

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2019	30.06.2018	Change	30.06.2019	30.06.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	141,703	133,695	6.0%	557,144	548,294	1.6%
Other operating income	3,856	2,557	50.8%	23,155	12,112	91.2%
Gross revenue	145,559	136,252	6.8%	580,299	560,406	3.5%
Quit rent, assessment and insurance	(3,334)	(3,736)	-10.8%	(13,774)	(13,892)	-0.8%
Other property operating expenses	(31,043)	(32,242)	-3.7%	(126,830)	(126,584)	0.2%
Property operating expenses	(34,377)	(35,978)	-4.4%	(140,604)	(140,476)	0.1%
Net property income	111,182	100,274	10.9%	439,695	419,930	4.7%
Interest income	825	1,833	-55.0%	5,165	6,231	-17.1%
Other income	34	101	-66.3%	135	2,070	-93.5%
Changes in fair value of investment properties	107,730	144,701	-25.5%	107,730	144,701	-25.5%
Net investment income	219,771	246,909	-11.0%	552,725	572,932	-3.5%
Manager's fees	(9,408)	(8,637)	8.9%	(36,260)	(34,463)	5.2%
Trustee's fees	(235)	(17)	> 100%	(728)	(1,012)	-28.1%
Other trust expenses	(1,139)	(1,137)	0.2%	(3,755)	(3,120)	20.4%
Finance costs	(29,934)	(29,005)	3.2%	(117,664)	(105,646)	11.4%
	(40,716)	(38,796)	4.9%	(158,407)	(144,241)	9.8%
Profit before tax	179,055	208,113	-14.0%	394,318	428,691	-8.0%
Income tax expense	(1,050)	(1,000)	5.0%	(7,945)	(1,000)	> 100%
Profit for the period / year	178,005	207,113	-14.1%	386,373	427,691	-9.7%
Profit for the period / year comprise the following:						
Realised						
- Unitholders	67,164	63,314	6.1%	282,336	281,947	0.1%
- Perpetual note holders	4,141	-	N/A	4,141	-	N/A
	71,305	63,314	12.6%	286,477	281,947	1.6%
Unrealised	106,700	143,799	-25.8%	99,896	145,744	-31.5%
	178,005	207,113	-14.1%	386,373	427,691	-9.7%
Basic earnings per unit attributable to unitholders (sen):						
Realised	2.28	2.15	6.0%	9.59	9.57	0.2%
Unrealised	3.63	4.89	-25.8%	3.39	4.95	-31.5%
	5.91	7.04	-16.1%	12.98	14.52	-10.6%
Proposed/declared distribution per unit (sen)	2.28	2.15	6.0%	9.59	9.57	0.2%

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 FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2019	30.06.2018	Change	30.06.2019	30.06.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period / year	178,005	207,113	-14.1%	386,373	427,691	-9.7%
Other comprehensive income						
Cash flow hedge - fair value of derivative ¹	(997)	17,682	> - 100%	(6,513)	(29,497)	-77.9%
Cash flow hedge reserve recycled to profit or loss ²	567	(17,450)	> 100%	6,488	28,700	-77.4%
Total comprehensive income for the period / year	177,575	207,345	-14.4%	386,348	426,894	-9.5%

¹ Please refer to Note B15b) for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2019	30.06.2018	Change	30.06.2019	30.06.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	141,703	133,695	6.0%	557,144	548,294	1.6%
Interest income	825	1,833	-55.0%	5,165	6,231	-17.1%
Other income *	3,870	2,560	51.2%	23,179	12,139	90.9%
	146,398	138,088	6.0%	585,488	566,664	3.3%
Less: Expenses	(75,093)	(74,774)	0.4%	(299,011)	(284,717)	5.0%
Realised income for the period / year	71,305	63,314	12.6%	286,477	281,947	1.6%
Less: Amount reserved for distribution to perpetual note holders	(4,141)	-	N/A	(4,141)	-	N/A
Realised income attributable to unitholders	67,164	63,314	6.1%	282,336	281,947	0.1%
Add: Previous period / year's undistributed realised income	437	555	-21.3%	550	447	23.0%
Total income available for distribution	67,601	63,869	5.8%	282,886	282,394	0.2%
Less: Proposed / declared income distribution to unitholders	(67,148)	(63,319)	6.0%	(282,433)	(281,844)	0.2%
Balance undistributed realised income	453	550	-17.6%	453	550	-17.6%
Distribution per unit (sen)	2.28	2.15	6.0%	9.59	9.57	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
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Current	Immediate	Change
	Quarter	Preceding	
	30.06.2019	31.03.2019	
	RM'000	RM'000	%
Rental income	141,703	143,816	-1.5%
Other operating income	3,856	7,683	-49.8%
Gross revenue	145,559	151,499	-3.9%
Quit rent, assessment and insurance	(3,334)	(3,772)	-11.6%
Other property operating expenses	(31,043)	(33,953)	-8.6%
Property operating expenses	(34,377)	(37,725)	-8.9%
Net property income	111,182	113,774	-2.3%
Interest income	825	681	21.1%
Other income	34	59	-42.4%
Changes in fair value of investment properties	107,730	-	N/A
Net investment income	219,771	114,514	91.9%
Manager's fees	(9,408)	(8,994)	4.6%
Trustee's fees	(235)	(161)	46.0%
Other trust expenses	(1,139)	(752)	51.5%
Finance costs	(29,934)	(28,798)	3.9%
	(40,716)	(38,705)	5.2%
Profit before tax	179,055	75,809	> 100%
Income tax expense	(1,050)	(6,895)	-84.8%
Profit for the period	178,005	68,914	> 100%
Profit for the period comprise the following:			
Realised			
- Unitholders	67,164	75,762	-11.3%
- Perpetual note holders	4,141	-	N/A
	71,305	75,762	-5.9%
Unrealised	106,700	(6,848)	> 100%
	178,005	68,914	> 100%
Basic earnings per unit attributable to unitholders (sen):			
Realised	2.28	2.58	-11.6%
Unrealised	3.63	(0.24)	> 100%
	5.91	2.34	> 100%
Proposed/declared distribution per unit (sen)	2.28	2.58	-11.6%

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 FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)

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

	Current Quarter	Immediate Preceding Quarter	Change
	30.06.2019	31.03.2019	
	RM'000	RM'000	%
Profit for the period	178,005	68,914	> 100%
Other comprehensive income			
Cash flow hedge - fair value of derivative	(997)	(3,599)	-72.3%
Cash flow hedge reserve recycled to profit or loss	567	3,686	-84.6%
Total comprehensive income for the period	177,575	69,001	> 100%

