

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2020	31.03.2019	Change	31.03.2020	31.03.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	133,851	143,816	-6.9%	432,254	415,441	4.0%
Other operating income	6,949	7,683	-9.6%	19,696	19,299	2.1%
Gross revenue	140,800	151,499	-7.1%	451,950	434,740	4.0%
Quit rent, assessment and insurance	(3,556)	(3,772)	-5.7%	(10,948)	(10,440)	4.9%
Other property operating expenses	(33,734)	(33,953)	-0.6%	(101,798)	(95,787)	6.3%
Property operating expenses	(37,290)	(37,725)	-1.2%	(112,746)	(106,227)	6.1%
Net property income	103,510	113,774	-9.0%	339,204	328,513	3.3%
Interest income	1,030	681	51.2%	3,764	4,340	-13.3%
Other income	40	59	-32.2%	190	101	88.1%
Net investment income	104,580	114,514	-8.7%	343,158	332,954	3.1%
Manager's fees	(9,296)	(8,994)	3.4%	(28,917)	(26,852)	7.7%
Trustee's fees	(167)	(161)	3.7%	(506)	(493)	2.6%
Other trust expenses	(470)	(752)	-37.5%	(2,232)	(2,616)	-14.7%
Finance costs	(28,984)	(28,798)	0.6%	(89,814)	(87,730)	2.4%
	(38,917)	(38,705)	0.5%	(121,469)	(117,691)	3.2%
Profit before tax	65,663	75,809	-13.4%	221,689	215,263	3.0%
Income tax expense	-	(6,895)	-100.0%	-	(6,895)	-100.0%
Profit for the period	65,663	68,914	-4.7%	221,689	208,368	6.4%
Profit for the period comprises the following:						
Realised						
- Unitholders	60,663	75,762	-19.9%	206,537	215,172	-4.0%
- Perpetual note holders	4,959	-	N/A	14,986	-	N/A
	65,622	75,762	-13.4%	221,523	215,172	3.0%
Unrealised	41	(6,848)	> -100%	166	(6,804)	> -100%
	65,663	68,914	-4.7%	221,689	208,368	6.4%
Basic earnings per unit attributable to unitholders (sen):						
Realised	2.06	2.58	-20.2%	7.01	7.31	-4.1%
Unrealised	-	(0.24)	-100.0%	-	(0.24)	-100.0%
	2.06	2.34	-12.0%	7.01	7.07	-0.8%
Distributable income per unit (sen) ¹	2.06	2.58	-20.2%	7.01	7.31	-4.1%
Proposed/declared distribution per unit (sen) ²	-	2.58	-100.0%	4.95	7.31	-32.3%

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
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2020	31.03.2019	Change	31.03.2020	31.03.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	65,663	68,914	-4.7%	221,689	208,368	6.4%
Other comprehensive income						
Cash flow hedge - fair value of derivative ¹	(29,129)	(3,599)	> -100%	(33,839)	(5,516)	> -100%
Cash flow hedge reserve recycled to profit or loss ²	29,268	3,686	> 100%	33,452	5,921	> 100%
Total comprehensive income for the period	65,802	69,001	-4.6%	221,302	208,773	6.0%

¹ Please refer to Note B15 for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2020	31.03.2019	Change	31.03.2020	31.03.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	133,851	143,816	-6.9%	432,254	415,441	4.0%
Interest income	1,030	681	51.2%	3,764	4,340	-13.3%
Other income ³	6,948	7,695	-9.7%	19,720	19,309	2.1%
	141,829	152,192	-6.8%	455,738	439,090	3.8%
Less: Expenses	(76,207)	(76,430)	-0.3%	(234,215)	(223,918)	4.6%
Realised income for the period	65,622	75,762	-13.4%	221,523	215,172	3.0%
Less: Amount reserved for distribution to perpetual note holders	(4,959)	-	N/A	(14,986)	-	N/A
Realised income attributable to unitholders	60,663	75,762	-19.9%	206,537	215,172	-4.0%
Add: Previous period's undistributed realised income	546	658	-17.0%	453	550	-17.6%
Total income available for distribution	61,209	76,420	-19.9%	206,990	215,722	-4.0%
Less: Proposed / declared income distribution to unitholders ⁴	-	(75,983)	-100.0%	(145,781)	(215,285)	-32.3%
Balance undistributed realised income	61,209	437	> 100%	61,209	437	> 100%
Distribution per unit (sen)	-	2.58	-100.0%	4.95	7.31	-32.3%

N/A - Not Applicable

³ Included in other income above is other operating income.

⁴ The frequency of income distribution has been changed from quarterly to semi-annually effective from 3Q2020.

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Current Quarter ended 31.03.2020	Immediate Preceding Quarter ended 31.12.2019	Change
	RM'000	RM'000	%
Rental income	133,851	149,453	-10.4%
Other operating income	6,949	6,345	9.5%
Gross revenue	140,800	155,798	-9.6%
Quit rent, assessment and insurance	(3,556)	(3,778)	-5.9%
Other property operating expenses	(33,734)	(35,397)	-4.7%
Property operating expenses	(37,290)	(39,175)	-4.8%
Net property income	103,510	116,623	-11.2%
Interest income	1,030	1,702	-39.5%
Other income	40	59	-32.2%
Net investment income	104,580	118,384	-11.7%
Manager's fees	(9,296)	(9,793)	-5.1%
Trustee's fees	(167)	(170)	-1.8%
Other trust expenses	(470)	(734)	-36.0%
Finance costs	(28,984)	(30,485)	-4.9%
	(38,917)	(41,182)	-5.5%
Profit before tax	65,663	77,202	-14.9%
Income tax expense	-	-	N/A
Profit for the period	65,663	77,202	-14.9%
Profit for the period comprises the following:			
Realised			
- Unitholders	60,663	72,145	-15.9%
- Perpetual note holders	4,959	5,014	-1.1%
	65,622	77,159	-15.0%
Unrealised	41	43	-4.7%
	65,663	77,202	-14.9%
Basic earnings per unit attributable to unitholders (sen):			
Realised	2.06	2.45	-15.9%
Unrealised	-	-	N/A
	2.06	2.45	-15.9%
Distributable income per unit (sen) ¹	2.06	2.45	-15.9%
Proposed/declared distribution per unit (sen) ²	-	2.45	-100.0%

