630).

Hence, the unrealised foreign exchange gain arising from this translation amounted to RM20.2 million (31 March 2018: cumulative unrealised foreign exchange gain of RM6.6 million). The unrealised foreign exchange gain reflected in the statement of comprehensive income for 3Q2019 and YTD 3Q2019 were RM3.7 million (3Q2018: RM21.5 million) and RM5.9 million (YTD 3Q2018: RM46.2 million) respectively.

A16. Borrowings and Debt Securities (Cont'd)

Total borrowings stood at RM2.9 billion as at 31 March 2019, all due within one (1) year and disclosed as short term borrowings, with the drawdown of RM400.0 million short term revolving loan for repayment of RM300 million long term unrated medium term notes and the balance RM100 million mainly for funding of investing activities.

The weighted average interest rate of borrowings as at 31 March 2019 was 4.04% (31 March 2018: 3.95%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 48:52 (31 March 2018: 41:59).

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 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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
At 31 March 2019				
Financial assets				
Investment properties	-	-	7,366,732	7,366,732
Financial liability				
Derivatives	-	(19,899)	-	(19,899)
At 31 March 2018				
Financial assets				
Investment properties	-	-	7,142,828	7,142,828
Financial liability				
Derivatives	-	(7,028)	-	(7,028)

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 annual reporting period, except for the following:

Proposed acquisition of a purpose-built campus

On 24 December 2018, RHB Investment Bank Berhad announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, the Manager for Sunway REIT, that RHB Trustees Berhad, as the trustee of Sunway REIT ("Trustee"), entered into a conditional sale and purchase agreement ("SPA") with Sunway Destiny Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of Sunway City Sdn. Bhd., which is in turn a wholly-owned subsidiary of Sunway Berhad, for the proposed acquisition of the of the Subject Lands and Buildings (as defined below) for a total purchase consideration of RM550 million to be entirely satisfied in cash ("Proposed Acquisition").

A18. Material Events (Cont'd)

Proposed acquisition of a purpose-built campus (Cont'd)

The Proposed Acquisition entails the acquisition of 3 parcels of leasehold land held under H.S.(D) 118326 Lot No. PT 1905 ("Land 1"), H.S.(D) 118325 Lot No. PT 1904 ("Land 2") and H.S. (D) 118332 Lot No. PT 28 ("Land 3"), all in the Town of Sunway, District of Petaling, State of Selangor ("Lands") together with buildings (including all fixtures and fittings, services infrastructure and systems located or used in the buildings) which comprise a 5-storey academic block along with a lower ground level ("South Building"), a 6-storey academic block along with a lower ground level ("North Building"), a 13-storey academic block together with a 2-storey basement car park ("New University Block"), 4 blocks of 5-storey walk up hostel apartment ("Hostel") (collectively known as "Buildings"), and sports facilities which comprise a football field, basketball court, netball court and tennis court. The Lands, Buildings and sports facilities are collectively known as "Subject Lands and Buildings".

The SPA and the completion of the Proposed Acquisition are conditional upon the following conditions precedent being fulfilled or obtained within 6 months after the date of the SPA, or such other extended date as the Trustee and the Vendor may mutually agree upon in writing, unless the condition(s) precedent are being waived by the Trustee:

- (i) the approval of the unitholders of Sunway REIT at a unitholders' meeting to be convened for the Proposed Acquisition ("Unitholders' Meeting");
- (ii) the confirmation from the Vendor that the relevant documents relating to the discharge of the encumbrance have been obtained from its chargee ("Discharge Documents") and the Discharge Documents are deposited with the Trustee's solicitors;
- (iii) the approval of the State Authority has been obtained by the Vendor for the transfer of the Subject Lands and Buildings; and
- (iv) any other approvals of any authorities as may be deemed necessary by the Trustee and the Vendor.

Establishment of a commercial papers programme of up to RM3.0 billion in nominal value ("CP Programme")

SUNREIT Capital Berhad ("SCB"), a special purpose vehicle whose shares are held by Trustee, had on 28 February 2019, lodged with the Securities Commission Malaysia ("SC") the required information and documents relating to the establishment of the CP Programme.

The CP Programme has a tenure of seven (7) years from the date of the first issuance and the CP Programme has been accorded a short-term rating of P1(s) by RAM Rating Services Berhad.

Further details on the CP Programme are as disclosed in the announcement dated 28 February 2019.

Establishment of a perpetual note programme of RM10.0 billion in nominal value ("Perpetual Note Programme")

SUNREIT Perpetual Bond Berhad ("SPBB"), a special purpose vehicle whose shares are held by Trustee, had on 21 March 2019, lodged with SC the required information and documents relating to the establishment of the Perpetual Note Programme.