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter	Immediate Preceding Quarter	Change
	30.06.2019	31.03.2019	
	RM'000	RM'000	%
Rental income	141,703	143,816	-1.5%
Interest income	825	681	21.1%
Other income *	3,870	7,695	-49.7%
	146,398	152,192	-3.8%
Less: Expenses	(75,093)	(76,430)	-1.7%
Realised income for the period	71,305	75,762	-5.9%
Less: Amount reserved for distribution to perpetual note holders	(4,141)	-	N/A
Realised income attributable to unitholders	67,164	75,762	-11.3%
Add: Previous period's undistributed realised income	437	658	-33.6%
Total income available for distribution	67,601	76,420	-11.5%
Less: Proposed / declared income distribution to unitholders	(67,148)	(75,983)	-11.6%
Balance undistributed realised income	453	437	3.7%
Distribution per unit (sen)	2.28	2.58	-11.6%

* Included in other income above is other operating income

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

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.06.2019 (Unaudited)	As At 30.06.2018 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Investment properties	8,047,410	7,280,225
Plant and equipment	12,517	13,591
	<u>8,059,927</u>	<u>7,293,816</u>
Current assets		
Trade receivables	19,380	21,423
Other receivables	11,473	10,669
Derivatives	-	10,766
Short term investment	-	129,625
Cash and bank balances	67,258	57,559
	<u>98,111</u>	<u>230,042</u>
Total assets	8,158,038	7,523,858
Equity and liabilities		
Equity		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,729,010	1,625,407
Total Unitholders' funds	4,456,839	4,353,236
Perpetual note holders' funds	339,717	-
Total equity	<u>4,796,556</u>	<u>4,353,236</u>
Non-current liabilities		
Borrowings	-	299,750
Long term liabilities	77,018	77,519
Deferred tax liability	14,841	6,896
	<u>91,859</u>	<u>384,165</u>
Current liabilities		
Borrowings	3,090,793	2,602,750
Trade payables	3,057	2,096
Other payables	174,640	181,583
Derivatives	1,133	28
	<u>3,269,623</u>	<u>2,786,457</u>
Total liabilities	<u>3,361,482</u>	<u>3,170,622</u>
Total equity and liabilities	8,158,038	7,523,858
Units in circulation ('000 units)	2,945,078	2,945,078
Net Asset Value ("NAV") attributable to unitholders:		
Before income distribution	4,456,839	4,353,236
After income distribution	4,389,691	4,289,917
NAV per unit attributable to unitholders (RM):		
Before income distribution ¹	1.5133	1.4781
After income distribution ²	1.4905	1.4566

¹ Before the 4Q2019 proposed income distribution of 2.28 sen per unit (4Q2018: 2.15 sen per unit).

² After the 4Q2019 proposed income distribution of 2.28 sen per unit (4Q2018: 2.15 sen per unit).

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

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<-- Undistributed Income --> Realised	Unrealised	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 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 (Unaudited)	2,727,829	(11)	1,729,021	4,456,839	339,717	4,796,556

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

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

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.06.2019	30.06.2018
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	623,639	617,849
Refundable security deposits from customers	11,335	2,284
Cash paid for operating expenses	(235,537)	(240,243)
Net cash from operating activities	399,437	379,890
Cash flows from investing activities		
Acquisition of plant and equipment	(3,126)	(6,336)
Acquisition of investment properties	(550,000)	(422,350)
Incidental costs on acquisition of investment properties	(5,885)	(4,639)
Subsequent expenditure of investment properties	(111,687)	(30,439)
Investment in short term money market instrument	(455,000)	(821,000)
Redemption of short term money market instrument	585,000	691,000
Net cash flows from licensed financial institutions with maturity of over 3 months	(20,000)	-
Interest received	4,503	6,857
Net cash used in investing activities	(556,195)	(586,907)
Cash flows from financing activities		
Proceeds from issuance of commercial papers	1,801,000	284,600
Proceeds from issuance of unrated medium term notes	1,200,000	300,000
Drawdown of revolving loans	15,605,910	14,530,100
Repayment of commercial papers	(1,208,500)	(318,600)
Repayment of unrated medium term notes	(1,801,000)	-
Repayment of revolving loans	(15,397,000)	(13,818,600)
Repayment of term loan	-	(422,000)
Interest paid	(115,066)	(106,090)
Distribution paid to unitholders	(278,604)	(285,378)
Net proceed from issuance of perpetual note	339,717	-
Net cash from financing activities	146,457	164,032
Net decrease in cash and cash equivalents	(10,301)	(42,985)
Cash and cash equivalents at beginning of year	57,559	100,544
Cash and cash equivalents at end of year	47,258	57,559
Cash and bank balances	67,258	57,559
Deposits with licensed financial institutions with maturity of over 3 months	(20,000)	-
Cash and cash equivalents	47,258	57,559
Cash and bank balances at end of year comprise:		
Cash on hand and at banks	25,258	20,259
Deposits placed with licensed financial institutions	42,000	37,300
Cash and bank balances	67,258	57,559

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 FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

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

A1. Corporate Information

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

The unaudited condensed consolidated financial statements comprise Sunway REIT and its subsidiaries (the "Group").

A2. Significant Accounting Policies and Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the financial year ended 30 June 2019 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts (the "REIT Guidelines"). These condensed consolidated 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 2018 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 2018 which were prepared under MFRS and are available upon request from the Manager's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

The accounting policies adopted by the Group in this unaudited condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2018, except for the adoption of the following new MFRSs, amendments to MFRSs and IC interpretation that are effective for annual periods beginning on or after 1 January 2018:

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

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

A3. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statements for the preceding financial year ended 30 June 2018.

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 30 June 2019, except for the following:

	Fourth Quarter ended	
	30.06.2019	30.06.2018
	RM'000	RM'000
Profit for the period	178,005	207,113
Less: Fair value changes ¹	(107,750)	(144,799)
Add: Deferred taxation ²	1,050	1,000
Profit for the period, excluding unusual items	71,305	63,314

¹ Mainly comprise changes in fair value of investment properties (after accounting for net capital expenditure incurred), of RM107.7 million (4Q2018: RM144.7 million), with details explained in Note A14.

² Relates to deferred tax provided at 10% (4Q2018: 5%) on unrealised fair value gain of freehold land component within the investment properties which is expected to be recovered through sale.

