

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2021	31.03.2020	Change	31.03.2021	31.03.2020	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income	96,478	133,851	-27.9%	290,141	432,254	-32.9%
Other operating income	7,788	6,949	12.1%	17,338	19,696	-12.0%
Gross revenue	104,266	140,800	-25.9%	307,479	451,950	-32.0%
Quit rent, assessment and insurance	(3,784)	(3,556)	6.4%	(11,374)	(10,948)	3.9%
Other property operating expenses	(33,465)	(33,734)	-0.8%	(94,987)	(101,798)	-6.7%
Property operating expenses	(37,249)	(37,290)	-0.1%	(106,361)	(112,746)	-5.7%
Net property income	67,017	103,510	-35.3%	201,118	339,204	-40.7%
Interest income	2,004	1,030	94.6%	5,649	3,764	50.1%
Other income	27	40	-32.5%	84	190	-55.8%
Net investment income	69,048	104,580	-34.0%	206,851	343,158	-39.7%
Manager's fees	(8,789)	(9,296)	-5.5%	(26,070)	(28,917)	-9.8%
Trustee's fees	(189)	(167)	13.2%	(548)	(506)	8.3%
Other trust expenses	(410)	(470)	-12.8%	(2,720)	(2,232)	21.9%
Finance costs	(22,843)	(28,984)	-21.2%	(72,802)	(89,814)	-18.9%
	(32,231)	(38,917)	-17.2%	(102,140)	(121,469)	-15.9%
Profit before tax	36,817	65,663	-43.9%	104,711	221,689	-52.8%
Income tax expense	-	-	N/A	-	-	N/A
Profit for the period	36,817	65,663	-43.9%	104,711	221,689	-52.8%
Profit for the period comprises the following:						
Realised						
- Unitholders	31,886	60,663	-47.4%	89,696	206,537	-56.6%
- Perpetual note holders	4,904	4,959	-1.1%	14,931	14,986	-0.4%
	36,790	65,622	-43.9%	104,627	221,523	-52.8%
Unrealised	27	41	-34.1%	84	166	-49.4%
	36,817	65,663	-43.9%	104,711	221,689	-52.8%
Basic earnings per unit attributable to unitholders (sen):						
Realised	0.94	2.06	-54.4%	2.85	7.01	-59.3%
Unrealised	-	-	N/A	-	-	N/A
	0.94	2.06	-54.4%	2.85	7.01	-59.3%
Distributable income per unit (sen) ¹	0.93	2.06	-54.9%	2.76	7.01	-60.6%
Proposed/declared distribution per unit (sen) ²	-	-	N/A	1.67	4.95	-66.3%

N/A - Not Applicable

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

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

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

SUNWAY REAL ESTATE INVESTMENT TRUST
 THIRD QUARTER ENDED 31 MARCH 2021
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2021	31.03.2020	Change	31.03.2021	31.03.2020	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	36,817	65,663	-43.9%	104,711	221,689	-52.8%
Other comprehensive income:						
Cash flow hedge - fair value of derivative ¹	9,720	(29,129)	> 100%	33,414	(33,839)	> 100%
Cash flow hedge reserve recycled to profit or loss	(9,086)	29,268	> -100%	(31,172)	33,452	> -100%
Total comprehensive income for the period	37,451	65,802	-43.1%	106,953	221,302	-51.7%

¹ Please refer to Note B16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Third Quarter ended			Cumulative Quarter ended		
	31.03.2021	31.03.2020	Change	31.03.2021	31.03.2020	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income	96,478	133,851	-27.9%	290,141	432,254	-32.9%
Interest income	2,004	1,030	94.6%	5,649	3,764	50.1%
Other income ²	7,788	6,948	12.1%	17,338	19,720	-12.1%
	106,270	141,829	-25.1%	313,128	455,738	-31.3%
Less: Expenses	(69,480)	(76,207)	-8.8%	(208,501)	(234,215)	-11.0%
Realised income for the period	36,790	65,622	-43.9%	104,627	221,523	-52.8%
Less: Amount reserved for distribution to perpetual note holders	(4,904)	(4,959)	-1.1%	(14,931)	(14,986)	-0.4%
Realised income attributable to unitholders	31,886	60,663	-47.4%	89,696	206,537	-56.6%
Add: Previous period's undistributed realised income	4,933	546	> 100%	-	453	-100.0%
Total income available for distribution	36,819	61,209	-39.8%	89,696	206,990	-56.7%
Less: Proposed/declared income distribution to unitholders	-	-	N/A	(52,877)	(145,781)	-63.7%
Balance undistributed realised income	36,819	61,209	-39.8%	36,819	61,209	-39.8%
Distribution per unit (sen)	-	-	N/A	1.67	4.95	-66.3%

N/A - Not Applicable

² Included other operating income.

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

SUNWAY REAL ESTATE INVESTMENT TRUST
THIRD QUARTER ENDED 31 MARCH 2021
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FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Current Quarter ended 31.03.2021	Immediate Preceding Quarter ended 31.12.2020	Change
	RM'000	RM'000	%
Rental and lease income	96,478	88,055	9.6%
Other operating income	7,788	7,715	0.9%
Gross revenue	104,266	95,770	8.9%
Quit rent, assessment and insurance	(3,784)	(3,838)	-1.4%
Other property operating expenses	(33,465)	(25,920)	29.1%
Property operating expenses	(37,249)	(29,758)	25.2%
Net property income	67,017	66,012	1.5%
Interest income	2,004	2,145	-6.6%
Other income	27	27	0.0%
Net investment income	69,048	68,184	1.3%
Manager's fees	(8,789)	(8,845)	-0.6%
Trustee's fees	(189)	(192)	-1.6%
Other trust expenses	(410)	(1,457)	-71.9%
Finance costs	(22,843)	(24,194)	-5.6%
	(32,231)	(34,688)	-7.1%
Profit before tax	36,817	33,496	9.9%
Income tax expense	-	-	N/A
Profit for the period	36,817	33,496	9.9%
Profit for the period comprises the following:			
Realised			
- Unitholders	31,886	28,454	12.1%
- Perpetual note holders	4,904	5,014	-2.2%
	36,790	33,468	9.9%
Unrealised	27	28	-3.6%
	36,817	33,496	9.9%
Basic earnings per unit attributable to unitholders (sen):			
Realised	0.94	0.91	3.3%
Unrealised	-	-	N/A
	0.94	0.91	3.3%
Distributable income per unit (sen) ¹	0.93	0.83	12.0%
Proposed/declared distribution per unit (sen) ²	-	0.77	-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
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FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER (CONT'D)

	Current Quarter ended	Immediate Preceding Quarter ended	Change
	31.03.2021	31.12.2020	
	RM'000	RM'000	%
Profit for the period	36,817	33,496	9.9%
Other comprehensive income:			
Cash flow hedge - fair value of derivative ¹	9,720	20,007	-51.4%
Cash flow hedge reserve recycled to profit or loss	(9,086)	(18,711)	-51.4%
Total comprehensive income for the period	37,451	34,792	7.6%

¹ Please refer to Note B16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended	Immediate Preceding Quarter ended	Change
	31.03.2021	31.12.2020	
	RM'000	RM'000	%
Rental and lease income	96,478	88,055	9.6%
Interest income	2,004	2,145	-6.6%
Other income ²	7,788	7,714	1.0%
	106,270	97,914	8.5%
Less: Expenses	(69,480)	(64,446)	7.8%
Realised income for the period	36,790	33,468	9.9%
Less: Amount reserved for distribution to perpetual note holders	(4,904)	(5,014)	-2.2%
Realised income attributable to unitholders	31,886	28,454	12.1%
Add: Previous period's undistributed realised income	4,933	2,850	73.1%
Total income available for distribution	36,819	31,304	17.6%
Less: Proposed/declared income distribution to unitholders	-	(26,371)	-100.0%
Balance undistributed realised income	36,819	4,933	> 100%
Distribution per unit (sen)	-	0.77	-100.0%

² Included in other income above is other operating income.