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
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

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

	Current Quarter ended 31.03.2020	Immediate Preceding Quarter ended 31.12.2019	Change
	RM'000	RM'000	%
Profit for the period	65,663	77,202	-14.9%
Other comprehensive income			
Cash flow hedge - fair value of derivative ¹	(29,129)	6,098	> -100%
Cash flow hedge reserve recycled to profit or loss ²	29,268	(5,198)	> 100%
Total comprehensive income for the period	65,802	78,102	-15.7%

¹ Please refer to Note B15 for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended 31.03.2020	Immediate Preceding Quarter ended 31.12.2019	Change
	RM'000	RM'000	%
Rental income	133,851	149,453	-10.4%
Interest income	1,030	1,702	-39.5%
Other income ³	6,948	6,361	9.2%
	141,829	157,516	-10.0%
Less: Expenses	(76,207)	(80,357)	-5.2%
Realised income for the period	65,622	77,159	-15.0%
Less: Amount reserved for distribution to perpetual note holders	(4,959)	(5,014)	-1.1%
Realised income attributable to unitholders	60,663	72,145	-15.9%
Add: Previous period's undistributed realised income	546	555	-1.6%
Total income available for distribution	61,209	72,700	-15.8%
Less: Proposed / declared income distribution to unitholders ⁴	-	(72,154)	-100.0%
Balance undistributed realised income	61,209	546	> 100%
Distribution per unit (sen)	-	2.45	-100.0%

³ Included in other income above is other operating income.

⁴ The frequency of income distribution has been changed from quarterly to semi-annually effective from 3Q2020.

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.03.2020 (Unaudited)	As At 30.06.2019 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Investment properties	8,098,015	8,047,410
Plant and equipment	12,842	12,517
	<u>8,110,857</u>	<u>8,059,927</u>
Current assets		
Trade receivables	19,810	19,380
Other receivables	11,479	11,473
Short term investment	79,822	-
Cash and bank balances	54,948	67,258
	<u>166,059</u>	<u>98,111</u>
Total assets	8,276,916	8,158,038
Equity and liabilities		
Equity		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,722,397	1,729,010
Total Unitholders' funds	4,450,226	4,456,839
Perpetual note holders' funds	339,717	339,717
Total equity	<u>4,789,943</u>	<u>4,796,556</u>
Non-current liabilities		
Long term liabilities	82,430	77,018
Deferred tax liability	14,841	14,841
	<u>97,271</u>	<u>91,859</u>
Current liabilities		
Borrowings	3,157,198	3,090,793
Trade payables	2,840	3,057
Other payables	194,691	174,640
Derivatives	34,973	1,133
	<u>3,389,702</u>	<u>3,269,623</u>
Total liabilities	<u>3,486,973</u>	<u>3,361,482</u>
Total equity and liabilities	8,276,916	8,158,038
Units in circulation ('000 units)	2,945,078	2,945,078
Net Asset Value ("NAV") attributable to unitholders:		
Before income distribution	4,450,226	4,456,839
After income distribution ¹	4,389,563	4,389,691
NAV per unit attributable to unitholders (RM):		
Before income distribution	1.5111	1.5133
After income distribution ¹	1.4905	1.4905

¹ After distributable income for 3Q2020 of 2.06 sen per unit is assumed for income distribution (4Q2019: final income distribution of 2.28 sen per unit).

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<---- Undistributed Income ----> Realised	Unrealised	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 July 2019	2,727,829	(11)	1,729,021	4,456,839	339,717	4,796,556
Total comprehensive income						
Profit for the period	-	221,523	166	221,689	-	221,689
Other comprehensive income:						
- Cash flow hedge - fair value of derivative	-	-	(33,839)	(33,839)	-	(33,839)
- Cash flow hedge reserve recycled to profit or loss	-	-	33,452	33,452	-	33,452
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	221,512	1,728,800	4,678,141	339,717	5,017,858
Unitholders' Transactions						
Distribution to unitholders:						
- Income distribution declared and paid in current period	-	(145,781)	-	(145,781)	-	(145,781)
- Income distribution proposed in prior year but paid in current period	-	(67,148)	-	(67,148)	-	(67,148)
Decrease in net assets resulting from unitholders' transactions	-	(212,929)	-	(212,929)	-	(212,929)
Perpetual Note Holders' Transactions						
Amount reserved and distribution paid to perpetual note holders	-	(14,986)	-	(14,986)	-	(14,986)
Decrease in net assets resulting from perpetual note holders' transactions	-	(14,986)	-	(14,986)	-	(14,986)
As at 31 March 2020 (Unaudited)	2,727,829	(6,403)	1,728,800	4,450,226	339,717	4,789,943

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

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

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

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

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	492,008	456,647
Refundable security deposits from customers	1,572	3,099
Cash paid for operating expenses	(171,171)	(181,375)
Net cash from operating activities	322,409	278,371
Cash flows from investing activities		
Acquisition of plant and equipment	(2,011)	(1,162)
Deposit for acquisition of investment property	-	(55,000)
Subsequent expenditure of investment properties	(49,826)	(100,951)
Investment in short term money market instrument	(630,000)	(455,000)
Redemption of short term money market instrument	550,000	585,000
Interest received	4,445	3,722
Net cash used in investing activities	(127,392)	(23,391)
Cash flows from financing activities		
Proceeds from issuance of commercial papers	860,000	301,000
Proceeds from issuance of unrated medium term notes	600,000	200,000
Drawdown of revolving loans	13,610,000	12,213,600
Repayment of commercial papers	(760,000)	(301,000)
Repayment of unrated medium term notes	(600,000)	(500,000)
Repayment of revolving loans	(13,610,000)	(11,894,400)
Interest paid	(84,426)	(80,764)
Distribution paid to unitholders	(212,929)	(202,621)
Distribution paid to perpetual note holders	(9,972)	-
Net cash used in financing activities	(207,327)	(264,185)
Net decrease in cash and cash equivalents	(12,310)	(9,205)
Cash and cash equivalents at beginning of year	47,258	57,559
Cash and cash equivalents at end of period	34,948	48,354
Cash and bank balances	54,948	48,354
Deposits with licensed financial institutions with maturity of over 3 months	(20,000)	-
Cash and cash equivalents	34,948	48,354
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	34,948	14,854
Deposits placed with licensed financial institutions	20,000	33,500
Cash and bank balances	54,948	48,354

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

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

A1. Corporate Information

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

A2. Significant Accounting Policies and Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the financial period ended 31 March 2020 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts (the "REIT Guidelines"). These unaudited condensed consolidated financial statements of the Group also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

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

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

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

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

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

A3. Audit Report of Preceding Financial Year

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

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 31 March 2020, except as disclosed in Note A18.