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

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

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

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

A8. Segmental Reporting

Segmental revenue and results for the fourth quarter ended 30 June 2019 are as follows:

Business segments	Fourth Quarter ended 30.06.2019						Fourth Quarter ended 30.06.2018					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
Revenue and results												
Gross revenue	105,784	15,021	10,032	13,183	1,539	145,559	101,248	18,746	9,098	5,760	1,400	136,252
Net property income	77,235	13,367	5,858	13,183	1,539	111,182	70,680	17,022	5,412	5,760	1,400	100,274
Interest income						825						1,833
Other income						34						101
Changes in fair value of investment properties *						107,730						144,701
Trust and other expenses						(10,782)						(9,791)
Finance costs						(29,934)						(29,005)
Profit before tax						179,055						208,113
Income tax expense						(1,050)						(1,000)
Profit for the period						178,005						207,113

* After accounting for capital expenditure incurred

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

Segmental revenue and results for the cumulative quarter ended 30 June 2019 are as follows:

Business segments	Cumulative Quarter ended 30.06.2019						Cumulative Quarter ended 30.06.2018					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
Revenue and results												
Gross revenue	426,721	78,609	38,427	30,664	5,878	580,299	416,521	82,637	33,471	22,650	5,127	560,406
Net property income	310,453	71,316	21,384	30,664	5,878	439,695	296,943	77,719	17,491	22,650	5,127	419,930
Interest income						5,165						6,231
Other income						135						2,070
Changes in fair value of investment properties *						107,730						144,701
Trust and other expenses						(40,743)						(38,595)
Finance costs						(117,664)						(105,646)
Profit before tax						394,318						428,691
Income tax expense						(7,945)						(1,000)
Profit for the year						386,373						427,691

* After accounting for capital expenditure incurred

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

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

Business segments	As at 30.06.2019						As at 30.06.2018					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
Assets												
Segment assets	4,927,476	1,698,472	487,652	895,987	95,000	8,104,587	4,699,399	1,719,715	476,318	341,920	92,000	7,329,352
Unallocated assets						53,451						194,506
Total assets						<u>8,158,038</u>						<u>7,523,858</u>
Liabilities												
Segment liabilities	190,107	25,389	11,604	-	-	227,100	202,721	26,135	10,730	-	-	239,586
Unallocated liabilities						3,134,382						2,931,036
Total liabilities						<u>3,361,482</u>						<u>3,170,622</u>

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

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Fourth Quarter ended			Fourth Quarter ended			Cumulative Quarter ended			Cumulative Quarter ended		
	30.06.2019	30.06.2018	Change	30.06.2019	30.06.2018	Change	30.06.2019	30.06.2018	Change	30.06.2019	30.06.2018	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	81,318	76,874	5.8%	64,171	57,648	11.3%	327,936	314,273	4.3%	256,911	237,947	8.0%
Sunway Carnival Shopping Mall	11,776	11,489	2.5%	7,057	6,471	9.1%	47,080	46,821	0.6%	27,755	29,081	-4.6%
SunCity Ipoh Hypermarket	1,100	1,100	0.0%	801	1,017	-21.2%	4,400	4,386	0.3%	3,884	4,075	-4.7%
Sunway Putra Mall	11,590	11,785	-1.7%	5,206	5,544	-6.1%	47,305	51,041	-7.3%	21,903	25,840	-15.2%
	105,784	101,248	4.5%	77,235	70,680	9.3%	426,721	416,521	2.4%	310,453	296,943	4.5%
Hotel												
Sunway Resort Hotel & Spa	4,188	6,082	-31.1%	3,907	5,656	-30.9%	20,066	37,155	-46.0%	18,581	35,501	-47.7%
Sunway Pyramid Hotel	3,374	4,064	-17.0%	3,240	3,970	-18.4%	15,649	16,087	-2.7%	14,966	15,649	-4.4%
Sunway Hotel Seberang Jaya	1,001	952	5.1%	956	905	5.6%	3,085	3,109	-0.8%	2,909	2,919	-0.3%
Sunway Putra Hotel	2,349	2,638	-11.0%	1,943	2,283	-14.9%	10,811	14,928	-27.6%	9,540	13,523	-29.5%
Sunway Hotel Georgetown	1,044	1,501	-30.4%	997	1,456	-31.5%	4,974	5,695	-12.7%	4,798	5,508	-12.9%
Sunway Clio Property	3,065	3,509	-12.7%	2,324	2,752	-15.6%	24,024	5,663	> 100%	20,522	4,619	> 100%
	15,021	18,746	-19.9%	13,367	17,022	-21.5%	78,609	82,637	-4.9%	71,316	77,719	-8.2%
Office												
Menara Sunway	4,479	4,167	7.5%	3,009	2,741	9.8%	17,417	16,716	4.2%	11,329	10,688	6.0%
Sunway Tower	815	818	-0.4%	158	(190)	> 100%	3,024	3,322	-9.0%	(339)	(399)	15.0%
Sunway Putra Tower	3,037	2,771	9.6%	1,789	2,197	-18.6%	11,584	7,792	48.7%	7,270	4,253	70.9%
Wisma Sunway	1,701	1,342	26.8%	902	664	35.8%	6,402	5,641	13.5%	3,124	2,949	5.9%
	10,032	9,098	10.3%	5,858	5,412	8.2%	38,427	33,471	14.8%	21,384	17,491	22.3%
Services												
Sunway Medical Centre (Tower A & B)	5,962	5,760	3.5%	5,962	5,760	3.5%	23,443	22,650	3.5%	23,443	22,650	3.5%
Sunway university & college campus ¹	7,221	-	N/A	7,221	-	N/A	7,221	-	N/A	7,221	-	N/A
	13,183	5,760	> 100%	13,183	5,760	> 100%	30,664	22,650	35.4%	30,664	22,650	35.4%
Industrial and Others												
Sunway REIT Industrial - Shah Alam 1	1,539	1,400	9.9%	1,539	1,400	9.9%	5,878	5,127	14.6%	5,878	5,127	14.6%
	1,539	1,400	9.9%	1,539	1,400	9.9%	5,878	5,127	14.6%	5,878	5,127	14.6%
TOTAL PORTFOLIO	145,559	136,252	6.8%	111,182	100,274	10.9%	580,299	560,406	3.5%	439,695	419,930	4.7%

¹ Acquired on 15 April 2019

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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 and Others - leasing of industrial and other types of premises on long term leases

There have been no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements, with the exception of (iv) and (v) above. Certain comparative figures have been reclassified to conform to the current year's presentation.

a) Review of Current Quarter Results

Retail segment

The retail segment recorded gross revenue of RM105.8 million for the current quarter ended 30 June 2019, an increase of 4.5% or RM4.5 million compared to the preceding year corresponding quarter (4Q2018), mainly contributed by Sunway Pyramid Shopping Mall due to higher turnover rent.

Sunway Pyramid Shopping Mall registered higher gross revenue by RM4.4 million or 5.8% for 4Q2019 mainly due to higher average gross rent per sq. ft., attributed to better turnover rent in the current quarter whilst gross revenue for Sunway Carnival Shopping Mall was higher by RM0.3 million due to better turnover rent.

Gross revenue for Sunway Putra Mall was lower in the current quarter by RM0.2 million compared to the preceding year corresponding quarter mainly due to lower average gross rent per sq. ft. attributable to attractive rental packages offered on a selective basis as a strategy to maintain occupancy of the mall.

Property operating expenses of the retail segment for 4Q2019 was RM28.5 million, a decrease of 6.6% or RM2.0 million mainly attributable to lower fit-out cost for Sunway Pyramid Shopping Mall in 4Q2019.