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.03.2021 (Unaudited)	As At 30.06.2020 (Restated) ¹
	RM'000	RM'000
Assets		
Non-current assets		
Investment properties	8,625,891	8,020,233
Investment properties - accrued lease income	16,930	16,930
Plant and equipment	12,688	12,902
	8,655,509	8,050,065
Current assets		
Trade receivables	55,853	53,266
Other receivables	10,735	55,349
Derivatives	8,998	20,039
Short term investment	-	179,710
Cash and bank balances	423,449	101,816
	499,035	410,180
Total assets	9,154,544	8,460,245
Equity and liabilities		
Equity		
Unitholders' capital	3,433,864	2,727,829
Undistributed income	1,671,280	1,702,228
Total Unitholders' funds	5,105,144	4,430,057
Perpetual note holders' funds	339,717	339,717
Total equity	5,444,861	4,769,774
Non-current liabilities		
Borrowings	2,400,000	1,800,000
Long term liabilities	82,308	78,524
Deferred tax liability	13,941	13,941
	2,496,249	1,892,465
Current liabilities		
Borrowings	993,507	1,645,418
Trade payables	4,548	1,698
Other payables	215,379	150,890
	1,213,434	1,798,006
Total liabilities	3,709,683	3,690,471
Total equity and liabilities	9,154,544	8,460,245
Units in circulation ('000 units)	3,424,808	2,945,078
Net Asset Value ("NAV") attributable to unitholders:		
Before income distribution	5,105,144	4,430,057
After income distribution ²	5,073,258	4,359,964
NAV per unit attributable to unitholders (RM):		
Before income distribution	1.4906	1.5042
After income distribution ²	1.4813	1.4804

¹ Certain balances in the audited consolidated statement of financial position have been reclassified to conform to current financial period's presentation. Further details are disclosed in Note B20.

² After distributable income of 0.93 sen per unit for 3Q2021 is assumed for income distribution (30 June 2020: Final income distribution of 2.38 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
THIRD QUARTER ENDED 31 MARCH 2021
FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2021 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Undistributed Income	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 July 2020	2,727,829	1,702,228	4,430,057	339,717	4,769,774
Total comprehensive income					
Profit for the period	-	104,711	104,711	-	104,711
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	33,414	33,414	-	33,414
- Cash flow hedge reserve recycled to profit or loss	-	(31,172)	(31,172)	-	(31,172)
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	1,809,181	4,537,010	339,717	4,876,727
Unitholders' Transactions					
Creation of units pursuant to private placement ¹	710,000	-	710,000	-	710,000
Unit issuance expenses	(3,965)	-	(3,965)	-	(3,965)
Distribution to unitholders:					
- Income distribution declared and paid in current year	-	(52,877)	(52,877)	-	(52,877)
- Income distribution proposed in prior year but paid in current period	-	(70,093)	(70,093)	-	(70,093)
Increase in net assets resulting from unitholders' transactions	706,035	(122,970)	583,065	-	583,065
Perpetual Note Holders' Transactions					
Amount reserved for distribution to perpetual note holders	-	(14,931)	(14,931)	-	(14,931)
Decrease in net assets resulting from perpetual note holders' transactions	-	(14,931)	(14,931)	-	(14,931)
As at 31 March 2021 (Unaudited)	3,433,864	1,671,280	5,105,144	339,717	5,444,861

¹ Issuance of 479,729,700 new units at the issue price of RM1.48 per unit, pursuant to the private placement exercise completed on 28 October 2020.

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
 THIRD QUARTER ENDED 31 MARCH 2021
 FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2021 (UNAUDITED)

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

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

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

SUNWAY REAL ESTATE INVESTMENT TRUST
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.03.2021	31.03.2020 (Restated) ¹
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	352,488	492,008
Refundable security deposits from customers	8,359	1,572
Cash paid for operating expenses	(143,829)	(171,171)
Net cash from operating activities	<u>217,018</u>	<u>322,409</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(1,222)	(2,011)
Balance payment for acquisition of an investment property	(405,000)	-
Incidental costs on acquisition of an investment property	(4,717)	-
Subsequent expenditure of investment properties	(132,702)	(49,826)
Investment in short term money market instrument	(600,000)	(630,000)
Redemption of short term money market instrument	780,000	550,000
Net cash flows to licensed financial institutions with maturity of over 3 months	(25,000)	-
Interest received	5,031	4,445
Net cash used in investing activities	<u>(383,610)</u>	<u>(127,392)</u>
Cash flows from financing activities		
Proceeds from issuance of commercial papers	150,000	860,000
Proceeds from issuance of unrated medium term notes	600,000	600,000
Drawdown of revolving loan - USD	384,893	-
Repayment of commercial papers	(200,000)	(760,000)
Repayment of unrated medium term notes	(600,000)	(600,000)
Repayment of revolving loan - USD	(373,680)	-
Interest paid	(71,081)	(84,426)
Proceeds from issuance of new units	710,000	-
Payment of unit issuance expenses	(3,965)	-
Distribution paid to unitholders	(122,970)	(212,929)
Distribution paid to perpetual note holders	(9,972)	(9,972)
Net cash from/(used in) financing activities	<u>463,225</u>	<u>(207,327)</u>
Net increase/(decrease) in cash and cash equivalents	296,633	(12,310)
Cash and cash equivalents at beginning of year	101,816	47,258
Cash and cash equivalents at end of period	<u>398,449</u>	<u>34,948</u>
Cash and bank balances	423,449	54,948
Deposits with licensed financial institutions with maturity of over 3 months	(25,000)	(20,000)
Cash and cash equivalents	<u>398,449</u>	<u>34,948</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	43,449	34,948
Deposits placed with licensed financial institutions	380,000	20,000
Cash and bank balances	<u>423,449</u>	<u>54,948</u>

¹ Certain balances in the consolidated statement of cash flows have been reclassified to conform to current financial period's presentation. Further details are disclosed in Note B20.

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

A1. Corporate Information

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

A2. Significant Accounting Policies and Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the financial period ended 31 March 2021 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts (the "REIT Guidelines"). These unaudited condensed consolidated financial statements of the Group also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited condensed consolidated financial statements of the Group should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2020 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements. The audited financial statements of the Group for the financial year ended 30 June 2020 were prepared under MFRS and are available upon request from the Manager's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

The accounting policies adopted by the Group in this unaudited condensed consolidated financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2020, except for the adoption of the following amendments to MFRSs that are effective for annual periods beginning on or after 1 January 2020:

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

The adoption of the above amendments to MFRSs did not have material effect on the financial performance or position of the Group.

A3. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statements for the preceding financial year ended 30 June 2020.

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 31 March 2021, except for the material event 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 ended 31 March 2021, 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 3,424.8 million units for the current quarter ended 31 March 2021.