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 2020, 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 2020.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

A8. Segmental Reporting

Segmental revenue and results for the third quarter ended 31 March 2020 and 31 March 2019 are as follows:

Business segments	Third Quarter ended 31.03.2020						Third Quarter ended 31.03.2019					
	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	98,301	15,295	10,747	14,917	1,540	140,800	110,674	23,385	9,940	5,961	1,539	151,499
Net property income	67,083	13,548	6,422	14,917	1,540	103,510	79,523	21,493	5,258	5,961	1,539	113,774
Interest income						1,030						681
Other income						40						59
Trust and other expenses						(9,933)						(9,907)
Finance costs						(28,984)						(28,798)
Profit before tax						65,663						75,809
Income tax expense						-						(6,895)
Profit for the period						65,663						68,914

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

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

Business segments	Cumulative Quarter ended 31.03.2020						Cumulative Quarter ended 31.03.2019					
	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	310,559	61,514	31,251	44,007	4,619	451,950	320,937	63,588	28,395	17,481	4,339	434,740
Net property income	216,407	56,611	17,560	44,007	4,619	339,204	233,218	57,949	15,526	17,481	4,339	328,513
Interest income						3,764						4,340
Other income						190						101
Trust and other expenses						(31,655)						(29,961)
Finance costs						(89,814)						(87,730)
Profit before tax						221,689						215,263
Income tax expense						-						(6,895)
Profit for the period						221,689						208,368

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

Segmental assets and liabilities as at 31 March 2020 and 30 June 2019 are as follows:

Business segments	As at 31.03.2020						As at 30.06.2019					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
Assets												
Segment assets	4,980,766	1,695,638	486,798	901,029	96,540	8,160,771	4,927,476	1,698,472	487,652	895,987	95,000	8,104,587
Unallocated assets						116,145						53,451
Total assets						8,276,916						8,158,038
Liabilities												
Segment liabilities	206,297	14,098	10,937	4,972	1,540	237,844	190,107	25,389	11,604	-	-	227,100
Unallocated liabilities						3,249,129						3,134,382
Total liabilities						3,486,973						3,361,482

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (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		
	31.03.2020	31.03.2019	Change	31.03.2020	31.03.2019	Change	31.03.2020	31.03.2019	Change	31.03.2020	31.03.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	76,236	85,604	-10.9%	55,916	66,059	-15.4%	237,754	246,618	-3.6%	177,191	192,740	-8.1%
Sunway Carnival Shopping Mall	10,687	12,047	-11.3%	5,939	6,934	-14.3%	34,271	35,304	-2.9%	20,278	20,698	-2.0%
SunCity Ipoh Hypermarket	1,100	1,100	0.0%	1,025	1,007	1.8%	3,300	3,300	0.0%	3,046	3,083	-1.2%
Sunway Putra Mall	10,278	11,923	-13.8%	4,203	5,523	-23.9%	35,234	35,715	-1.3%	15,892	16,697	-4.8%
	98,301	110,674	-11.2%	67,083	79,523	-15.6%	310,559	320,937	-3.2%	216,407	233,218	-7.2%
Hotel												
Sunway Resort Hotel & Spa	3,363	8,143	-58.7%	2,860	7,719	-62.9%	18,195	15,878	14.6%	16,857	14,674	14.9%
Sunway Pyramid Hotel	1,706	3,405	-49.9%	1,541	3,251	-52.6%	10,651	12,275	-13.2%	10,144	11,726	-13.5%
Sunway Hotel Seberang Jaya	491	604	-18.7%	445	557	-20.1%	1,807	2,084	-13.3%	1,685	1,953	-13.7%
Sunway Putra Hotel	1,262	1,989	-36.6%	928	1,659	-44.1%	7,882	8,462	-6.9%	6,953	7,597	-8.5%
Sunway Hotel Georgetown	401	1,215	-67.0%	345	1,184	-70.9%	2,615	3,930	-33.5%	2,462	3,801	-35.2%
Sunway Clio Property	8,072	8,029	0.5%	7,429	7,123	4.3%	20,364	20,959	-2.8%	18,510	18,198	1.7%
	15,295	23,385	-34.6%	13,548	21,493	-37.0%	61,514	63,588	-3.3%	56,611	57,949	-2.3%
Office												
Menara Sunway	4,588	4,444	3.2%	3,164	2,695	17.4%	13,633	12,938	5.4%	9,161	8,320	10.1%
Sunway Tower	1,304	774	68.5%	387	(242)	> 100%	3,249	2,209	47.1%	26	(497)	> 100%
Sunway Putra Tower	3,148	3,027	4.0%	1,969	1,902	3.5%	9,341	8,547	9.3%	5,749	5,481	4.9%
Wisma Sunway	1,707	1,695	0.7%	902	903	-0.1%	5,028	4,701	7.0%	2,624	2,222	18.1%
	10,747	9,940	8.1%	6,422	5,258	22.1%	31,251	28,395	10.1%	17,560	15,526	13.1%
Services												
Sunway Medical Centre (Tower A & B)	6,170	5,961	3.5%	6,170	5,961	3.5%	18,093	17,481	3.5%	18,093	17,481	3.5%
Sunway university & college campus	8,747	-	N/A	8,747	-	N/A	25,914	-	N/A	25,914	-	N/A
	14,917	5,961	> 100%	14,917	5,961	> 100%	44,007	17,481	> 100%	44,007	17,481	> 100%
Industrial & Others												
Sunway REIT Industrial - Shah Alam 1	1,540	1,539	0.1%	1,540	1,539	0.1%	4,619	4,339	6.5%	4,619	4,339	6.5%
	1,540	1,539	0.1%	1,540	1,539	0.1%	4,619	4,339	6.5%	4,619	4,339	6.5%
TOTAL PORTFOLIO	140,800	151,499	-7.1%	103,510	113,774	-9.0%	451,950	434,740	4.0%	339,204	328,513	3.3%

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

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

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

a) Review of Current Quarter Results

Retail segment

The retail segment recorded revenue of RM98.3 million for the current quarter ended 31 March 2020 (3Q2020), a decrease of 11.2% or RM12.4 million compared to the preceding year corresponding quarter (3Q2019), mainly contributed by Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Sunway Putra Mall, in relation to the rental support granted to non-essential retail tenants during MCO.