Correspondingly, net property income of the retail segment for 4Q2019 was RM77.2 million, higher by 9.3% or RM6.6 million compared to 4Q2018.

Hotel segment

As the soft market condition within the hospitality market continues, the hotel segment registered lower gross revenue by RM3.7 million, or 19.9% than 4Q2018 with an overall average occupancy of 69% (4Q2018: 74%).

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM10.6 million in the current quarter, lower by RM3.0 million, mainly due to lower occupancy.

Sunway Putra Hotel recorded gross revenue of RM2.3 million for 4Q2019, lower by RM0.3 million largely due to lower corporate and leisure group demand.

Net property income of the hotel segment for 4Q2019 was RM13.4 million, lower by RM3.6 million as compared to 4Q2018, for reasons similar to the above.

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

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

A8. Segmental Reporting (Cont'd)

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

Office segment

Despite the challenging office market environment, the office segment recorded gross revenue of RM10.0 million for 4Q2019, an increase of 10.3% or RM0.9 million compared to 4Q2018, mainly contributed by improved performance from Menara Sunway, Sunway Putra Tower and Wisma Sunway.

Menara Sunway recorded an increase of RM0.3 million or 7.5% whilst Sunway Putra Tower registered higher gross revenue by RM0.3 million on the back of higher average occupancy following commencement of new tenancies and Wisma Sunway recorded higher gross revenue by RM0.4 million or 26.8% with the expansion of an existing tenant requiring additional space. With the expansion, average occupancy of Wisma Sunway surged to 100% as at 30 June 2019.

Sunway Tower's gross revenue of RM0.8 million for 4Q2019 was marginally lower than 4Q2018 by 0.4%.

Property operating expenses of the office segment for 4Q2019 was higher by 13.2% or RM0.5 million mainly due to lower fit-out cost for Sunway Putra Tower in 4Q2018.

Net property income of the office segment in 4Q2019 was RM5.9 million, higher by RM0.4 million compared to the preceding year corresponding quarter.

Services segment

The services segment recorded gross revenue and net property income of RM13.2 million in the current quarter from RM5.8 million in 4Q2018, due to new contribution of RM7.2 million from Sunway university & college campus post completion of acquisition on 15 April 2019.

Sunway Medical Centre contributed RM5.9 million to gross revenue and net property income for 4Q2019, an increase of 3.5% compared to 4Q2018 due to rental reversion in accordance with the master lease agreement with effect from 3Q2019.

Industrial and Others segment

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

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

Profit for the period

Interest income for 4Q2019 was lower by RM1.0 million mainly due to higher investment in money market instrument and higher interest income from financial institutions in the preceding year corresponding quarter.

Trustee fee was higher in 4Q2019 as explained in Note B9.

Finance costs for 4Q2019 was RM29.9 million, marginally higher by RM0.9 million, due to higher principal loan amount by RM200.0 million mainly to fund acquisition and planned capital expenditure, as well as, higher average cost of debt following the increase in Overnight Policy Rate (OPR) by 25 bps on 25 January 2018. The interest cost savings from the recent OPR cut by 25 bps on 7 May 2019 has yet to be fully effected in 4Q2019.

Income tax expense in 4Q2019 represents additional deferred tax expense on unrealised fair value gain of freehold land component within the investment properties which is expected to be recovered through sale, pursuant to higher fair value from annual revaluation of the investment properties.

Net profit for 4Q2019 was RM178.0 million (4Q2018: RM207.1 million) mainly comprising realised profit of RM71.3 million and unrealised profit of RM106.7 million (4Q2018: realised profit of RM63.3 million and unrealised profit of RM143.8 million).

The realised profit for 4Q2019 was higher by RM8.0 million in line with higher NPI, partially offset by lower interest income and higher finance costs.

The unrealised profit for 4Q2019 was lower by RM37.1 million mainly attributable to lower fair value gain on investment properties (after accounting for net capital expenditure incurred) of RM107.7 million (4Q2018: RM144.7 million).

A8. Segmental Reporting (Cont'd)

b) Review of Cumulative Quarter Results

Retail segment

The retail segment recorded gross revenue of RM426.7 million for the financial year ended 30 June 2019, an increase of 2.4% or RM10.2 million compared to the preceding year cumulative corresponding financial period (YTD 4Q2018), mainly contributed by Sunway Pyramid Shopping Mall but partially offset by Sunway Putra Mall, due to reasons as mentioned in A8a) above.

Property operating expenses of the retail segment for YTD 4Q2019 was RM116.3 million, lower by 2.8% or RM3.3 million, due to lower A&P expenses, lower fit-out cost and lower maintenance expenses.

Net property income of the retail segment for YTD 4Q2019 was RM310.5 million, an increase of 4.5% or RM13.5 million compared to YTD 4Q2018.

Hotel segment

The hotel segment recorded YTD 4Q2019 gross revenue of RM78.6 million, lower by 4.9% or RM4.0 million, mainly contributed by Sunway Resort Hotel & Spa and Sunway Putra Hotel but mitigated by contribution of income from Sunway Clio Property.

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM59.7 million for YTD 4Q2019, compared to RM58.9 million for YTD 4Q2018 mainly due to disruption of income in Sunway Resort Hotel & Spa from the refurbishment of grand ballroom, meeting and function rooms in 1Q2019 but mitigated by full year contribution of income from Sunway Clio Property.

Gross revenue for Sunway Putra Hotel was lower by RM4.1 million primarily due to preceding year 1Q2018 higher average occupancy rate on the back of one-off contribution from the SEA Games and ASEAN PARA Games and the lack of cluster demand for YTD 4Q2019 due to the continued soft market condition.

Sunway Hotel Seberang Jaya maintained gross revenue of RM3.1 million whilst Sunway Hotel Georgetown reported a drop in gross revenue by RM0.7 million in the same financial year.

Net property income of the hotel segment for YTD 4Q2019 was at RM71.3 million, lower by 8.2% or RM6.4 million.

Office segment

The office segment recorded gross revenue of RM38.4 million for YTD 4Q2019, an increase of 14.8% or RM5.0 million compared to YTD 4Q2018, mainly contributed by improved performance from Menara Sunway, Sunway Putra Tower and Wisma Sunway, with renewal at higher average rate, commencement of new tenants and expansion from existing tenant, respectively.

Property operating expenses of the office segment for YTD 4Q2019 was RM17.0 million, higher by 6.7% or RM1.0 million compared to YTD 4Q2018, due to increased maintenance cost in Wisma Sunway and vacancy allowance for assessment received by Sunway Putra Tower in 4Q2018 but offset against the vacancy allowance for assessment received by Sunway Tower in the current financial year.

Correspondingly, net property income of the office segment for YTD 4Q2019 was RM21.4 million, higher by 22.3% or RM3.9 million.