The perpetual securities constitute direct, unsecured and subordinated obligations of SPBB and shall rank pari passu without any preference amongst themselves and will be issued with a perpetual tenure that does not have a fixed maturity date.

The perpetual securities to be issued under the Perpetual Note Programme may be rated or unrated which shall be determined prior to each issuance and shall be transferable and tradable.

Further details on the Perpetual Note Programme are as disclosed in the announcement dated 21 March 2019.

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

There were no material events subsequent to the quarter ended 31 March 2019, except for the following:

- (i) On 1 April 2019, SCB has made the first commercial paper issuance of RM1.5 billion under the CP Programme. The proceeds raised has been advanced to Sunway REIT where Trustee has utilised such proceeds to repay the amount outstanding under the revolving loan facility.
- (ii) On 15 April 2019, SPBB has made the first perpetual securities issuance of RM340 million under the Perpetual Note Programme. The proceeds raised has been advanced to Sunway REIT to partially fund the balance purchase consideration for the Proposed Acquisition.

A19. Material Events Subsequent to the end of the Current Quarter (Cont'd)

There were no material events subsequent to the quarter ended 31 March 2019, except for the following: (Cont'd)

- (iii) On 15 April 2019, the Proposed Acquisition was completed upon full payment of the balance purchase consideration of RM495 million, in accordance with the terms and conditions of the SPA. The novation agreements for the respective lease agreements between the Vendor, the Trustee and the respective lessees are effective on the even date.

A20. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 31 March 2019 were as follows:

	As at 31.03.2019 RM'000
Approved and contracted for	307,915
Approved but not contracted for	220,199
	<u>528,114</u>

The capital commitment approved and contracted for mainly relates to the on-going 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 redevelopment of Sunway Tower.

A21. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 March 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 31 March 2019 and 31 March 2018:

	<u>Third Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>31.03.2019</u>	<u>31.03.2018</u>	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(45,997)	(34,828)	(111,729)	(116,226)
- Purchases	28,414	18,596	115,960	47,633
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(132)	(139)	(409)	(417)
- Purchases	1,308	-	2,100	-
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Redemption of commercial paper	-	(85,000)	-	-
- Acquisition of investment property	-	306,000	55,000	340,000

The acquisition of investment property for the period ended 31 March 2019 and 31 March 2018 relates to 10% deposit for the proposed acquisition of a purpose-built campus, as mentioned in Note A18, and Sunway Clio Property respectively.

A22. Transactions with Parties Related to the Manager (Cont'd)

The following table provides information on the balances with the parties related to the Manager as at 31 March 2019 and 30 June 2018:

	As at 31.03.2019 RM'000	As at 30.06.2018 RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	13,093	10,286
	<hr/>	<hr/>
	As at 31.03.2019 RM'000	As at 30.06.2018 RM'000
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	21,339	24,494
	<hr/>	<hr/>

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 RM86.5 million as at 31 March 2019 mainly contributed by the refurbishment of grand ballroom, meeting and function rooms of Sunway Resort Hotel & Spa which was completed in November 2018 and on-going works for the expansion of Sunway Carnival Shopping Mall.

The increase in trade receivables by RM4.9 million as at 31 March 2019 is explained in Note A15.

Other receivables was higher by RM58.6 million compared to 30 June 2018, mainly due to 10% deposit paid for the proposed acquisition of a purpose-built campus amounting to RM55.0 million (as disclosed in Note A18) and increase in goods and service tax ("GST") refundable by RM3.1 million.

The movements in derivatives is explained in Note B15.

Total borrowings reduced by RM11.7 million as at 31 March 2019 mainly due to movement in unrealised foreign exchange in relation to the USD100 million revolving loan.

Total net asset value as at 31 March 2019 was RM4,359.4 million, higher by RM6.2 million due to net realised income of RM12.6 million for YTD 3Q2019, partially offset by unrealised loss of RM6.4 million. The net realised income was derived after distribution of RM202.6 million from realised income of RM215.2 million.

Correspondingly, net asset value per unit as at 31 March 2019, before proposed income distribution for the current quarter, was higher at RM1.4802, compared to RM1.4781 as at 30 June 2018.

c) **Statement of Cash Flows**

Net cash from operating activities for YTD 3Q2019 was RM278.4 million, lower by RM6.6 million compared to YTD 3Q2018, attributed to lower collection by RM9.8 million mainly due to lower lease rental arising from the temporary disruption in income of Sunway Resort Hotel & Spa during the refurbishment of grand ballroom, meeting and function rooms partially mitigated by lower cash paid for operating expenses by RM1.2 million and higher deposits received by RM2.0 million.