SUNWAY REAL ESTATE INVESTMENT TRUST
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A8. Segmental Reporting

Segmental revenue and results for the third quarter ended 31 March 2021 and 31 March 2020 are as follows:

Business segments	Third Quarter ended 31.03.2021						Third Quarter ended 31.03.2020					
	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	53,651	14,403	19,337	15,335	1,540	104,266	98,301	15,295	10,747	14,917	1,540	140,800
Net property income	23,946	12,818	13,378	15,335	1,540	67,017	67,083	13,548	6,422	14,917	1,540	103,510
Interest income						2,004						1,030
Other income						27						40
Trust and other expenses						(9,388)						(9,933)
Finance costs						(22,843)						(28,984)
Profit before tax						36,817						65,663
Income tax expense						-						-
Profit for the period						36,817						65,663

SUNWAY REAL ESTATE INVESTMENT TRUST
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A8. Segmental Reporting (Cont'd)

Segmental revenue and results for the cumulative quarter ended 31 March 2021 and 31 March 2020 are as follows:

Business segments	Cumulative Quarter ended 31.03.2021						Cumulative Quarter ended 31.03.2020					
	Retail	Hotel	Office	Services	Industrial & Others	Total	Retail	Hotel	Office	Services	Industrial & Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue and results												
Gross revenue	188,157	25,124	44,342	45,237	4,619	307,479	310,559	61,514	31,251	44,007	4,619	451,950
Net property income	102,007	20,647	28,608	45,237	4,619	201,118	216,407	56,611	17,560	44,007	4,619	339,204
Interest income						5,649						3,764
Other income						84						190
Trust and other expenses						(29,338)						(31,655)
Finance costs						(72,802)						(89,814)
Profit before tax						104,711						221,689
Income tax expense						-						-
Profit for the period						104,711						221,689

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

A8. Segmental Reporting (Cont'd)

Segmental assets and liabilities as at 31 March 2021 and 30 June 2020 are as follows:

Business segments	As at 31.03.2021						As at 30.06.2020					
	Retail	Hotel	Office	Services	Industrial & Others	Total	Retail	Hotel	Office	Services	Industrial & Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets												
Segment assets	5,080,749	1,689,122	959,421	913,482	96,000	8,738,774	4,997,765	1,625,718	486,257	910,057	96,000	8,115,797
Unallocated assets						415,770						344,448
Total assets						9,154,544						8,460,245
Liabilities												
Segment liabilities	220,905	9,665	32,262	-	-	262,832	180,036	10,567	11,230	-	-	201,833
Unallocated liabilities						3,446,851						3,488,638
Total liabilities						3,709,683						3,690,471

SUNWAY REAL ESTATE INVESTMENT TRUST
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FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2021 (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		
	31.03.2021	31.03.2020	Change	31.03.2021	31.03.2020	Change	31.03.2021	31.03.2020	Change	31.03.2021	31.03.2020	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	38,563	76,236	-49.4%	19,060	55,916	-65.9%	137,918	237,754	-42.0%	79,835	177,191	-54.9%
Sunway Carnival Shopping Mall	6,716	10,687	-37.2%	2,679	5,939	-54.9%	24,218	34,271	-29.3%	12,422	20,278	-38.7%
SunCity Ipoh Hypermarket	770	1,100	-30.0%	743	1,025	-27.5%	2,181	3,300	-33.9%	2,098	3,046	-31.1%
Sunway Putra Mall	7,602	10,278	-26.0%	1,464	4,203	-65.2%	23,840	35,234	-32.3%	7,652	15,892	-51.8%
	53,651	98,301	-45.4%	23,946	67,083	-64.3%	188,157	310,559	-39.4%	102,007	216,407	-52.9%
Hotel												
Sunway Resort Hotel ¹	200	3,363	-94.1%	(195)	2,860	> -100%	523	18,195	-97.1%	(663)	16,857	> -100%
Sunway Pyramid Hotel	193	1,706	-88.7%	14	1,541	-99.1%	695	10,651	-93.5%	182	10,144	-98.2%
Sunway Hotel Seberang Jaya	9	491	-98.2%	(37)	445	> -100%	101	1,807	-94.4%	(37)	1,685	> -100%
Sunway Putra Hotel	601	1,262	-52.4%	245	928	-73.6%	1,875	7,882	-76.2%	853	6,953	-87.7%
Sunway Hotel Georgetown	1,938	401	> 100%	1,887	345	> 100%	2,305	2,615	-11.9%	2,157	2,462	-12.4%
Sunway Clio Property	11,462	8,072	42.0%	10,904	7,429	46.8%	19,625	20,364	-3.6%	18,155	18,510	-1.9%
	14,403	15,295	-5.8%	12,818	13,548	-5.4%	25,124	61,514	-59.2%	20,647	56,611	-63.5%
Office												
Menara Sunway	4,302	4,588	-6.2%	2,938	3,164	-7.1%	13,296	13,633	-2.5%	9,125	9,161	-0.4%
Sunway Tower	1,184	1,304	-9.2%	350	387	-9.6%	3,565	3,249	9.7%	671	26	> 100%
Sunway Putra Tower	3,037	3,148	-3.5%	1,955	1,969	-0.7%	9,085	9,341	-2.7%	5,725	5,749	-0.4%
Wisma Sunway	1,762	1,707	3.2%	955	902	5.9%	5,254	5,028	4.5%	2,835	2,624	8.0%
The Pinnacle Sunway ²	9,052	N/A	N/A	7,180	N/A	N/A	13,142	N/A	N/A	10,252	N/A	N/A
	19,337	10,747	79.9%	13,378	6,422	108.3%	44,342	31,251	41.9%	28,608	17,560	62.9%
Services												
Sunway Medical Centre (Tower A & B)	6,386	6,170	3.5%	6,386	6,170	3.5%	18,726	18,093	3.5%	18,726	18,093	3.5%
Sunway university & college campus	8,949	8,747	2.3%	8,949	8,747	2.3%	26,511	25,914	2.3%	26,511	25,914	2.3%
	15,335	14,917	2.8%	15,335	14,917	2.8%	45,237	44,007	2.8%	45,237	44,007	2.8%
Industrial & Others												
Sunway REIT Industrial - Shah Alam 1	1,540	1,540	0.0%	1,540	1,540	0.0%	4,619	4,619	0.0%	4,619	4,619	0.0%
	1,540	1,540	0.0%	1,540	1,540	0.0%	4,619	4,619	0.0%	4,619	4,619	0.0%
TOTAL PORTFOLIO	104,266	140,800	-25.9%	67,017	103,510	-35.3%	307,479	451,950	-32.0%	201,118	339,204	-40.7%

N/A - Not Applicable

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

² Acquired on 20 November 2020.

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A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

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

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

a) Review of Current Quarter Results

Retail segment

The footfall and sales in 3Q2021 was affected by the re-implementation of the Movement Control Order (MCO) in Selangor, Kuala Lumpur and Penang where the malls are located. Gross revenue for current quarter was at RM53.7 million, dropped by 45.4% or RM44.6 million compared to the preceding year corresponding quarter (3Q2020), largely due to the ongoing rental support programme to be provided on a case-to-case basis to affected tenants, lower turnover rent, promotion and car park income. Nevertheless, average occupancy rate for the malls remained stable at above 90%.

The lower revenue was partially mitigated by lower property operating expenses by RM1.5 million mainly from lower property management fee and reimbursements, utilities and marketing expenses.

Correspondingly, net property income of the retail segment for 3Q2021 was RM23.9 million, lower by 64.3% or RM43.1 million.

Hotel segment

Despite the challenging market condition for the hospitality sector, our hotels remained open during the quarter with exception to Sunway Resort Hotel which took the opportunity of the lull period for phased refurbishment commencing from July 2020 for 12 - 24 months. The hotel segment recorded gross revenue of RM14.4 million for 3Q2021, a decrease of 5.8% or RM0.9 million from 3Q2020 mainly resulting from the closure of Sunway Resort Hotel and lower hotel occupancies for the current quarter, which was largely mitigated by the guaranteed income received for Sunway Clio Property and Sunway Hotel Georgetown.