Services segment

The gross revenue and net property income in services segment increase to RM30.7 million in the current financial year from RM22.7 million in YTD 4Q2018, due to contribution from Sunway university & college campus of RM7.2 million.

Sunway Medical Centre contributed RM23.4 million to gross revenue and net property income for YTD 4Q2019, an increase of 3.5% compared to YTD 4Q2018 due to reason as mentioned in Note A8a).

Industrial and Others segment

Sunway REIT Industrial - Shah Alam 1 contributed RM5.9 million to gross revenue and net property income for YTD 4Q2019, an increase of 14.6% compared to YTD 4Q2018 due to rental reversion in 3Q2019 and full year contribution as compared to YTD 4Q2018, in which income recorded post completion of acquisition in August 2017.

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

Interest income for YTD 4Q2019 was lower by RM1.1 million mainly due to the reason as explained in Note A8a).

Other income for YTD 4Q2019 was lower by RM1.9 million mainly attributable to lower fair value gain on interest rate swap ("IRS") contracts of which the balance of 3-year IRS contracts amounting to RM150 million have ended in January 2019.

Trustee fee was lower for YTD 4Q2019 as explained in Note B9.

Other trust expenses for YTD 4Q2019 was RM3.8 million, an increase of RM0.6 million, mainly due to allocation of legal fees for Sunway Putra's litigation cases and higher one-off professional fees for acquisition of Sunway university & college campus and establishment of Perpetual Note Programme.

Finance costs for YTD 4Q2019 was RM117.7 million, higher by RM12.0 million mainly due to the reasons mentioned in Note A8a).

Income tax expense for YTD 4Q2019 was higher at RM7.9 million due to additional deferred tax expense for the increase in RPGT rate pursuant to amendments to the Real Property Gains Tax Act 1976 effective from 1 January 2019 and higher fair value from annual revaluation of the investment properties.

Net profit for YTD 4Q2019 was RM386.4 million (YTD 4Q2018: RM427.7 million) mainly comprising realised profit of RM286.5 million and unrealised profit of RM99.9 million (YTD 4Q2018: realised profit of RM282.0 million and unrealised profit of RM145.7 million).

Realised profit for YTD 4Q2019 was higher by RM4.5 million mainly due to higher NPI but partially offset by lower interest income, higher manager's fees and higher finance costs.

Unrealised profit for YTD 4Q2019 was lower by RM45.8 million primarily due to the reason mentioned in Note A8a) coupled with additional deferred tax expense.

A9. Seasonality of Operations

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

A10. Profit Before Tax

Included in the profit before tax are the following items:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Interest income	(825)	(1,833)	(5,165)	(6,231)
Net changes in fair value of long term liabilities	(20)	(14)	(83)	(65)
Unrealised foreign exchange (gain) / loss (hedged item)	(567)	17,450	(6,488)	(28,700)
Cash flow hedge reserve recycled to profit or loss	567	(17,450)	6,488	28,700
Net changes in fair value of derivative financial instrument	-	(84)	(28)	(1,978)
Allowance / (Reversal) of impairment on trade receivables	702	(355)	1,275	900
Depreciation of plant and equipment	796	612	2,279	1,908
Loss on disposal of plant and equipment	-	-	1	3

A11. Income Tax Expense

Taxation of the REIT

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

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ended 30 June 2019.

Taxation of the Unitholders

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

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

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

A12. Income Distribution

For the quarter ended 30 June 2019, the Manager proposed a final income distribution of approximately 100% of the realised distributable income amounting to RM67.1 million or 2.28 sen per unit, comprising taxable and non-taxable/tax exempt amount of 0.86 sen per unit and 1.42 sen per unit respectively.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 26 August 2019 and 10 September 2019 respectively.

A13. Investment Properties

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
Investment properties	7,981,500	7,253,000
Investment property under construction	65,910	27,225
	<u>8,047,410</u>	<u>7,280,225</u>

Investment property under construction relates to the property development activities for the expansion of Sunway Carnival Shopping Mall which includes the land cost of RM17.2 million and the property development costs incurred to-date of RM48.7 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.

Property	Fair value		Increase/ (Decrease) RM'000
	As at 30.6.2019 ¹ RM'000	As at 30.6.2018 ² RM'000	
Retail			
Sunway Pyramid Shopping Mall	3,774,000	3,580,000	194,000
Sunway Carnival Shopping Mall	400,000 ³	398,000 ³	2,000
SunCity Ipoh Hypermarket	61,000	61,000	-
Sunway Putra Mall	583,000	595,000	(12,000)
	<u>4,818,000</u>	<u>4,634,000</u>	<u>184,000</u>
Hotel			
Sunway Resort Hotel & Spa	525,000	530,000	(5,000)
Sunway Pyramid Hotel	350,000	360,000	(10,000)
Sunway Hotel Seberang Jaya	60,000	63,000	(3,000)
Sunway Putra Hotel	335,000	345,000	(10,000)
Sunway Hotel Georgetown	82,500	75,000	7,500
Sunway Clio Property	340,000	340,000	-
	<u>1,692,500</u>	<u>1,713,000</u>	<u>(20,500)</u>
Office			
Menara Sunway	172,000	169,000	3,000
Sunway Tower	120,000	123,000	(3,000)
Sunway Putra Tower	130,000	123,000	7,000
Wisma Sunway	60,000	59,000	1,000
	<u>482,000</u>	<u>474,000</u>	<u>8,000</u>
Services			
Sunway Medical Centre (Tower A & B)	344,000	340,000	4,000
Sunway university & college campus	550,000 ⁴	-	550,000
	<u>894,000</u>	<u>340,000</u>	<u>554,000</u>
Industrial and Others			
Sunway REIT Industrial - Shah Alam 1	95,000	92,000	3,000
	<u>95,000</u>	<u>92,000</u>	<u>3,000</u>
Total investment properties	<u>7,981,500</u>	<u>7,253,000</u>	<u>728,500</u>
Less: Acquisition during the year ⁵			(555,885)
Less: Capital expenditure			(64,885)
Fair value gain			<u>107,730</u>

¹ Appraised value based on valuation carried out on 30 June 2019.

² Appraised value based on valuation carried out on 30 June 2018.

³ Excluded land for the expansion of Sunway Carnival Shopping Mall of RM17.2 million which was transferred to investment property under construction valued at cost.

⁴ Appraised value based on valuation carried out on 5 December 2018 for acquisition purpose.

⁵ In relation to purchase consideration paid for the acquisition of Sunway university & college campus, including expenses related to the acquisition.

A15. Trade Receivables

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
Third parties	15,232	15,785
Amount due from parties related to the Manager	6,840	7,909
	<u>22,072</u>	<u>23,694</u>
Less: Allowance for impairment	(2,692)	(2,271)
Total trade receivables	<u>19,380</u>	<u>21,423</u>

Trade receivables, before allowance for impairment, was lower by RM1.6 million as at 30 June 2019 mainly attributable to lower billings for hotel lease rentals.