Sunway Pyramid Shopping Mall registered lower revenue by RM9.4 million, while revenue for Sunway Carnival Shopping Mall and Sunway Putra Mall was lower by RM1.4 million and RM1.6 million respectively for 3Q2020 mainly due to rental support as described above.

Property operating expenses of the retail segment for 3Q2020 was RM31.2 million, in line with 3Q2019.

Correspondingly, net property income recorded a reduction of 15.6% or RM12.4 million in 3Q2020 compared to 3Q2019.

Hotel segment

The hotel segment registered revenue of RM15.3 million, lower by 34.6% or RM8.1 million compared to 3Q2019, mainly due to decline in overall average occupancy of 42% (3Q2019: 66%) due to the COVID-19 pandemic and the imposition of MCO.

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed revenue of RM13.1 million in the current quarter, lower by RM6.4 million, mainly due the reason as stated above.

In Penang, Sunway Hotel Seberang Jaya registered a decrease in revenue by RM0.1 million and Sunway Hotel Georgetown reported a lower revenue by RM0.8 million for the same period while Sunway Putra Hotel closed with a decrease in revenue by RM0.7 million or 36.6% due to decline in occupancy rate.

Net property income of the hotel segment for 3Q2020 was RM13.5 million, lower by 37% or RM7.9 million as compared to 3Q2019, 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 revenue represents the hotel lease rental 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.

A8. Segmental Reporting (Cont'd)

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

Office segment

Despite the continued challenging office market environment, the office segment recorded revenue of RM10.7 million for 3Q2020, an increase of 8.1% or RM0.8 million compared to 3Q2019, mainly contributed by improved performance from all office properties.

Menara Sunway, Sunway Tower and Sunway Putra Tower registered higher revenue by RM0.1 million, RM0.5 million and RM0.1 million respectively, on the back of higher average occupancy following commencement of new tenancies and renewal at higher rates. The revenue for Wisma Sunway was largely maintained.

Property operating expenses of the office segment for 3Q2020 was lower by 7.6% or RM0.4 million mainly due higher property maintenance expenses recorded in 3Q2019.

Net property income of the office segment in 3Q2020 was RM6.4 million, higher by 22.1% or RM1.2 million compared to the preceding year corresponding quarter.

Services segment

The services segment recorded revenue and net property income of RM14.9 million in the current quarter from RM6.0 million in 3Q2019, mainly due to new contribution of RM8.7 million from Sunway university & college campus post completion of acquisition on 15 April 2019.

Sunway Medical Centre contributed RM6.2 million to revenue and net property income for 3Q2020, an increase of 3.5% in line with the rental reversion in accordance with the master lease agreement.

Industrial & Others segment

Contribution from Sunway REIT Industrial - Shah Alam 1 was RM1.5 million in the current quarter, in line with 3Q2019.

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

Profit for the quarter

Interest income for 3Q2020 was higher by RM0.3 million due to higher short term investment compared to 3Q2019.

Manager's fees was higher in 3Q2020 attributable to higher assets under management following the completion of the acquisition of Sunway university & college campus in 4Q2019.

Finance costs for 3Q2020 was RM29.0 million, higher by RM0.2 million, due to higher principal loan amount to fund acquisition and capital expenditure, which was largely offset by lower average interest rate.

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 RPGT rate pursuant to amendments to the Real Property Gains Tax Act 1976 effective from 1 January 2019.

Net profit for 3Q2020 was RM65.7 million (3Q2019: RM68.9 million) mainly comprising realised profit of RM65.6 million and unrealised profit of RM0.1 million (3Q2019: realised profit of RM75.7 million and unrealised loss of RM6.8 million).

Realised profit for 3Q2020 was lower by RM10.1 million in line with lower NPI of RM10.3 million.

Unrealised loss for 3Q2019 was largely in relation to the deferred tax expense as mentioned above.

A8. Segmental Reporting (Cont'd)

b) Review of Cumulative Quarter Results

Retail segment

The retail segment recorded revenue of RM310.6 million for the financial period ended 31 March 2020 (YTD 3Q2020), a decrease of 3.2% or RM10.4 million compared to the preceding year corresponding financial period (YTD 3Q2019), contributed by Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Sunway Putra Mall, mainly due to reason as stated in A8a) above.

Property operating expenses of the retail segment for YTD 3Q2020 was RM94.2 million, higher by 7.3% or RM6.4 million, due to lower A&P and maintenance expenses incurred in YTD 3Q2019.

Correspondingly, net property income of the retail segment for YTD 3Q2020 was RM216.4 million, a decrease of 7.2% or RM16.8 million compared to YTD 3Q2019.

Hotel segment

The hotel segment recorded YTD 3Q2020 revenue of RM61.5 million, lower by 3.3% or RM2.1 million, mainly due to all hotel properties save for Sunway Resort Hotel & Spa.

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed revenue of RM49.2 million for YTD 3Q2020 with a marginal increase compared to YTD 3Q2019, despite the revenue for YTD 3Q2020 was impacted by the COVID-19 pandemic and the MCO, mainly due to the disruption of income in Sunway Resort Hotel & Spa from the refurbishment of Grand Ballroom and Meeting Rooms during the same period last year.

Revenue for Sunway Hotel Seberang Jaya, Sunway Putra Hotel and Sunway Hotel Georgetown closed lower than YTD 3Q2019, primarily due to decline in revenue per available room.