Net property income of the hotel segment for 3Q2021 correspondingly reported a drop of 5.4% or RM0.7 million as compared to 3Q2020.

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

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

Office segment

Sunway REIT completed the acquisition of The Pinnacle Sunway on 20 November 2020. The office segment registered gross revenue of RM19.3 million for 3Q2021, jumped by 79.9% or RM8.6 million compared to 3Q2020, due to new income contribution from The Pinnacle Sunway of RM9.1 million and largely stable average occupancy rate.

Similarly, property operating expenses for 3Q2021 increased by RM1.6 million due to the property operating expenses for The Pinnacle Sunway of RM1.9 million.

Net property income of the office segment for 3Q2021 was RM13.4 million, higher by 108.3% or RM7.0 million compared to 3Q2020.

A8. Segmental Reporting (Cont'd)

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

Services segment

The services segment contributed gross revenue and net property income of RM15.3 million for 3Q2021, an increase of 2.8% or RM0.4 million compared to 3Q2020, due to annual rental reversion of Sunway Medical Centre and Sunway university & college campus in accordance with the master lease agreements.

Industrial & Others segment

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

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

Results for the quarter

Interest income for 3Q2021 was higher by RM1.0 million, contributed by higher deposits with financial institutions during the quarter with the proceeds from the private placement exercise.

Manager's fees for 3Q2021 was lower by RM0.5 million, following the drop in net property income for the quarter. The fee structure of the Manager is disclosed in Note B8.

Finance costs for 3Q2021 was lower by RM6.1 million due to the lower average interest rate for the quarter, despite higher principal loan amount.

Profit for the quarter mainly comprise of realised profit of RM36.8 million (3Q2020: RM65.6 million). Realised profit for 3Q2021 was lower by RM28.8 million in line with lower net property income of RM36.5 million, partially mitigated by higher interest income and lower finance costs and Manager's fees as explained above.

b) Review of Cumulative Quarter Results

Retail segment

The retail segment shown encouraging recovery in 1Q2021 following the easing of movement restrictions coupled with few festive celebrations before retracted in 2Q2021 and 3Q2021 with the re-introduction of CMCO on 14 October 2020 and MCO on 13 January 2021 respectively. The retail segment recorded gross revenue of RM188.2 million for the cumulative period ended 31 March 2021 (YTD 3Q2021), a decrease of 39.4% or RM122.4 million compared to YTD 3Q2020, mainly due to reasons as mentioned in Note A8a) above.

Property operating expenses of the retail segment for YTD 3Q2021 was RM86.2 million, lower by 8.5% or RM8.0 million compared to YTD 3Q2020, mainly due to reasons as mentioned in Note A8a) above, partially offset by higher provision for doubtful debts.

Net property income of the retail segment for YTD 3Q2021 was RM102.0 million, a decrease of 52.9% or RM114.4 million compared to YTD 3Q2020.

Hotel segment

The hotel segment recorded gross revenue of RM25.1 million for YTD 3Q2021, a decrease of 59.2% or RM36.4 million, due the same reasons as stated in Note A8a) above. Revenue from hotel segment was largely supported by the base rent for some of the hotel master leases and guaranteed income received for Sunway Clio Property and Sunway Hotel Georgetown.

Net property income of the hotel segment for YTD 3Q2021 was at RM20.6 million, lower by 63.5% or RM36.0 million.

A8. Segmental Reporting (Cont'd)

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

Office segment

The office segment recorded gross revenue of RM44.3 million for YTD 3Q2021, an increase of 41.9% or RM13.1 million compared to YTD 3Q2020, due to new income contribution from The Pinnacle Sunway of RM13.1 million.

Property operating expenses of the office segment for YTD 3Q2021 was RM15.7 million, higher by 14.9% or RM2.0 million compared to YTD 3Q2020, due the expenses of The Pinnacle Sunway of RM2.9 million, partially offset by lower expenses of the other offices.

Correspondingly, net property income of the office segment for YTD 3Q2021 stood at RM28.6 million, higher by 62.9% or RM11.0 million.

Services segment

Revenue and net property income in services segment stood at RM45.2 million, increased by 2.8% or RM1.2 million due to the annual rental reversion in accordance with the master lease agreements.

Industrial & Others segment

Sunway REIT Industrial - Shah Alam 1 contributed RM4.6 million to revenue and net property income for YTD3Q2021 and YTD3Q2020, in accordance with the master lease agreement.

Results for the period

Interest income for YTD 3Q2021 increased by RM1.9 million mainly contributed by higher deposits placed with financial institutions with the proceeds received from the private placement exercise.

Manager's fees for YTD 3Q2021 was lower by RM2.8 million, in line with the lower net property income for the period.

Other trust expenses for YTD 3Q2021 was higher by RM0.5 million due to the one-off consent fee for borrowings facilities in 2Q2021.

Finance costs for YTD 3Q2021 reduced by RM17.0 million mainly due to lower average interest rate for the period, from floating rate borrowings and refinancing of borrowings at lower market interest rate.

Profit for the period was RM104.7 million (YTD 3Q2020: RM221.7 million) mainly comprised of realised profit of RM104.6 million (YTD 3Q2020: RM221.5 million).

Realised profit for YTD 3Q2021 was lower by RM116.9 million primarily due to lower net property income of RM138.1 million, partially cushioned by higher interest income and lower finance costs and Manager's fees as explained above.

A9. Seasonality of Operations

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

A10. Profit Before Tax

Included in the profit before tax are the following items:

	<u>Third Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>31.03.2021</u>	<u>31.03.2020</u>	<u>31.03.2021</u>	<u>31.03.2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	(2,004)	(1,030)	(5,649)	(3,764)
Net changes in fair value of long term liabilities	(27)	(41)	(84)	(166)
Unrealised foreign exchange loss/(gain) (hedged item)	9,086	(29,268)	31,172	(33,452)
Cash flow hedge reserve recycled to profit or loss	(9,086)	29,268	(31,172)	33,452
Allowance of impairment on trade receivables	2,994	966	9,681	1,436

A10. Profit Before Tax (Cont'd)

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

	Third Quarter ended		Cumulative Quarter ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of plant and equipment	585	584	1,776	1,777
(Gain)/Loss on disposal of plant and equipment	(7)	30	8	30

A11. Income Tax Expense

Taxation of the REIT

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

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

Taxation of the Unitholders

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

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

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

A12. Income Distribution

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

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

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

For the financial period ended 31 March 2021, the interim income distributions were as follows:

- (i) For the period from 1 July 2020 to 30 September 2020, interim income distribution amounting to RM26.5 million or 0.90 sen per unit paid in cash on 10 November 2020. This was an advance income distribution to the existing unitholders of Sunway REIT prior to the issuance of new units pursuant to the private placement exercise.
- (ii) For the period from 1 October 2020 to 31 December 2020, interim income distribution amounting to RM26.4 million or 0.77 sen per unit paid in cash on 11 March 2021.

There is no proposed interim distribution for current quarter as future income distributions of Sunway REIT shall be based on distributable income for the semi-annual period ending 30 June and 31 December respectively.

A13. Investment Properties

	As at 31.03.2021 RM'000	As at 30.06.2020 RM'000
Investment properties	8,452,451	7,916,070
Investment property under construction	173,440	104,163
Investment property - accrued lease income	16,930	16,930
Total property value	<u>8,642,821</u>	<u>8,037,163</u>

On 20 November 2020, Sunway REIT acquired an investment property namely The Pinnacle Sunway for a cash consideration of RM450.0 million, which was financed through proceeds from the private placement exercise.