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

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
Neither past due nor impaired	8,007	6,625
Past due but not impaired		
1 to 30 days	5,564	5,699
31 to 60 days	2,501	3,654
61 to 90 days	1,323	1,668
91 to 120 days	227	145
More than 120 days	1,758	3,632
	<u>11,373</u>	<u>14,798</u>
Impaired	2,692	2,271
	<u>22,072</u>	<u>23,694</u>

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

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
At beginning of financial year	2,271	1,485
Charge for the year	1,275	900
Written off	(854)	(114)
At end of financial year	<u>2,692</u>	<u>2,271</u>

A16. Borrowings and Debt Securities

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
<u>Short term borrowings</u>		
Secured		
- Revolving loan (USD100 million)	391,284	403,750
- Unrated medium term notes	1,200,000	1,000,000
	<u>1,591,284</u>	<u>1,403,750</u>
Unsecured		
- Revolving loan	1,500,000	1,199,000
	<u>3,091,284</u>	<u>2,602,750</u>
Less: Unamortised transaction costs	(491)	-
Total short term borrowings	<u>3,090,793</u>	<u>2,602,750</u>
<u>Long term borrowings</u>		
Secured		
- Unrated medium term notes	-	300,000
Less: Unamortised transaction costs	-	(250)
Total long term borrowings	<u>-</u>	<u>299,750</u>
Total borrowings	<u>3,090,793</u>	<u>2,902,500</u>

A16. Borrowings and Debt Securities (Cont'd)

The secured 1-year USD100 million revolving loan was renewed in December 2018 with the option for drawdown in multicurrency. The USD100 million revolving loan was drawn in AUD135 million and was hedged with a 6-month cross currency swap ("CCS") contract until June 2019 to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation.

A new 1-year CCS contract with notional value of AUD135 million (equivalent to RM392.31 million) was entered in June 2019 to refinance the above CCS contract.

The AUD135 million revolving loan was translated at an exchange rate of 2.8984 on 30 June 2019 (30 June 2018: USD100 million revolving loan at an exchange rate of 4.0375) with unrealised foreign exchange gain of RM1.0 million (30 June 2018: unrealised foreign exchange loss of RM10.9 million).

The unrealised foreign exchange gain reflected in the statement of comprehensive income for 4Q2019 and YTD 4Q2019 were RM0.6 million (4Q2018: loss of RM17.5 million) and RM6.5 million (YTD 4Q2018: RM28.7 million) respectively.

The unamortised transaction costs of RM0.5 million as at 30 June 2019 relates to upfront expenses incurred for establishment of the CP Programme disclosed in Note A18. The unamortised transaction costs of RM0.3 million as at 30 June 2018 for upfront expenses incurred upon issuance of the RM300 million long term unrated medium term notes was fully recognised in the income statement during the financial year upon settlement of the unrated medium term notes.

Total borrowings stood at RM3.1 billion as at 30 June 2019, all due within one (1) year and disclosed as short term borrowings, with the drawdown of short-term revolving loan primarily for repayment of RM300 million long term unrated medium term notes and issuance of short term unrated medium term notes of RM200 million to partially fund the acquisition of Sunway university & college campus.

The weighted average interest rate of borrowings as at 30 June 2019 was 4.02% (30 June 2018: 3.98%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 45 : 55 (30 June 2018: 40 : 60).

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 30 June 2019				
Financial asset				
Investment properties	-	-	8,047,410	8,047,410
Financial liability				
Derivatives	-	(1,133)	-	(1,133)
At 30 June 2018				
Financial assets				
Investment properties	-	-	7,280,225	7,280,225
Derivatives	-	10,766	-	10,766
Financial liability				
Derivatives	-	(28)	-	(28)

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

A18. Material Events

There were no material events since the end of the last financial year, except for the following:

Acquisition of a purpose-built campus

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

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

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

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

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

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

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

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

On 1 April 2019, SCB has made the first commercial paper issuance of RM1.5 billion under the CP Programme. The proceeds raised has been advanced to Sunway REIT where Trustee has utilised such proceeds to repay the amount outstanding under the revolving loan facility.

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

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

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

A18. Material Events (Cont'd)

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

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

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

On 15 April 2019, SPBB has made the first perpetual securities issuance of RM340 million under the Perpetual Note Programme. The proceeds raised has been advanced to Sunway REIT to partially fund the balance purchase consideration for the Proposed Acquisition.

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

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

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

A20. Capital Commitments

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

	As at 30.06.2019 RM'000
Approved and contracted for	297,408
Approved but not contracted for	202,730
	<u>500,138</u>

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

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

A21. Contingent Liabilities and Assets

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

A22. Transactions with Parties Related to the Manager

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

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(34,037)	(36,291)	(145,766)	(152,517)
- Purchases	25,910	16,439	141,870	64,072
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(145)	(154)	(554)	(571)
- Purchases	552	2,556	2,652	2,556

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 30 June 2019 and 30 June 2018: (cont'd)

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Subscription of commercial paper	-	130,000	-	130,000
- Acquisition of investment property	495,000	-	550,000	340,000

The acquisition of investment property for the period ended 30 June 2019 and 30 June 2018 relates to the acquisition of Sunway university & college campus for RM550 million, as mentioned in Note A18, and Sunway Clio Property for RM340 million respectively.

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

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	7,564	10,286
	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	15,832	24,494

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 RM767.2 million primarily attributable to acquisition of Sunway university & college campus (including expenses related to the acquisition) of RM555.9 million, recognition of fair value gain on investment properties of RM107.7 million, refurbishment of grand ballroom, meeting and function rooms of Sunway Resort Hotel & Spa of approximately RM55.0 million and on-going works for the expansion of Sunway Carnival Shopping Mall.

Fair value of the investment properties as at 30 June 2019, by property, is disclosed in Note A14.

The decrease in trade receivables by RM2.0 million as at 30 June 2019 is explained in Note A15.

The increase in cash and bank balances by RM9.7 million as at 30 June 2019 is explained in Note B1c) below.

Perpetual note holders' funds represent proceed from an issuance of perpetual note of RM340 million by SUNREIT Perpetual Bond Berhad during the financial year, net of transaction costs incurred for establishment of the Perpetual Note Programme disclosed in Note A18. The net proceed was used to partially fund the acquisition of Sunway university & college campus.

b) Statement of Financial Position (cont'd)

Derivatives of RM1.1 million was in relation to cross currency swap and interest rate swap contracts for the USD100 million revolving loan. The movements in derivatives is explained in Note B15.

Total borrowings increased by RM188.3 million as at 31 June 2019 mainly due to the issuance of unrated medium term note of RM200 million to partially fund the acquisition of Sunway university & college campus and movement in from the translation of the USD100 million revolving loan as at end of financial year.