During the current period, net cash used in investing activities of RM23.4 million was largely due to deposit paid for the proposed acquisition of a purpose-built campus and progress payments for refurbishment works at Sunway Resort Hotel & Spa and expansion works at Sunway Carnival Shopping Mall of which were partially funded by net redemption in money market instrument. In the preceding year corresponding period, net cash used in investing activities of RM451.3 million was mainly for the acquisition of Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property.

B1. Review of Performance (Cont'd)

c) Statement of Cash Flows (Cont'd)

Net cash used in financing activities for YTD 3Q2019 of RM264.2 million was mainly attributed to income distribution and interest paid of RM202.6 million and RM80.8 million respectively and net drawdown of borrowings amounting to RM19.2 million for capital expenditure.

The cash and cash equivalents balance as at 31 March 2019 and 31 March 2018 stood at RM48.3 million and RM99.6 million respectively. The lower balance at the end of current period was mainly due to lower balance at the beginning of the period, post utilisation of drawn borrowings for acquisition.

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 RM19.9 million for 3Q2019 and RM86.5 million for YTD 3Q2019 respectively, mainly for the expansion of Sunway Carnival Shopping Mall (approximately RM10.7 million for 3Q2019 and RM34.6 million for YTD 3Q2019 respectively, details as disclosed in Note A13) and Sunway Resort Hotel & Spa's refurbishment of the grand ballroom, meeting and function rooms (approximately RM5.5 million for 3Q2019 and RM38.4 million for YTD 3Q2019 respectively).

B3. Material Changes in Quarterly Results

	Current Quarter ended 31.03.2019 RM'000	Immediate Preceding Quarter ended 31.12.2018 RM'000	Change %
Realised profit	75,762	66,426	14.1%
Unrealised (loss)/ profit	(6,848)	19	> - 100%
Profit for the quarter	68,914	66,445	3.7%

Realised profit for 3Q2019 was RM75.8 million, an increase of RM9.3 million compared to the immediate preceding quarter (2Q2019) of RM66.4 million, mainly attributable to higher contribution from the retail and hotel segment by RM3.5 million and RM5.6 million respectively.

The contribution from the retail segment was higher in the current quarter mainly due to higher turnover rent from festive period. For the hotel segment, the higher contribution in 3Q2019 was mainly due to income guarantee for Sunway Clio Property of RM4.4 million and higher income from Sunway Resort Hotel & Spa following the completion of its refurbishment of grand ballroom, meeting and function rooms in November 2018.

Unrealised loss for 3Q2019 was largely in relation to the deferred tax expense as explained in Note A8a).

B4. Commentary on Prospects

Global economy started the year on a soft footing, but a pick up is expected in the second half of CY2019. The improvement will be supported by accommodation in monetary policy led by the United States (US). In response to rising global risks, the US Federal Reserve paused interest rate hike and signaled no increase for the remaining part of the year. The outlook is further strengthened by the easing of US-China trade tension as the prospects of a trade agreement may take shape. Taking consideration of a softer first half in CY2019, global growth is projected to moderate to 3.3% in CY2019 (CY2018: 3.6%) and 3.6% in CY2020.

From the domestic front, after a moderation to 4.7% in CY2018 (CY2017: 5.9%), the Malaysian economy is projected to expand by 4.3% to 4.8% in CY2019 underpinned by private sector activity. However, public sector is expected to weigh on growth amidst rationalization of government expenditure. The external sector is also projected to record lower growth in line with global trades. In addition to global downside risk, the domestic economy is also vulnerable to re-occurrence of commodity supply disruptions and oversupply situation in the property market potentially impedes activity in the construction and property sectors.

B4. Commentary on Prospects (Cont'd)

Headline inflation is expected to remain benign in CY2019, averaging between 0.7% to 1.7% after incorporating some cost-pass-through from domestic cost factors. Stable global oil prices forecast and implementation of price ceilings on domestic retail fuel prices will curb the upside risk on inflation. The benign inflationary environment is evidenced in January 2019 consumer price index of -0.7%, reflecting the stable global oil prices.

At the Monetary Policy Committee (MPC) meeting on 5 March 2019, the MPC maintained the Overnight Policy Rate (OPR) at 3.25%. BNM guidance for monetary policy in CY2019 is to remain supportive of economic growth amid a relatively benign inflationary environment. Recognizing the downside risks to economic growth, the MPC will continue to monitor and assess the balance of risks surrounding the outlook for the domestic growth and inflation.