Our flagship hotel, Sunway Resort Hotel, is currently undergoing a phased refurbishment for 12 – 24 months from July 2020 to modernise its offerings with technology-enhanced features and family-friendly amenities, with the property development costs incurred to-date of RM60.2 million being capitalised as investment properties.

Investment property under construction relates to the property development activities for the expansion of Sunway Carnival Shopping Mall which includes the land cost of RM17.2 million and the property development costs incurred to-date of RM156.2 million. Superstructure, architectural, interior, mechanical and electrical services works are on-going and expected to be completed by end of 2021.

Included in the investment properties was the adjustment for accrued lease income in relation to the 30-year non-cancellable lease agreements for Sunway university & college campus, commencing on 15 April 2019 and expiring on 30 November 2048, with in-built incremental lease rental of 2.3% every year. The lease income has been recognised on a straight-line based over the lease period of 30 years pursuant to MFRS 16 Leases, with a total accrued lease income of RM16.9 million as at 31 March 2021.

A14. Valuation of Investment Properties

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

A15. Trade Receivables

	As at 31.03.2021 RM'000	As at 30.06.2020 RM'000
Third parties	71,207	55,505
Amount due from parties related to the Manager	349	3,808
	<u>71,556</u>	<u>59,313</u>
Less: Allowance for impairment	(15,703)	(6,047)
Total trade receivables	<u>55,853</u>	<u>53,266</u>

Trade receivables, before allowance for impairment, has increased by RM12.2 million as at 31 March 2021 due to longer collection period, especially from the retail segment. The trade receivables is expected to be collected over time with the recovery of the tenants' sales performance.

A15. Trade Receivables (Cont'd)

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

	As at 31.03.2021 RM'000	As at 30.06.2020 RM'000
Neither past due nor impaired	3,197	9,696
Past due but not impaired		
1 to 30 days	10,433	15,482
31 to 60 days	14,876	15,328
61 to 90 days	7,808	6,177
91 to 120 days	6,135	513
More than 120 days	13,404	6,070
	52,656	43,570
Impaired	15,703	6,047
	71,556	59,313

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

	As at 31.03.2021 RM'000	As at 30.06.2020 RM'000
At beginning of financial year	6,047	2,692
Charge for the period/year	9,681	3,370
Written off	(25)	(15)
At end of financial period/year	15,703	6,047

A16. Borrowings and Debt Securities

	As at 31.03.2021 RM'000	As at 31.03.2020 (Restated) RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial paper	-	100,000
- Revolving loan (USD)	393,870	357,831
- Unrated medium term notes	600,000	1,200,000
	993,870	1,657,831
Less: Discount on commercial paper	-	(197)
Less: Unamortised transaction costs	(363)	(436)
Total short term borrowings	993,507	1,657,198
<u>Long term borrowings</u>		
Secured - Unrated medium term notes	800,000	-
Unsecured - Revolving loan (RM)	1,600,000	1,500,000
Total long term borrowings	2,400,000	1,500,000
Total borrowings	3,393,507	3,157,198

All the borrowings of Sunway REIT is denominated in Ringgit Malaysia ("RM"), except for the revolving loan (USD) which is denominated in United States Dollar ("USD").

During the current quarter, the revolving loan (USD) was drawn in USD95.0 million (equivalent to RM384.9 million) to refinance the existing revolving loan (USD) drawn in AUD135.0 million (equivalent to RM373.7 million). The revolving loan (USD) is fully hedged with 1-year USD-MYR cross currency swap ("CCS") contracts at MYR notional value of RM384.9 million until February 2022 (31 March 2020: 1-year AUD-MYR CCS at MYR notional value of RM392.3 million until May 2020) to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period.

A16. Borrowings and Debt Securities (Cont'd)

The revolving loan (USD) of USD95.0 million was translated at an exchange rate of 4.1460 on 31 March 2021 (31 March 2020: AUD135.0 million at an exchange rate of 2.6506) with cumulative unrealised foreign exchange translation loss of RM9.0 million (31 March 2020: gain of RM34.5 million) since the drawdown.

The unamortised transaction costs of RM0.4 million as at 31 March 2021 relates to upfront expenses incurred for establishment of the 7-year CP Programme of up to RM3.0 billion commencing from April 2019.

The revolving loan (RM) is classified as long term borrowings based on the tenor / repayment terms of 7 years due in March 2026. The comparative has been reclassified to conform to current financial period's presentation. Further details are disclosed in Note B20.

Total borrowings stood at RM3.4 billion as at 31 March 2021, increased by RM0.2 billion compared to 31 March 2020, mainly from the issuance of RM200.0 million unrated medium term notes for planned capital expenditure.

The weighted average interest rate of borrowings as at 31 March 2021 was 2.92% (31 March 2020: 3.81%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 38 : 62 (31 March 2020: 43 : 57).

A17. Fair Value Hierarchy

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

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 March 2021				
<u>Financial assets</u>				
Investment properties	-	-	7,933,000	7,933,000
Derivatives	-	8,998	-	8,998
At 31 March 2020				
<u>Financial asset</u>				
Investment properties	-	-	7,981,500	7,981,500
<u>Financial liability</u>				
Derivatives	-	(34,973)	-	(34,973)

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

a) COVID-19 Pandemic and Malaysia Movement Control Order

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

i) Impact on financials

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

ii) Impact on liquidity

The Manager has taken pre-emptive measures to increase the liquidity position of Sunway REIT, both for ongoing business needs as well as for the purposes of averting any liquidity crunch in the credit market that could potentially arise. As at 31 March 2021, Sunway REIT has cash and short term investments amounting to RM423 million, largely for the on-going expansion of Sunway Carnival Shopping Mall and the phased refurbishment of Sunway Resort Hotel.

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

iii) Impact on occupancies

Average occupancy rate of the retail segment remained relatively stable at 95% for YTD 3Q2021, while office segment has registered higher average occupancy rate of 85% for YTD 3Q2021 compared to 78% for YTD 3Q2020 with the inclusion of The Pinnacle Sunway.

Excluding Sunway Resort Hotel which was closed for phased refurbishment commencing from July 2020, the hotel segment registered average occupancy rate of 27% for YTD 3Q2021, a drop of 39% compared to 66% for YTD 3Q2020. With international travel restriction remains prevalent and restricted group meeting capacity, hotel pick-up pace remains challenging in the coming months.

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

iv) Strategies and steps taken

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

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

A18. Material Event (Cont'd)

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

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

In addition, Sunway REIT's capital base was strengthened following the completion of the private placement exercise in 2Q2021, raising gross proceeds of approximately RM710.0 million to fund the acquisition of The Pinnacle Sunway and the expansion of Sunway Carnival Shopping Mall.

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

There was no material event subsequent to the quarter ended 31 March 2021.

A20. Capital Commitments

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

	As at 31.03.2021 RM'000	As at 30.06.2020 RM'000
Approved and contracted for	494,475	329,682
Approved but not contracted for	150,789	304,114
	<u>645,264</u>	<u>633,796</u>

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

A21. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 March 2021.