In overall, net property income of the hotel segment for YTD 3Q2020 was at RM56.6 million, lower by 2.3% or RM1.3 million.

Office segment

The office segment recorded revenue of RM31.3 million for YTD 3Q2020, an increase of 10.1% or RM2.9 million compared to YTD 3Q2019, mainly contributed by improved performance from all office properties, with commencement of new tenants, renewal at higher rental rate and expansion from existing tenant.

Property operating expenses of the office segment for YTD 3Q2020 was RM13.7 million, higher by 6.4% or RM0.8 million compared to YTD 3Q2019, mainly due to vacancy allowances for assessment received by Sunway Tower and Sunway Putra Tower in YTD 3Q2019.

Correspondingly, net property income of the office segment for YTD 3Q2020 was RM17.6 million, higher by 13.1% or RM2.0 million.

Services segment

Revenue and net property income in services segment increased to RM44.0 million in the current financial period from RM17.5 million in YTD 3Q2019, due to contribution from Sunway university & college campus of RM25.9 million.

Sunway Medical Centre contributed RM18.1 million to revenue and net property income for YTD 3Q2020, an increase of 3.5% compared to YTD 3Q2019 due to the reason as mentioned in Note A8a).

Industrial and Others segment

Sunway REIT Industrial - Shah Alam 1 contributed RM4.6 million to revenue and net property income for YTD 3Q2020, an increase of 6.5% compared to YTD 3Q2019 due to new cycle of rental reversion commencing 1 January 2019 in accordance with the master lease agreement.

A8. Segmental Reporting (Cont'd)**b) Review of Cumulative Quarter Results (Cont'd)**Profit for the period

Interest income for YTD 3Q2020 was lower by RM0.6 million mainly due to lower average interest rate for short term investment and placements with financial institutions compared with the preceding year corresponding period.

Manager's fees and finance costs for YTD 3Q2020 were increased by RM2.1 million and RM2.1 million respectively, mainly due to the reasons as explained in Note A8a).

Other trust expenses for YTD 3Q2020 was RM2.2 million, decreased by RM0.4 million compared to YTD 3Q2019, mainly due to higher one-off professional fees in relation to the acquisition of Sunway university & college campus and the establishment of Perpetual Note Programme in the preceding year.

Net profit for YTD 3Q2020 was RM221.7 million (YTD 3Q2019: RM208.4 million) mainly comprised of realised profit of RM221.5 million and unrealised profit of RM0.2 million (YTD 3Q2019: realised profit of RM215.2 million and unrealised loss of RM6.8 million).

Realised profit was higher by RM6.4 million primarily due higher NPI by RM10.7 million, partially offset by higher manager's fees and finance costs by RM2.1 million each.

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

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:

	Third Quarter ended		Cumulative Quarter ended	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Interest income	(1,030)	(681)	(3,764)	(4,340)
Net changes in fair value of long term liabilities	(41)	(22)	(166)	(63)
Unrealised foreign exchange gain (hedged item)	(29,268)	(3,686)	(33,452)	(5,921)
Cash flow hedge reserve recycled to profit or loss	29,268	3,686	33,452	5,921
Net changes in fair value of derivative financial instrument	-	(25)	-	(28)
Allowance of impairment on trade receivables	966	135	1,436	573
Depreciation of plant and equipment	584	485	1,777	1,483
Loss on disposal of plant and equipment	30	1	30	1

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 for the financial year ending 30 June 2020 which translates to more than 90% of its total taxable income.

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

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 of Sunway REIT to its unitholders in each financial year.

For the current financial year, the Manager has proposed the following interim income distributions:

- (i) For the quarter ended 30 September 2019 (1Q2020), approximately 100% of the distributable income amounting to RM73.6 million or 2.50 sen per unit paid on 4 December 2019; and
- (ii) For the quarter ended 31 December 2019 (2Q2020), approximately 100% of the distributable income amounting to RM72.2 million or 2.45 sen per unit paid on 12 March 2020.

No income distribution was proposed for the current quarter ended 31 March 2020 (3Q2020) as the income distribution frequency of Sunway REIT has been varied from quarterly to semi-annually effective from 3Q2020. Distribution for 3Q2020 will be declared and paid together with the distribution for the quarter ending 30 June 2020 (4Q2020) on a semi-annual basis.

Moving forward, the Manager will make distributions to the unitholders of Sunway REIT on a semi-annual basis for each six-month period ending 30 June and 30 December each year, unless varied by the Manager.

A13. Investment Properties

	As at 31.03.2020 RM'000	As at 30.06.2019 RM'000
Investment properties	8,010,026	7,981,500
Investment property under construction	87,989	65,910
	<u>8,098,015</u>	<u>8,047,410</u>

Investment property under construction relates to the property development activities for the expansion of Sunway Carnival Shopping Mall which includes the land cost of RM17.2 million and the property development costs incurred to-date of RM70.8 million. Piling works were completed and the other structural works are on-going.

A14. Valuation of Investment Properties

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

A15. Trade Receivables

	As at 31.03.2020 RM'000	As at 30.06.2019 RM'000
Third parties	19,557	15,232
Amount due from parties related to the Manager	4,370	6,840
	<u>23,927</u>	<u>22,072</u>
Less: Allowance for impairment	(4,117)	(2,692)
Total trade receivables	<u>19,810</u>	<u>19,380</u>

Trade receivables, before allowance for impairment, was higher by RM1.9 million as at 31 March 2020 mainly attributable to delay in collection from tenants resulting from the closure of offices during MCO.