Total net asset value as at 30 June 2019 was RM4,796.6 million comprised of unitholders' funds of RM4,456.8 million and perpetual note holders' funds of RM339.7 million. Unitholders' funds was higher by RM103.6 million due to unrealised profit of RM99.9 million and net realised profit of RM3.7 million for YTD 4Q2019. The unrealised profit was mainly attributable to fair value gain on investment properties of RM107.7 million partially offset by additional deferred tax expense of RM7.9 million provided for the unrealised fair value gain. The net realised profit was derived after deducting the distribution to unitholders of RM278.6 million and amount reserved for distribution to perpetual note holders of RM4.1 million from the realised profit of RM286.5 million.

Correspondingly, net asset value per unit as at 30 June 2019, before proposed income distribution for the current quarter, was higher at RM1.5133, compared to RM1.4781 as at 30 June 2018.

c) Statement of Cash Flows

Net cash from operating activities for the financial year was RM399.4 million, higher by RM19.5 million compared to preceding financial year, in line with the higher net property income and higher refundable security deposits collected for the financial year mainly for Sunway university & college campus of RM7.2 million.

Net cash used in investing activities for the financial year of RM556.2 million was largely due to the acquisition of Sunway university & college campus, progress payments for refurbishment works at Sunway Resort Hotel & Spa and expansion works at Sunway Carnival Shopping Mall, which were partially funded by net redemption of investment in money market instrument. In the preceding financial year, net cash used in investing activities of RM586.9 million was mainly for the acquisitions of Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property, and net investment in money market instrument.

Net cash used in financing activities for the financial year of RM146.5 million was mainly attributed to income distribution and interest paid of RM278.6 million and RM115.1 million respectively, and net drawdown of borrowings and issuance of perpetual note amounting to RM540 million to fund the acquisition of Sunway university & college campus.

The cash and bank balance as at 30 June 2019 and 30 June 2018 stood at RM67.3 million and RM57.6 million respectively. The higher balance at the end of current financial year was mainly due to higher net cash from operating activities.

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 RM17.1 million for 4Q2019 and RM103.6 million for YTD 4Q2019 respectively, mainly for Sunway Resort Hotel & Spa's refurbishment of the grand ballroom, meeting and function rooms (approximately RM5.6 million for 4Q2019 and RM44.0 million for YTD 4Q2019 respectively) and ongoing works for the expansion of Sunway Carnival Shopping Mall (approximately RM4.1 million for 4Q2019 and RM38.7 million for YTD 4Q2019 respectively, details as disclosed in Note A13).

B3. Material Changes in Quarterly Results

	Current Quarter ended 30.06.2019 RM'000	Immediate Preceding Quarter ended 31.03.2019 RM'000	Change %
Realised profit	71,305	75,762	-5.9%
Unrealised profit / (loss)	106,700	(6,848)	> 100%
Profit for the quarter	<u>178,005</u>	<u>68,914</u>	<u>> 100%</u>

Realised profit for 4Q2019 was lower by RM4.5 million compared to the immediate preceding quarter (3Q2019), mainly attributable to lower contribution from the retail and hotel segment by RM2.3 million and RM8.1 million respectively, partially mitigated by contribution from newly acquired Sunway university & college campus of RM7.2 million.

The contribution from the retail segment was lower in the current quarter mainly due to better turnover rent from festive period in the immediate preceding quarter. For the hotel segment, the lower contribution in current quarter was mainly due to income guarantee for Sunway Clio Property of RM4.4 million and higher occupancy for the clusters hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) in the immediate preceding quarter.

Unrealised profit for current quarter was largely in relation to fair value gain on investment properties of RM107.7 million from annual revaluation exercise.

B4. Commentary on Prospects

Global economy in the first quarter of CY2019 expanded moderately, however, the outlook for the remaining of CY2019 remains cautious stemming from unresolved trade tensions leading to uncertainties in global trade and investment activities. The International Monetary Fund (IMF) has trimmed projected global growth to moderate to 3.2% in CY2019 (April forecast: 3.3%) and 3.5% in CY2020 (April forecast: 3.6%). In response to rising global risks, accommodation in global monetary policy is expected, to be led by the United States (US). The Fed Fund Rate has remained unchanged in 1H CY2019 followed by a recent 25bps cut in July 2019.

The Malaysian economy moderated marginally to 4.5% in 1Q CY2019 (4Q CY2018: 4.7%), largely driven by expansion in domestic demand on the back of resilient private and public consumption growth. Bank Negara Malaysia (BNM) maintained Malaysia's gross domestic product (GDP) projection of 4.3% to 4.8% in CY2019. The downside risk to the projection premises on the uncertainties in the global and domestic environment, intensified trade tensions which may cause uncertainties in Malaysia's external trade.

Headline inflation is expected to remain benign in CY2019, averaging between 0.7% to 1.7% after incorporating some cost-pass-through from domestic cost factors. Underlying inflation is expected to remain contained, supported by sustained expansion in economic activity in the absence of strong demand pressure. The trajectory of headline inflation will be dependent on global oil prices and policy measures. The consumer price index (CPI) remained benign at 0.2% y-o-y in May 2019, translating into a marginal increase of 0.1% y-o-y in the first 5M CY2019.

Following a 25bps cut in the Overnight Policy Rate (OPR) in May 2019, the Monetary Policy Committee (MPC) has maintained the OPR at 3.00% in July 2019. Taking guidance from global interest rate trend, particularly, the Fed Fund Rate, the MPC maintained an accommodative monetary policy stance to support economic activities and ensure that the stance is conducive to sustainable growth amidst a benign inflationary environment.

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

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

B4. Commentary on Prospects (Cont'd)

Review of retail market

The Retail Group Malaysia (RGM) has made an upward revision in its retail sales growth forecast to 4.9% from 4.5% previously, on the back of better-than-expected growth in 1Q CY2019 and higher growth expectation in 2Q CY2019 amidst Hari Raya festivity. The Malaysian retail industry achieved a retail sales growth of 3.8% in 1Q CY2019. RGM expects further pick up in retail sales in 2H CY2019.

The retail landscape is continuously evolving to adapt to changing retail trends and consumer consumption behaviour. To stay relevant and ahead of competition, it is inevitable for retail malls to constantly embark on asset enhancement initiatives (AEIs) and asset management initiatives (AMIs) to create new experiences by embracing technology innovation in marketing and leasing strategies.

Leading malls with proactive strategies are likely to withstand the test of time to remain relevant and protect their market share. With the impending new supply coming on-stream, new retail malls without satisfactory pre-committed take-up rate are expected to be exposed to higher degree of challenges ahead of them.