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 2021 and 31 March 2020:

	<u>Third Quarter ended</u>		<u>Cumulative Quarter ended</u>	
	<u>31.03.2021</u>	<u>31.03.2020</u>	<u>31.03.2021</u>	<u>31.03.2020</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	(38,066)	(40,193)	(75,820)	(113,229)
- Purchases	80,198	22,638	166,975	77,626
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(770)	(86)	(1,245)	(354)
- Purchases	312	168	368	509

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

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 2021 and 31 March 2020: (Cont'd)

	Third Quarter ended		Cumulative Quarter ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Net (redemption)/investment in money market	-	(20,000)	(180,000)	80,000
- Acquisition of investment property	-	-	405,000	-
- Distribution to perpetual note holders	4,904	4,959	14,931	14,986

The acquisition of investment property pertains to the acquisition of The Pinnacle Sunway for RM450.0 million from Sunway Integrated Properties Sdn. Bhd. and Sunway Pinnacle Sdn. Bhd., both of which are wholly-owned subsidiaries of Sunway Berhad. The deposit of RM45.0 million was paid in June 2020 upon signing of the sale and purchase agreement and the balance purchase consideration of RM405.0 million was paid in November 2020.

The distribution to perpetual note holders relates to the amount reserved and/or paid for semi-annual distribution to the subscribers of the perpetual note of RM340.0 million, which are wholesale funds regarded as structured entities controlled by Sunway Berhad.

The following table provides information on the balances with the parties related to the Manager as at 31 March 2021 and 30 June 2020:

	As at 31.03.2021	As at 30.06.2020
	RM'000	RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	969	6,046
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	7,832	6,800

Part B - Additional Information Pursuant to Paragraph 9.44 of the Main Market Listing Requirements of 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 RM605.7 million pursuant to the completion of the acquisition of The Pinnacle Sunway on 20 November 2020 and ongoing capital expenditure mainly for the expansion of Sunway Carnival Shopping Mall and the refurbishment of Sunway Resort Hotel.

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

The increase in trade receivables is explained in Note A15.

Other receivables was lower by RM44.6 million primarily due to reclassification of deposit for The Pinnacle Sunway of RM45.0 million as investment properties upon completion of the acquisition.

B1. Review of Performance (Cont'd)

b) Statement of Financial Position (Cont'd)

Derivatives of RM9.0 million was in relation to 1-year USD-MYR CCS contracts for the revolving loan (USD). Further details and movement of the derivatives are explained in Notes A16 and B16.

The increase in cash and bank balances by RM321.6 million was mainly the balance proceeds from the private placement exercise. Status of utilisation of the gross proceeds is disclosed in Note B11 below.

Perpetual note holders' funds represent proceed from an issuance of perpetual note of RM340.0 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. The perpetual note was subscribed by wholesale funds, which are regarded as structured entities controlled by Sunway Berhad. The distribution to the perpetual note holders is a related party transaction as disclosed in Note A22 above.

Borrowings decreased by RM51.9 million due to redemption of commercial papers of RM50.0 million.

Other payables increased by RM64.5 million mainly due to accrued loan interest and accrued rent rebate.

Total net asset value as at 31 March 2021 was RM5,444.9 million, comprise of unitholders' funds of RM5,105.2 million and perpetual note holders' funds of RM339.7 million. Unitholders' funds increased by RM675.1 million with the issuance of new units pursuant to private placement exercise raising net proceeds of RM706.0 million and total comprehensive income for the financial period of RM107.0 million, partially reduced by distribution to unitholders of RM123.0 million and amount reserved for distribution to perpetual note holders of RM14.9 million. There was no movement in the perpetual note holders' funds during the financial period.

Net asset value per unit, after income distribution, remained stable at RM1.48 as at 31 March 2021 and 30 June 2020.

c) Statement of Cash Flows

Net cash from operating activities for YTD 3Q2021 of RM217.0 million was lower by RM105.4 million compared to YTD 3Q2020 mainly attributable to lower collection from hotel lessees and tenants of RM139.5 million, partially offset by higher refundable deposits of RM6.8 million mainly from The Pinnacle Sunway and lower cash paid for operating expenses of RM27.3 million.

Net cash used in investing activities for YTD 3Q2021 of RM383.6 million was largely due to the acquisition of The Pinnacle Sunway, progress payments for refurbishment works at Sunway Resort Hotel and expansion works at Sunway Carnival Shopping Mall, partially offset by net redemption of investment in money market instrument.

Net cash from financing activities for YTD 3Q2021 of RM463.2 million was mainly attributable to gross proceeds from private placement of RM710.0 million, reduced by the redemption of commercial papers of RM50.0 million, income distribution paid to unitholders of RM123.0 million and interest paid of RM71.1 million.

Cash and bank balances as at 31 March 2021 and 31 March 2020 stood at RM423.4 million and RM54.9 million respectively. The higher balance was contributed by balance fund from borrowings for planned capital expenditure and balance proceeds from private placement exercise.

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 RM81.4 million for 3Q2021 and RM150.9 million for YTD 3Q2021, mainly for ongoing works for the expansion of Sunway Carnival Shopping Mall and the phased refurbishment for Sunway Resort Hotel, details as disclosed in Note A13.

B3. Material Changes in Quarterly Results

	Current Quarter ended 31.03.2021 RM'000	Immediate Preceding Quarter ended 31.12.2020 RM'000	Change %
Realised profit	36,790	33,468	9.9%
Unrealised profit	27	28	-3.6%
Profit for the quarter	<u>36,817</u>	<u>33,496</u>	<u>9.9%</u>

Realised profit for 3Q2021 was higher by RM3.3 million compared to the immediate preceding quarter (2Q2021), mainly due to the guaranteed income received for Sunway Clio Property and Sunway Hotel Georgetown in 3Q2021, coupled with the full quarter income contribution from The Pinnacle Sunway which was acquired on 20 November 2020. The increase in net property income from hotel and office segments was partially reduced by the adverse impact on retail segment following the re-implementation of MCO from 13 January 2021 to 4 March 2021 in Selangor, Kuala Lumpur and Penang where the malls are located.

The higher realised profit for 3Q2021 was also contributed by lower other trust expenses and finance costs by RM1.0 million and RM1.4 million respectively due to one-off professional fees for the acquisition of The Pinnacle Sunway and consent fee for borrowing facilities incurred in 2Q2021 and lower average interest rate in 3Q2021 of 2.83% (2Q2021: 2.91%).

B4. Commentary on Prospects

Amidst continued uncertainties surrounding the pandemic globally and domestically, the ongoing expansionary monetary policy, accommodative financial conditions globally and deployment of vaccines are expected to pave the way for normalisation in global economic activities.

The International Monetary Fund (IMF) has revised upward its global economic growth forecast in April 2021 on the back of vaccines rolled out globally, albeit at differing rollout speed amongst countries. IMF projects a stronger recovery of 6.0% in CY2021 (IMF's revised forecast in October 2020: 5.5%) supported by strong fiscal policies in major economies as well as the anticipated recovery in the second half of the year on the back of vaccination programme worldwide.

Despite the encouraging growth expectation and optimism seen in CY2021, IMF expects a divergence in the speed of recovery across countries, where tourism and commodity export-centric countries may see a more challenging recovery pace.

The domestic economy performed better-than-expected in 1Q CY2021, despite the imposition of MCO 2.0 during the quarter. Malaysia's gross domestic product recorded a marginal contraction of 0.5% in 1Q CY2021, underpinned by improvement in domestic demand and robust exports, particularly for electrical and electronics (E&E) products. All economic sectors registered an improvement. Bank Negara Malaysia (BNM) cited that Malaysia is on track to achieve the projected economic growth of 6.0%-7.5% in CY2021 (CY2020: -5.6%), supported by stronger external demand and recovery in domestic conditions.