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

	As at 31.03.2020 RM'000	As at 30.06.2019 RM'000
Neither past due nor impaired	4,366	8,007
Past due but not impaired		
1 to 30 days	8,092	5,564
31 to 60 days	3,389	2,501
61 to 90 days	1,945	1,323
91 to 120 days	836	227
More than 120 days	1,182	1,758
	<u>15,444</u>	<u>11,373</u>
Impaired	4,117	2,692
	<u>23,927</u>	<u>22,072</u>

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

	As at 31.03.2020 RM'000	As at 30.06.2019 RM'000
At beginning of financial year	2,692	2,271
Charge for the period/year	1,436	1,275
Written off	(11)	(854)
At end of financial period/year	<u>4,117</u>	<u>2,692</u>

A16. Borrowings and Debt Securities

	As at 31.03.2020 RM'000	As at 31.03.2019 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial paper	100,000	-
- Revolving loan (USD100 million)	357,831	390,879
- Unrated medium term notes	1,200,000	1,000,000
	<u>1,657,831</u>	<u>1,390,879</u>
Unsecured		
- Revolving loan	1,500,000	1,500,000
	<u>3,157,831</u>	<u>2,890,879</u>
Less: Discount on commercial paper	(197)	-
Less: Unamortised transaction costs	(436)	(121)
Total short term borrowings	<u>3,157,198</u>	<u>2,890,758</u>
Total borrowings	<u>3,157,198</u>	<u>2,890,758</u>

A16. Borrowings and Debt Securities (Cont'd)

Other than the USD100 million revolving loan which is denominated in Australian Dollar ("AUD"), all the other borrowings of Sunway REIT is denominated in Ringgit Malaysia ("RM").

The USD100 million revolving loan was drawn in AUD135 million and has been fully hedged with a 1-year AUD-MYR cross currency swap ("CCS") contract at MYR notional value of RM392.31 million until May 2020 (31 March 2019: 6-month AUD-MYR CCS at MYR notional value of RM411.1 million) to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period.

The USD100 million revolving loan (drawn in AUD135 million) was translated at an exchange rate of 2.6506 on 31 March 2020 (31 March 2019: 2.8954) with cumulative unrealised foreign exchange gain of RM34.5 million (31 March 2019: gain of RM20.2 million) since the drawdown.

The unrealised foreign exchange reflected in the statement of comprehensive income for 3Q2020 and YTD 3Q2020 were gain of RM29.3 million (3Q2019: gain of RM3.7 million) and gain of RM33.5 million (YTD 3Q2019: gain of RM5.9 million) respectively.

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

Total borrowings stood at RM3.2 billion as at 31 March 2020, increased by RM0.3 billion compared to 31 March 2019, mainly from the net issuance of short term commercial paper of RM100 million to fund planned capital expenditure during the period and issuance of short term unrated medium term notes of RM200 million to partially fund the acquisition of Sunway university & college campus in April 2019.

The weighted average interest rate of borrowings as at 31 March 2020 was 3.81% (31 March 2019: 4.04%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 43 : 57 (31 March 2019: 48 : 52).

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 March 2020				
Financial asset				
Investment properties	-	-	8,098,015	8,098,015
Financial liability				
Derivatives	-	(34,973)	-	(34,973)
At 31 March 2019				
Financial asset				
Investment properties	-	-	7,366,732	7,366,732
Financial liability				
Derivatives	-	(19,899)	-	(19,899)

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

A18. Material Event during the Current Quarter

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.

During the MCO period, all government and private premises are closed except for those providing essential services. The MCO and the COVID-19 pandemic have caused disruption to the operation and business of the shopping malls and the hotels of Sunway REIT, resulting in lower revenue for the retail and hotel segments.

Business continuity plans (BCP) have been activated at the trust level and the asset level to mitigate the impact to Sunway REIT arising from the COVID-19 pandemic. Our priorities are the safety of our employees and customers, the continuation of our operation and business and the plan for business recovery. Sunway REIT continues to observe BCP during the conditional MCO (CMCO) period starting from 4 May 2020 to ensure that business activities continue to operate seamlessly, in accordance to stipulated standard operating procedure (SOP).

In order to ensure business sustainability of the malls, Sunway REIT will provide appropriate rental support to non-essential retail tenants upon proper assessment and will undertake suitable measures to ease credit control for retailers in this difficult period. The hotels will remain open with limited services and facilities access, and will not be accepting new room reservation from the public during the MCO period. That said, two of the hotels have been gazetted as COVID-19 quarantine facilities for Malaysians returning from overseas to complete their compulsory 14-day quarantine order, as part of business and corporate social responsibility (CSR) considerations of Sunway REIT.

Based on the current situation, the COVID-19 pandemic is expected to have an impact on the financial performance of Sunway REIT, mainly for the rental support programme, the potential increase in expected credit losses on receivables and the potential revaluation losses arising from deterioration in net operating income. The Manager is monitoring the situation and takes pre-emptive measures to minimise the risks to the business of Sunway REIT.

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

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

A20. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated financial statements as at 31 March 2020 were as follows:

	As at 31.03.2020 RM'000
Approved and contracted for	295,469
Approved but not contracted for	163,460
	<u>458,929</u>

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

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

A21. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 March 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 March 2020 and 31 March 2019:

	Third Quarter ended		Cumulative Quarter ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(40,193)	(45,997)	(113,229)	(111,729)
- Purchases	22,638	28,414	77,626	115,960
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(86)	(132)	(354)	(409)
- Purchases	168	1,308	509	2,100
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- (Redemption) / Subscription of commercial paper	(20,000)	-	80,000	-
- Deposit for acquisition of investment property	-	-	-	55,000

The following table provides information on the balances with the parties related to the Manager as at 31 March 2020 and 30 June 2019:

	As at 31.03.2020 RM'000	As at 30.06.2019 RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	5,151	7,564
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	17,348	15,832

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

B1. Review of Performance

a) **Statement of Comprehensive Income**

Explanatory comments are provided in Note A8.

b) **Statement of Financial Position**

Investment properties increased by RM50.6 million primarily attributable to on-going works for the expansion of Sunway Carnival Shopping Mall and refurbishment works at Sunway Pyramid Shopping Mall.

Short term investment relates to investment in 1-month commercial paper issued by Sunway Berhad Group, as disclosed in Note A22 above, at the nominal value of RM80.0 million less the discount on commercial paper of RM0.2 million.

The decrease in cash and bank balances by RM12.3 million as at 31 March 2020 is explained in Note B1c).

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.

b) Statement of Financial Position (Cont'd)

Derivatives of RM35.0 million is in relation to AUD-MYR CCS contract for USD100 million revolving loan (drawn in AUD135 million). Further details and movement of the derivatives are explained in Notes A16 and B15.