Taking guidance from YTD 9M FY2019, the outlook for Sunway REIT's FY2019 financial performance remains flattish. We anticipate modest growth from the retail and office segments, coupled with full year income contribution from Sunway Clio Property and proportionate income contribution from recently acquired purpose-built campus. However, we also expect the hospitality sector to face stronger headwinds and remain challenging due to the oversupply situation and soft tourist arrivals.

The Manager is committed to distribute 100% of its distributable net income for FY2019.

Review of retail market

The Retail Group Malaysia (RGM) maintained its CY2019 retail sales forecasts of 4.5% despite a lacklustre retail sales in the first two months of CY2019 which coincided with the Chinese New Year festive season. RGM expects retail sales performance to pick up in 2Q CY2019 ahead of Hari Raya festivity followed by an expected stronger second half consumer spending.

The soft performance in 1Q CY2019 retail sales was in line with the Malaysia Institute of Economic Research (MIER)'s 1Q CY2019 consumer sentiment index (CSI) which slid below the confidence threshold. The tapering off consumer confidence premised on expected moderation in economic climate and softer job outlook.

In view of the planned supply of new retail space totaling 11.3 million sq.ft. within Klang Valley, it is critical for retail malls to evolve, reposition and create strong differentiation while embrace and co-exist with the rise of the Internet of Things (IoT) and e-commerce. Notably, retail malls are gradually moving towards experiential and interactive retail offerings to differentiate themselves from e-commerce. In addition, retailers are integrating their online-to-offline (O2O) offerings creating a symbiotic benefits to both their online and offline platforms. In all, it is survival of the fittest for retail mall operators to remain competitive and relevant.

The Manager expects the retail segment to register a modest growth in FY2019, contributed by higher income from Sunway Pyramid but offset against softer performance in other malls.

Review of hotel market

Malaysia recorded a stable tourist arrivals in CY2018. Tourist arrivals was flattish at 25.83 million in CY2018 (CY2017: 25.95 million), with marginal improvement in tourism receipts of RM84.1 billion (CY2017: RM82.1 billion). The Ministry of Tourism targets a 8.8% improvement in tourist arrivals to 28.1 million with corresponding increase in tourism receipt to RM92.2 billion for CY2019.

In order to achieve the tourists arrivals and receipts targets set by the Government, The Ministry of Tourism needs to urgently launch tourism stimulus ahead of the Visit Malaysia Year 2020.

CY2019 started on a soft ground with pressure on average occupancy rates and average daily room rates. Traditionally, hospitality sector would be lifted by the Lunar New Year due to extended holiday period however the trend reversed this year due to lower Singapore tourists.

The outlook for the remaining part of CY2019 remains cautious taking into consideration of the intense competition in the sector due to oversupply situation, contributed by additional supply and mushrooming of disruptors such as Air BnB. In addition, weakened business confidence index and consumer confidence index, below confidence level threshold, will further add caution to consumer and business spending.

B4. Commentary on Prospects (Cont'd)

Review of hotel market (Cont'd)

The Manager remains cautious on the outlook of the hotel segment in FY2019 for the reasons mentioned above.

Review of office market

The office sub-sector has suffered from a prolonged time of a massive oversupply condition and the situation is not expected to be resolved in the short to medium terms. The country needs to create catalytic reform in order to address the oversupply situation.

On a brighter note, Malaysia moved up 9 spots to rank number 15 in the World Bank Doing Business 2019 report. Amongst the ASEAN countries, Malaysia ranks 2nd after Singapore. The increased confidence in Malaysia augurs well for attracting businesses into Malaysia and demand for office space.

In addition, growing trend of co-working and shared services especially amongst small and medium sized entrepreneurs (SMEs), multinational companies (MNCs) and start-ups have created new opportunities to office building owners, in view of the existing and massive oversupply of office spaces in the Klang Valley.

Increasingly, dated office buildings are also being considered for redevelopment in order to complement sub-leasing of these spaces to smaller and more agile firms and start-ups. These trend in the office segment may partially absorb the vacancy in the office sub-sector.

Despite the challenging market outlook, the Manager expects gradual improvement in the overall occupancy of the office segment, mainly attributable to continued improvement at Sunway Putra Tower and Wisma Sunway and effective leasing 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 of 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 31.03.2019	Year ended 30.06.2018
a) Management expense ratio *	0.93%	0.89%
b) Total return *	7.1%	4.8%
c) Average annual total return (5 years) *	10.0%	8.5%
d) Distribution yield *	5.4%	5.4%
e) NAV per unit (after income distribution)(RM)	1.4544	1.4566

* The performance indicators for the period ended 31 March 2019 was based on annualised results.