Key factors supporting Malaysia's economic recovery are:

- technology-upcycle driven external demand
- stronger external demand and higher public and private expenditure
- ease of movement restrictions and COVID-19 vaccine rollout
- gradual improvement of labour market
- pickup in manufacturing and industrial activities
- continuation of large infrastructure projects

Outlook is underpinned by the ongoing rollout speed of mass inoculation against COVID-19 and the resurgence in cases where a re-escalation of the pandemic before majority of the population are vaccinated will be the key downside risks to the recovery path.

B4. Commentary on Prospects (Cont'd)

Following a deflationary position in CY2020, headline inflation in CY2021 is forecasted to be higher, hovering between 2.5% - 4.0% owing to cost-push factors such as the expected increase in global oil and commodity prices. Underlying inflation, as measured by core inflation, is expected to remain benign in the region of 0.5% to 1.5% due to spare capacity in the economy. Headline inflation edged up by 0.5% in 1Q CY2021 due to base effect from fuel prices and lapse in impact of electricity tariff rebates.

The Monetary Policy Committee (MPC) of BNM maintained the Overnight Policy Rate (OPR) at 1.75% in May 2021. BNM is committed to utilise its policy levers to maintain an accommodative monetary policy environment in CY2021 to support an entrenched economic recovery. Taking into consideration of potential downside risk to domestic economic recovery, the MPC is mindful of avoiding a premature withdrawal of policy support.

An additional stimulus of RM20 billion was also unveiled by the government in March 2021 to further stimulate economic activities, coupled with a new fiscal injection of RM11 billion to revitalise the economy.

On 5 March 2021, the Movement Control Order (MCO) 2.0 was lifted in Selangor, Kuala Lumpur, Johor and Penang and replaced with the Conditional Movement Control Order (CMCO). However, the relaxation was short-lived following the implementation of MCO 3.0 nationwide on the back of resurgence of COVID-19 cases.

The financial performance of Sunway REIT in the 9M FP2021 was hindered by the implementation of MCO and CMCO since October 2020. The Manager expects the business prospects to be challenging following the latest imposition of MCO 3.0 in view of the rising daily COVID-19 cases. A sustained global and domestic economic recovery coupled with well-contained COVID-19 situation will be imperative to Sunway REIT's recovery to normalcy.

Pursuant to the implementation of MCO 3.0, the Manager remains cautious on the recovery prospects in the short to medium term owing to the movement restrictions imposed which may affect the business operating landscape.

Sunway REIT has comfortable debt headroom to embark on acquisitions and merger & acquisition activities should opportunity prevails.

The Manager continues to maintain an income distribution payout of at least 90%, providing liquidity headroom to meet cash flow obligations, if necessary.

Review of retail market

The retail industry in Malaysia is experiencing its worst performance following a contraction of 16.3% y-o-y recorded in CY2020. The Retail Group Malaysia (RGM) expects retail sales in 1Q CY2021 to contract by 13.4% q-o-q due to the imposition of MCO 2.0 in January 2021. The RGM has adjusted downward its CY2021 retail sales growth projection to 4.1% (previous forecast: 4.9%) after taking into account the MCO 2.0 effect in 1Q CY2021.

Malaysian Institute of Economic Research (MIER)'s Consumer Sentiment Index (CSI) improved to close to a 2.5 years high in 1Q CY2021 at 98.9 points, albeit remained marginally below the optimism level of 100 points. The encouraging sentiment was underpinned by improvement in personal finances, income and employment prospect which support consumption outlook.

Leading retail malls continue to demonstrate a high level of resiliency where occupancy and attrition rates remained stable. It is a testament of a strong landlord-tenant relationship, on top of the rental assistance and marketing support to tide through the pandemic period. Further to that, leading retail malls are also prime beneficiaries of regional brands expanding their presence in Malaysia.

In addition, policy measures are in place to support the recovery of the vulnerable segments, through the extension of measures announced in CY2020, the Budget 2021, the PERMAI and PEMERKASA assistance packages. To ease operating cost burden, electricity rebate and Wage Subsidy Programme (on affected sectors) were extended to June 2021. Under the additional PEMERKASA stimulus package, the allocation for the immunisation programme was increased to RM5 billion to accelerate the mass vaccination programme.

B4. Commentary on Prospects (Cont'd)

Review of retail market (Cont'd)

The Manager remains cautious on the prospect of the retail segment pursuant to the implementation of MCO 3.0 nationwide, which intensifies the stress endured by retail malls' owners and tenants. Notwithstanding that, the retail segment is faced with further uncertainties such as unexpected closure order for retail malls listed under the Hotspot Identification for Dynamic Engagement (HIDE).

Review of hotel market

Malaysian Association of Hotels (MAH) reported a nationwide hotels average occupancy rate of 20% and 18% in January 2021 and February 2021 respectively as the re-implementation of MCO in January 2021 hampered the movement activities. The average occupancy rate reported was at the low range of CY2020's average occupancy rate of between 20% to 40%.

In the near to medium term, the headwinds surrounding the hotel segment may persist with the tourism sector expected to be driven by local demand. Despite the possible mass vaccination in Malaysia being achieved by end-2021, the pace of roll-out of vaccine distribution across the globe will vary and international border reopening will not be immediate. To cushion the impact to the tourism sector in Malaysia, the government has also extended electricity tariff rebates until June 2021, as well as exemption for tourism tax and services tax for hotel accommodation until 31 December 2021.

Domestic travel within Malaysia was allowed effective 10 March 2021, bringing some relief to the travel industry albeit only applicable for travel between states under the Recovery Movement Control Order (RMCO). However, with the recent suspension on RMCO cross-border domestic travel, the relief to the travel industry was short-lived.

The Manager expects the operating landscape for the hotel segment to remain challenging pursuant to the implementation of MCO 3.0 nationwide coupled with expectation of subdued recovery prospect for tourism and hospitality sectors. expectation of subdued recovery prospect for tourism and hospitality sectors.

Review of office market

The total supply of purpose-built office space in Kuala Lumpur and Selangor stood at approximately 144.8 million sq.ft. in CY2020, a 2.2% increase from CY2019. The average occupancy rate in Kuala Lumpur and Selangor in CY2020 dropped to 77.6% (2019: 78.3%) and 69.2% (2019: 71.6%) respectively on the back of business consolidation and deferment of multinational corporations in establishing and expanding in Malaysia as a result of the COVID-19 pandemic.

The pandemic has accelerated the adaptation of working-from-home arrangement for corporations in Malaysia, which may lead to a shift of office space trend to cater to flexible workplaces over the medium term.

Effective 1 April 2021, National Security Council (MKN) has abolished the restriction of only 30% of employees being allowed to work in the office, thus supporting the recovery of the Malaysian economy as many industries would be able to operate at full capacity. Pursuant to the implementation of MCO 3.0 nationwide, the restriction has reverted to only 30% of the management workforce is allowed to be in the office.

The Manager expects the office segment to remain resilient, backed by stable occupancy rates as well as new income contribution from The Pinnacle Sunway.

Review of industrial market

Malaysia's Industrial Production Index (IPI) rose 1.5% in February 2021, mainly attributed to the growth in the manufacturing sector. The manufacturing subsector major contributor were the electrical and electronics products (+10.3% y-o-y), petroleum, chemical, rubber and plastic products (+8.9% y-o-y) as well as transport equipment and other manufactures (+3.2% y-o-y).

The Purchasing Managers' Index (PMI) increased to 49.9 in March from 47.7 in February. IHS Markit also shared that Malaysian manufacturers displayed a stronger degree of optimism regarding the outlook for output in the coming year. Manufacturers are increasingly optimistic on the outlook for the year and employment levels have also rebounded to expansionary territory for the first time since March 2020, driving hopes to a wider recovery.