Total borrowings increased by RM66.4 million as at 31 March 2020 mainly from the net issuance of commercial paper of RM100.0 million for capital expenditure, partially reduced by lower foreign currency translation for USD100 million revolving loan (drawn in AUD135 million) by RM33.5 million (AUD/RM 31 March 2020: 2.6506, 30 June 2019: 2.8984).

Other payables increased by RM20.1 million mainly due to higher accrual for loan interest by RM4.5 million and additional amount reserved for distribution to perpetual note holders of RM5.1 million.

Total net asset value as at 31 March 2020 was RM4,789.9 million, comprise of unitholders' funds of RM4,450.2 million and perpetual note holders' funds of RM339.7 million.

Unitholders' funds was lower by RM6.6 million due to decrease in realised income for YTD 3Q2020 by RM6.4 million and decrease in unrealised income by RM0.2 million. The decrease in realised income was derived after deducting the distribution to unitholders of RM212.9 million and amount reserved for distribution to perpetual note holders of RM15.0 million from the realised profit of RM221.5 million. There is no movement in the perpetual note holders' funds.

Correspondingly, net asset value per unit as at 31 March 2020, before distributable income for the current quarter, was lower at RM1.5111, compared to RM1.5133 as at 30 June 2019.

c) Statement of Cash Flows

Net cash from operating activities for YTD 3Q2020 was RM322.4 million, higher by RM44.0 million compared to YTD 3Q2019, mainly contributed by higher collection from lessee and customers of RM26.1 million and RM9.3 million respectively and lower cash paid for operating expenses by RM10.2 million.

Net cash used in investing activities for YTD 3Q2020 of RM127.4 million was mainly due to the investment in money market instrument.

Net cash used in financing activities for YTD 3Q2020 of RM207.3 million was mainly attributable to interest paid and income distribution paid to unitholders of RM84.4 million and RM212.9 million respectively, as well as the distribution paid to perpetual note holders of RM10.0 million, partially offset by net proceeds from borrowings amounting to RM100.0 million.

The cash and bank balances as at 31 March 2020 and 31 March 2019 stood at RM54.9 million and RM48.4 million respectively. The higher balance at the end of current period by RM6.6 million was mainly due to higher net cash from operating activities as explained above.

B2. Maintenance Costs and Major Capital Expenditure

There was no unusual nor material maintenance costs during the quarter under review. Sunway REIT incurred capital expenditure of RM14.2 million for 3Q2020 and RM50.6 million for YTD 3Q2020, mainly for ongoing works for the expansion of Sunway Carnival Shopping Mall of RM5.6 million for 3Q2020 and RM22.1 million for YTD 3Q2020, details as disclosed in Note A13.

B3. Material Changes in Quarterly Results

	Current Quarter ended 31.03.2020 RM'000	Immediate Preceding Quarter ended 31.12.2019 RM'000	Change %
Realised profit	65,622	77,159	-15.0%
Unrealised profit	41	43	-4.7%
Profit for the quarter	65,663	77,202	-14.9%

Realised profit for 3Q2020 was lower by RM11.5 million compared to the immediate preceding quarter (2Q2020), largely affected by the outbreak of COVID-19 in Malaysia and the MCO since 18 March 2020.

B4. Commentary on Prospects

Global growth prospect has taken a turn following the unprecedented health crisis. The COVID-19 pandemic has caused severe disruptions in global supply chain and economic activities. The International Monetary Fund (IMF) adjusted global growth projection to contract acutely by 3.0% year-on-year (y-o-y) in CY2020 (January 2020: +3.3% y-o-y), much worse than the 2008-2009 global financial crisis. The IMF predicts, a baseline scenario, that the pandemic will be contained by second half of CY2020. Supported by global monetary and stimulus policies, global economy is projected to rebound to 5.8% y-o-y in CY2021.

Being an open economy, Malaysia is not spared from the crisis. The Government had activated movement control order (MCO) as part of the containment measures since 18 March 2020, putting a halt in many businesses. Bank Negara Malaysia (BNM) projected the Malaysia's GDP to be flattish (+0.5% y-o-y) or possibly slip into a recession at -2.0% y-o-y in CY2020, depending on the severity of the crisis. That said, Government's stimulus package accompanied by BNM's financial measures will cushion the burden on households and businesses.

Continued severe uncertainty on the duration and intensity of the shock will pose both upside and downside risks to the outlook. Downside risk may be intensified by recurring commodity supply disruptions and heightened volatility in financial markets.

Malaysia's Consumer Price Index (CPI) eased 0.2% y-o-y in March 2020, mainly due to lower fuel prices, however, it was offset by an increase in food & non-alcoholic beverages. Meanwhile, CPI in the 1Q CY2020 increased 0.9% y-o-y. Inflationary pressures is expected to remain subdued amid low global oil prices and weaker demand, to average between -1.5% to 0.5%.

On 5 May 2020, The Monetary Policy Committee (MPC) of BNM has further reduced the Overnight Policy Rate (OPR) by 50 bps to 2.00%, in line with global easing monetary policy as recent global economic indicators have showed signs of contractions. Following a cumulative 100 bps reduction in OPR, BNM will utilize its policy levers as appropriate to create enabling conditions for a sustainable economic recovery.

Pursuant to the business disruptions arising from the MCO, the Manager expects DPU for FY2020 to be lower than FY2019, caused by substantial loss of income for the retail and hotel segments. The utmost priority for Sunway REIT in FY2020 is cash conservation, cost containment and re-prioritizing non-essential capital expenditure.

The Manager has revised its income distribution payout to at least 90% in FY2020, payable on a semi-annual basis. This is a preemptive measure to strengthen Sunway REIT's liquidity position to be ahead of the recovery curve and capitalize on any growth opportunities to deliver long-term sustainable growth.

Review of retail market

The Retail Group Malaysia (RGM) has revised Malaysia's retail sales, from an initial growth projection of 4.6% y-o-y to a contraction of 5.5% y-o-y in CY2020. Preliminary estimation indicated that retail sales has declined by 18.8% y-o-y in 1Q CY2020, mainly due to slower sales ahead of Chinese New Year, lower tourist arrivals from China, declined footfall since the start of COVID-19 outbreak and MCO.