- The ratio of expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- Total return represents the change in unit price from beginning of financial year plus annualised distribution yield for the year.
- 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.
- Based on annualised DPU of 9.74 sen divided by its closing price as at 31 March 2019 of RM1.80 (30 June 2018 - DPU: 9.57 sen; Closing price: RM1.77).
- 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.

Total Manager's fee for the current and cumulative quarter ended 31 March 2019 was RM9.0 million and RM26.9 million respectively compared to the preceding year corresponding quarter and cumulative quarter of RM11.9 million (including acquisition fee of RM3.4 million) and RM30.1 million respectively (total base and performance fee of RM25.8 million and acquisition fees totalling RM4.3 million, for Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property, which were capitalised as part of the acquisition costs).

B9. Trustee's Fee

Pursuant to the Deed constituting Sunway REIT, the fee payable to the Trustee was revised from up to 0.03% per annum to 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. The revision is applied for the computation of Trustee fee for year 2018 and onwards.

Total Trustee's fee for the current and cumulative quarter ended 31 March 2019 was RM0.2 million and RM0.5 million respectively as compared to RM0.4 million and RM1.0 million for the preceding year corresponding quarter and cumulative quarter ended 31 March 2018 respectively.

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.

Metroplex served LHAG with the Notice of Motion for leave to appeal on 21 February 2019. The hearing date for the leave to appeal is fixed on 28 August 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 its brokers/dealers by virtue of transactions conducted for Sunway REIT.

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

	Current quarter ended 31.03.2019	Immediate preceding quarter ended 31.12.2018	Change %
Number of units in issue (units)	2,945,078,000	2,945,078,000	0.0%
Realised net income (RM'000)	75,762	66,426	14.1%
Realised earnings per unit (EPU) (sen)	2.58	2.25	14.7%
Income distribution(RM'000)	75,983	66,264	14.7%
Distribution per unit (DPU)(sen)	2.58	2.25	14.7%
Net Asset Value (NAV) (After income distribution) (RM'000)	4,283,405	4,290,387	-0.2%
NAV per unit (After income distribution) (RM)	1.4544	1.4568	-0.2%
Market price per unit (RM)	1.80	1.73	4.0%

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 Asset/(Liability)	
	As at 31.03.2019	As at 30.06.2018	As at 31.03.2019	As at 30.06.2018
	RM'000	RM'000	RM'000	RM'000
a) Interest rate swap - Less than 1 year	-	150,000	-	(28)
b) Cross currency swap - Less than 1 year	411,100	392,900	(19,899)	10,766
	411,100	542,900	(19,899)	10,738

a) Interest rate swap

During the previous financial years, Sunway REIT had entered into several interest rate swap ("IRS") contracts to manage its exposure of the floating rate borrowings. The cumulative IRS contracts to-date amounted to RM150 million. The IRS contracts were entered into to mitigate the risk of increase in interest rate over the hedging period on the floating rate borrowings. The fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as unrealised item as it does not qualify as a cash flow hedge.

The fair value of the IRS recognised in the income statement for 3Q2019 and YTD 3Q2019 amounted to a gain of approximately RM25,000 (3Q2018: RM0.5 million) and a gain of approximately RM28,000 (YTD 3Q2018: RM1.9 million) respectively. The IRS contracts of RM150 million ended in January 2019.

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

b) Cross currency swap

During the previous financial years, Sunway REIT had entered into several cross currency swap ("CCS") to manage its exposure in foreign currency risk arising from foreign currency borrowings. In December 2018, Sunway REIT had entered into a new 6-month CCS contract upon maturity of the earlier 6-month CCS contract to hedge against the foreign currency exposure of the 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 3Q2019 and YTD 3Q2019 were a loss of RM3.6 million (3Q2018: RM22.2 million) and RM5.5 million (YTD 3Q2018: RM47.2 million) respectively. The cumulative amount recognised in the current quarter comprises the net fair value gain of the CCS which matured in July 2018 and December 2018 amounting to RM14.3 million and the fair value loss of the new CCS of RM19.9 million, which has been reflected as a derivative liability in the balance sheet.

B16. Risks and Policies of Derivatives

The Group has Interest Rate Swap contracts and a 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 2018 except the IRS contracts do not qualify as cash flow hedge and consequently, the fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as an unrealised item.

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 31 March 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 2 May 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: 2 May 2019**