B4. Commentary on Prospects (Cont'd)

Review of industrial market (Cont'd)

Resilient demand for manufacturing and industrial facilities, supported by fast-track approval mechanism for manufacturing licenses and tax incentives with the establishment of Project Acceleration and Coordination Unit (PACU) will help raise the country's attractiveness in the eyes of foreign investors.

The Manager, in view of continued diversification for resilient income, continues to be on the lookout for yield-accretive assets in this segment backed by strong fundamentals in the industrial sector.

B5. Investment Objectives

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

The Manager will continue to distribute the income of Sunway REIT on a semi-annual basis and will endeavour to grow the net asset value of Sunway REIT over a longer period of time. There was no change in the objectives during the period under review.

B6. Performance Benchmark

Performance indicators	Period ended 31.03.2021	Year ended 30.06.2020
a) Management expense ratio	0.72%	0.86%
b) Total return	-5.5%	-8.9%
c) Average annual total return (5 years)	2.7%	6.5%
d) Distribution yield	2.5%	4.5%
e) NAV per unit (after income distribution) (RM)	1.4813	1.4804

* The performance indicators for the period ended 31 March 2021 was based on annualised results.

- a) The ratio of annualised trust expenses in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial period plus annualised distribution yield for the financial period.
- c) Average annual total return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Annualised DPU of 3.68 sen (based on distributable income of 2.76 sen per unit for YTD 3Q2021) divided by the closing unit price as at 31 March 2021 of RM1.49 (30 June 2020: DPU of 7.33 sen for FY2020; closing unit price as at 30 June 2020 of RM1.62).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value as at the period-end, divided by total issued units and after distributable income of 0.93 sen per unit for 3Q2021 is assumed for income distribution (30 June 2020: Final income distribution of 2.38 sen per unit).

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

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

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

B8. Manager's Fee

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

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

The base fee and performance fee may be in the forms of cash, new units or a combination thereof, such proportion which may be varied at the discretion of the Manager. The Manager's fee is fully paid in cash since FY2017.

Total Manager's fees for 3Q 2021 and YTD 3Q2021 were lower following the lower net property income for the current financial period. In 2Q2021, there was acquisition fee of RM4.5 million paid to the Manager for the acquisition of The Pinnacle Sunway, which was capitalised as part of the acquisition cost of investment properties.

B9. Trustee's Fees

Pursuant to the Deed constituting Sunway REIT, the fee payable to the Trustee is up to 0.015% per annum of the net asset value of Sunway REIT, subject to a maximum of RM700,000 per annum and is calculated on a monthly accrual basis based on a year of 12 months.

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

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

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

Total Trustee's fees for the 3Q2021 and YTD 3Q2021 were marginally higher compared with preceding year corresponding period.

B10. Status of Corporate Proposals

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

B11. Status of Utilisation of Proceeds

As at 31 March 2021, the status of utilisation of the gross proceeds from the private placement was as follows:

Proposed utilisation	Proposed amount for utilisation	Actual utilisation	Balance unutilised	Estimated timeframe for utilisation upon listing on 28 October 2020
	RM'million	RM'million	RM'million	
Settlement of balance purchase consideration of The Pinnacle Sunway	405.0	405.0	-	Immediately
Capital expenditure for expansion of Sunway Carnival Shopping Mall	295.4	153.0	142.4	Within 36 months
Defray estimated expenses for the Proposals	9.6	9.6	-	Immediately
	710.0	567.6	142.4	

B12. Material Litigation

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

On 28 September 2015, Metroplex filed writ of summons and a statement of claim against the Defendants to claim, amongst others, damages for various chattels and movable items (e.g. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) which were allegedly acquired and owned by Metroplex but not removed by Metroplex when the Defendants took possession of the hotel at Sunway Putra on 27 September 2011. Metroplex has in its statement of claim alleged that the various chattels and movable items were worth in excess of RM80 million as at September 2011. The Defendants entered into defence on 9 November 2015.

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

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

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

On 31 March 2021, the Federal Court overturned the Court of Appeal's Decision and reinstated the High Court's Decision in favour of Metroplex. The parties will now proceed to the assessment of damages proceedings in the High Court. The financial impact will be assessed upon the determination of the assessment proceedings.

B13. 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.

B14. Summary of EPU, DPU, NAV and Market Price

	Current Quarter ended 31.03.2021	Immediate Preceding Quarter ended 31.12.2020	Change %
Number of units in issue (units)	3,424,807,700	3,424,807,700	0.0%
Realised net income (RM'000)	36,790	33,468	9.9%
Realised earnings per unit (EPU) (sen)	0.94	0.91	3.3%
Income distribution (RM'000)	-	26,371	-100.0%
Distribution per unit (sen)	-	0.77	-100.0%
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ¹	5,073,258	5,072,685	*
NAV per unit (After income distribution) (RM) ¹	1.4813	1.4812	*
Market price per unit (RM)	1.49	1.50	-0.7%

* Denotes < 0.1%

¹ After distributable income of 0.93 sen per unit for 3Q2021 is assumed for income distribution (31 December 2020: DPU of 0.77 sen for the period from 1 October 2020 to 31 December 2020).

B15. Income Distribution

Please refer to Statement of Income Distribution and Note A12 for details.

B16. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract/Notional Value		Fair value at reporting date Derivative Asset	
	As at 31.03.2021	As at 30.06.2020	As at 31.03.2021	As at 30.06.2020
	RM'000	RM'000	RM'000	RM'000
Cross currency swap - Less than 1 year	384,893	373,680	8,998	20,039

Sunway REIT entered into CCS contracts to manage its exposure in foreign currency risk arising from borrowings in USD (30 June 2020: AUD). Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

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

The fair value of the CCS recognised in the statement of comprehensive income for for 3Q2021 and YTD 3Q2021 were a gain of RM9.7 million (3Q2020: loss of RM29.1 million) and a gain of RM33.4 million (YTD 3Q2020: loss of RM33.8 million) respectively. The gain recognised in the current quarter comprised fair value gain of the CCS which has matured in February 2021 of RM0.7 million and fair value gain of the new CCS from February 2021 of RM9.0 million, which was reflected as a derivative asset on the balance sheet as at 31 March 2021.

B17. Risks and Policies of Derivatives

The derivatives of the Group comprises cross currency swap contract as mentioned in Note B16.

The overall risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 2020.

B18. Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There was no gain/loss arising from fair value changes of financial liabilities for YTD 3Q2021.

B19. Change of Financial Year End

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

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

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

B20. Comparatives

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

	As Previously Stated RM'000	Reclassification RM'000	Restated RM'000
Consolidated Statement of Financial Position			
<u>At 30 June 2020</u>			
Current liabilities - borrowings	3,245,418	(1,600,000)	1,645,418
Non-current liabilities - borrowings	200,000	1,600,000	1,800,000
Consolidated Statement of Cash Flows			
<u>Cumulative quarter ended 31 March 2020</u>			
Drawdown of revolving loans	13,610,000	(13,610,000)	-
Repayment of revolving loans	(13,610,000)	13,610,000	-
Part A - Explanatory Note A16			
<u>At 31 March 2020</u>			
Short term borrowings - revolving loan	3,157,198	(1,500,000)	1,657,198
Long term borrowings - revolving loan	-	1,500,000	1,500,000

B21. 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 2021 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 2021.

BY ORDER OF THE BOARD
Sunway REIT Management Sdn. Bhd.
(As Manager for Sunway Real Estate Investment Trust)

Tan Kim Aun
Ong Wei Leng
Company Secretaries

Bandar Sunway
Date: 19 May 2021