Following the MCO, the retail segment was adversely impacted by the restriction in business activities limited to only tenants providing essential goods and services. This has resulted in substantial loss of income for retailers since the imposition of MCO. Under such circumstances, landlords were pressured to provide support to tenants in order to ensure continuity of their businesses over the long-term. The structural impediments may also pose pressure to occupancy rates and rental reversion prospects in the immediate quarters.

The retail segment is expected to record materially lower revenue in FY2020 on the back of rental support provided to tenants during this difficult period to support the business continuity of tenants. In addition, consumers sentiment are expected to remain soft post-MCO due to recessionary fear, job security and lower disposable income.

B4. Commentary on Prospects (Cont'd)

Review of hotel market

The hotel industry's high dependence on the tourism sector placed the industry with high vulnerability to global headwinds. With the looming outlook and global travel restrictions, hotel's occupancy are expected to remain at historical low in the coming quarters.

To mitigate the adverse loss of income, hotel operators need to urgently revamp its modus operandi by implementing cost containment measures to adjust to the low business volume and brace through the challenging period. In fact, some hotels have announced either temporary or permanent closure due to incapacity to continue to support the cost burden amidst exceptionally low occupancy.

In view of the potential partial closure of the hotels post-MCO amidst low business activities, this may present opportunities to embark on refurbishment and upgrade dated hotels to re-position the property post the COVID-19 aftermath.

During the MCO period, the restriction from receiving new reservation has presented an opportunity for Sunway Clio Hotel and Sunway Pyramid Hotel to be offered as quarantine centres for returnees to Malaysia. The average occupancy rate has been encouraging thus far for the 2 quarantine centres.

The Manager expects the hotel segment to register significantly lower revenue in FY2020 for the reasons mentioned above. The expectation has also taken into account of soft business sentiment, weak consumer confidence, continued global travel restrictions and cautious traveling appetite post COVID-19.

That said, the revenue for the hotel segment will be partially mitigated by the minimum guaranteed rental as stipulated in the Hotel Master Lease (HML) for financial year ending 30 June 2020.

Going forward, Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Hotel Seberang Jaya's HMLs will be renewed with new terms in July 2020.

Review of office market

In the recent COVID-19 pandemic, the office segment is relatively more insulated where the impact at varying degree depending on the nature of business. Acceleration in technology adaptation was exceptionally swift to ensure business continuity. Notably, alternative working arrangement has proven to be feasible since the implementation of MCO where employers may have reservations prior to that.

As decentralization trend continues, prime offices located in integrated townships and transit-oriented developments (TODs) are well positioned to benefit from this trend. This is in line with tenants' demand for prime offices at affordable rental rates.

The Manager expects the offices in Sunway REIT's portfolio to be stable in FY2020, in view that these office properties are located in matured integrated township / development, TOD and established locations.

B5. Investment Objectives

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

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

B6. Performance Benchmark

Performance indicators	Period ended 31.03.2020	Year ended 30.06.2019
a) Management expense ratio *	0.89%	0.86%
b) Total return *	-9.1%	10.7%
c) Average annual total return (5 years) *	6.4%	10.8%
d) Distribution yield *	5.9%	5.1%
e) NAV per unit (after income distribution) (RM)	1.4905	1.4905

* The performance indicators for the period ended 31 March 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 year plus annualised distribution yield for the year.
- c) Average annual total return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Annualised DPU of 9.33 sen (based on distributable income for YTD 3Q2020 of 7.01 sen per unit) divided by its closing price as at 31 March 2019 of RM1.59 (30 June 2019: DPU of 9.59 sen; closing price of RM1.87).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units and after distributable income for 3Q2020 of 2.06 sen per unit is assumed for income distribution (4Q2019: final income distribution of 2.28 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 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 fees for the current and cumulative quarter ended 31 March 2020 were higher compared to the preceding year corresponding period due to higher base and performance fees attributed largely to the acquisition of Sunway university & college campus in 4Q2019.

B9. Trustee's Fees

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

Total Trustee's fees for the current and cumulative quarter ended 31 March 2020 were in line 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

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 was fixed on 28 August 2019 but was adjourned at the request of the Plaintiff. At case management on 30 August 2019, the Federal Court fixed the hearing date on 25 November 2019. The Federal Court granted leave to appeal on 1 out of the 4 proposed questions on which leave was sought. The hearing is fixed on 7 September 2020.

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

B12. Soft Commission

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

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

	Current Quarter ended 31.03.2020	Immediate Preceding Quarter ended 31.12.2019	Change %
Number of units in issue (units)	2,945,078,000	2,945,078,000	0.0%
Realised net income (RM'000)	65,622	77,159	-15.0%
Realised earnings per unit (EPU) (sen)	2.06	2.45	-15.9%
Distributable income ¹ / Income distribution (RM'000)	60,663	72,154	-15.9%
Distributable income ¹ / Distribution per unit (sen)	2.06	2.45	-15.9%
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ²	4,389,563	4,389,383	*
NAV per unit (After income distribution) (RM) ²	1.4905	1.4904	*
Market price per unit (RM)	1.59	1.82	-12.6%

* Denotes < 0.01%

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

² After distributable income for 3Q2020 of 2.06 sen per unit is assumed for income distribution (2Q2020: interim income distribution of 2.45 sen per unit).

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 Liability	
	As at 31.03.2020	As at 30.06.2019	As at 31.03.2020	As at 30.06.2019
	RM'000	RM'000	RM'000	RM'000
Cross currency swap				
- Less than 1 year	392,310	392,310	(34,973)	(1,133)

Sunway REIT entered into a 1-year 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 3Q2020 and YTD 3Q2020 were loss of RM29.1 million (3Q2019: loss of RM3.6 million) and loss of RM33.8 million (YTD 3Q2019: loss of RM5.5 million). The cumulative loss recognised for YTD 3Q2020 of RM33.8 million and the loss recognised in 4Q2019 of RM1.1 million have been reflected as a derivative liability of RM35.0 million in the balance sheet as at 31 March 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 2019.

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

Please refer to Note A10 for details.

B18. Directors' Declaration

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 31 March 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 19 May 2020.

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: 19 May 2020**