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

Review of hotel market

Tourist arrivals for the year started on a solid ground. In the 1Q CY2019, The Tourism, Arts and Culture Ministry reported a 2.7% growth in tourist arrivals to 6.71 million with a spike in tourism receipt of 16.9% to RM21.4 billion. Despite a lower contribution from Singapore, being the largest market, this was compensated by higher arrivals from Indonesia (+17.1%), China (+8.8%) and Thailand (+3.3%). The Tourism, Arts and Culture Ministry targets to achieve tourist arrivals of 28.1 million in CY2019 and 30.0 million in CY2020.

Weakened business confidence has also led to marginal contraction in business travelers and MICE activities in 1Q CY2019. Amidst soft business sentiment, hotel supply remained in the uptrend coupled with the rise of non-traditional accommodation providers, thus, leading to pressure on room rates.

The outlook for the hospitality industry remains challenging in the immediate term due to demand and supply disequilibrium. On the long-term horizon, the hospitality sector in Malaysia may enjoy higher visibility with the entry of more international hotel brand operators and rising demand in medical tourism. Malaysia is in attractive position to flourish as a tourism destination due to price competitiveness and abundance variety of attractions.

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

Review of office market

The fundamental challenge for the office sub-sector persisted on the back of massive oversupply situation coupled with high supply pipeline. This is exacerbated by slow take-up rate which exert further pressure on the tenant-led office market going forward.

In the absence of major catalyst to drive an upsurge in demand, office building owners continue to compete vigorously in managing occupancy levels. In order for survival of the fittest, landlords need to be agile to respond to emerging trends that prevail, such as co-working, decentralization location, integrated development, transit oriented development (TOD), amongst others.

Going forward, the Manager continues to seek opportunities to maximize the value of the offices within Sunway REIT's portfolio through effective leasing strategies and formulate turnaround strategies for Sunway Tower.

The Manager anticipates our office segment to strengthen further in FY2020, largely attributable to gradual improvement in all offices.

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	Year ended 30.06.2019	Year ended 30.06.2018
a) Management expense ratio *	0.86%	0.89%
b) Total return *	10.7%	4.8%
c) Average annual total return (5 years) *	10.8%	8.5%
d) Distribution yield *	5.1%	5.4%
e) NAV per unit (after income distribution)(RM)	1.4905	1.4566

- a) The ratio of expenses incurred 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 distribution yield for the year.
- c) Average annual total return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on DPU of 9.59 sen divided by its closing price as at 30 June 2019 of RM1.87 (30 June 2018: DPU of 9.57 sen; closing price of RM1.77).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

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

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

B8. Manager's Fee

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

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

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

B8. Manager's Fee (Cont'd)

Total Manager's fee for the current and cumulative quarter ended 30 June 2019 was RM14.9 million (including acquisition fee of RM5.5 million) and RM41.8 million (total base and performance fee of RM36.3 million, and acquisition fee of RM5.5 million for Sunway university & college campus which was capitalised as part of the acquisition costs) respectively compared to the preceding year corresponding quarter and cumulative quarter of RM8.6 million and RM38.8 million (total base and performance fee of RM34.5 million, and acquisition fees totalling RM4.3 million for Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property which were capitalised as part of the acquisition costs) respectively.

B9. Trustee's Fee

Pursuant to the Deed constituting Sunway REIT, the fee payable to the Trustee was revised from up to 0.03% per annum to up to 0.015% per annum of the net asset value of Sunway REIT, subject to a maximum of RM700,000 per annum, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months. The revision is applied for the computation of Trustee fee for year 2018 and onwards.

The Trustee's fee for the current quarter was higher at RM0.2 million as the reduction of Trustee's fee for January to March 2018 (3Q2018) has been adjusted in the preceeding year corresponding quarter (4Q2018). For the financial year, the Trustee's fee stood at RM0.7 million, lower by RM0.3 million compared to the preceding year cumulative quarter of RM1.0 million, due to full year impact on the reduction in Trustee's fee.

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.

B11. Material Litigation (Cont'd)

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

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

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

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

Metroplex served LHAG with the Notice of Motion for leave to appeal on 21 February 2019. The hearing date for the leave to appeal is fixed on 28 August 2019.

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

B12. Soft Commission

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

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

	Current quarter ended 30.06.2019	Immediate preceding quarter ended 31.03.2019	Change %
Number of units in issue (units)	2,945,078,000	2,945,078,000	0.0%
Realised net income (RM'000)	71,305	75,762	-5.9%
Realised earnings per unit (EPU) (sen)	2.28	2.58	-11.6%
Income distribution (RM'000)	67,148	75,983	-11.6%
Distribution per unit (DPU) (sen)	2.28	2.58	-11.6%
Net Asset Value (NAV) attributable to unitholders (After income distribution)	4,389,691	4,283,405	2.5%
NAV per unit (After income distribution) (RM)	1.4905	1.4544	2.5%
Market price per unit (RM)	1.87	1.80	3.9%

B14. Income Distribution

Please refer to Note A12 for details .

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract/Notional Value		Fair value at reporting date Derivative Asset/(Liability)	
	As at 30.06.2019	As at 30.06.2018	As at 30.06.2019	As at 30.06.2018
	RM'000	RM'000	RM'000	RM'000
a) Interest rate swap				
- Less than 1 year	-	150,000	-	(28)
b) Cross currency swap				
- Less than 1 year	392,310	392,900	(1,133)	10,766
	392,310	542,900	(1,133)	10,738

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

a) Interest rate swap

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

There was no remeasuring of fair value of the IRS contracts in the current quarter as the balance IRS contracts of RM150 million ended in January 2019 (4Q2018: RM84,000). For the financial year, the fair value gain on IRS was RM28,000 (YTD 4Q2018: RM2.0 million).

b) Cross currency swap

During the financial year, Sunway REIT had entered into several cross currency swap ("CCS") to manage its exposure in foreign currency risk arising from foreign currency borrowings. In June 2019, Sunway REIT had entered into a new 1-year CCS contract upon maturity of the earlier 6-month CCS contract to hedge against the foreign currency exposure of the foreign currency borrowings. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

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

The fair value of the CCS recognised in the statement of comprehensive income for 4Q2019 and YTD 4Q2019 were a loss of RM1.0 million (4Q2018: gain of RM17.7 million) and RM6.5 million (YTD 4Q2018: loss of RM29.5 million) respectively. The cumulative amount recognised in the current quarter comprises the net fair value loss of the CCS which matured in July 2018, December 2018 and June 2019 amounting to RM5.4 million and the fair value loss of the new CCS entered in June 2019 of RM1.1 million, which has been reflected as a derivative liability in the balance sheet as at 30 June 2019.

B16. Risks and Policies of Derivatives

The Group has Interest Rate Swap contract and Cross Currency Swap contract as mentioned in Note B15.

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

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

Please refer to Note A10 for details.

B18. Directors' Declaration

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 30 June 2019 and of its financial performance and cash flows for the period ended on that date and duly authorised for release by the Board of the Manager on 8 August 2019.

BY ORDER OF THE BOARD

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

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

**Bandar Sunway
Date: 8 August 2019**