

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2020	30.06.2019	Change	30.06.2020	30.06.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income						
- Realised	87,451	141,703	-38.3%	519,705	557,144	-6.7%
- Unrealised (in relation to unbilled lease income receivable) <sup>1</sup>	16,930	-	N/A	16,930	-	N/A
Other operating income	544	3,856	-85.9%	20,240	23,155	-12.6%
<b>Gross revenue</b>	<b>104,925</b>	<b>145,559</b>	<b>-27.9%</b>	<b>556,875</b>	<b>580,299</b>	<b>-4.0%</b>
Quit rent, assessment and insurance	(3,755)	(3,334)	12.6%	(14,703)	(13,774)	6.7%
Other property operating expenses	(23,565)	(31,043)	-24.1%	(125,363)	(126,830)	-1.2%
<b>Property operating expenses</b>	<b>(27,320)</b>	<b>(34,377)</b>	<b>-20.5%</b>	<b>(140,066)</b>	<b>(140,604)</b>	<b>-0.4%</b>
<b>Net property income</b>	<b>77,605</b>	<b>111,182</b>	<b>-30.2%</b>	<b>416,809</b>	<b>439,695</b>	<b>-5.2%</b>
Interest income	1,628	825	97.3%	5,392	5,165	4.4%
Other income	34	34	0.0%	224	135	65.9%
Changes in fair value of investment properties						
- As per valuation reports	(41,283)	107,730	> -100%	(41,283)	107,730	> -100%
- Unbilled lease income receivable <sup>1</sup>	(16,930)	-	N/A	(16,930)	-	N/A
Net investment income	21,054	219,771	-90.4%	364,212	552,725	-34.1%
Manager's fees	(8,072)	(9,408)	-14.2%	(36,989)	(36,260)	2.0%
Trustee's fees	(216)	(235)	-8.1%	(722)	(728)	-0.8%
Other trust expenses	(570)	(1,139)	-50.0%	(2,802)	(3,755)	-25.4%
Finance costs	(26,578)	(29,934)	-11.2%	(116,392)	(117,664)	-1.1%
	(35,436)	(40,716)	-13.0%	(156,905)	(158,407)	-0.9%
<b>Profit/(Loss) before tax</b>	<b>(14,382)</b>	<b>179,055</b>	<b>&gt; -100%</b>	<b>207,307</b>	<b>394,318</b>	<b>-47.4%</b>
Income tax expense	900	(1,050)	> 100%	900	(7,945)	> 100%
<b>Profit/(Loss) for the period/year</b>	<b>(13,482)</b>	<b>178,005</b>	<b>&gt; -100%</b>	<b>208,207</b>	<b>386,373</b>	<b>-46.1%</b>
Profit/(Loss) for the period/year comprises the following:						
Realised						
- Unitholders	21,912	67,164	-67.4%	228,449	282,336	-19.1%
- Perpetual note holders	4,958	4,141	19.7%	19,944	4,141	> 100%
	26,870	71,305	-62.3%	248,393	286,477	-13.3%
Unrealised	(40,352)	106,700	> -100%	(40,186)	99,896	> -100%
	(13,482)	178,005	> -100%	208,207	386,373	-46.1%
Basic earnings/(loss) per unit attributable to unitholders (sen):						
Realised	0.75	2.28	-67.1%	7.76	9.59	-19.1%
Unrealised	(1.36)	3.63	> -100%	(1.36)	3.39	> -100%
	(0.61)	5.91	> -100%	6.40	12.98	-50.7%
<b>Distributable income per unit (sen) <sup>2</sup></b>	<b>0.75</b>	<b>2.28</b>	<b>-67.1%</b>	<b>7.76</b>	<b>9.59</b>	<b>-19.1%</b>
<b>Proposed/declared distribution per unit (sen) <sup>3</sup></b>	<b>2.38</b>	<b>2.28</b>	<b>4.4%</b>	<b>7.33</b>	<b>9.59</b>	<b>-23.6%</b>

N/A - Not Applicable

<sup>1</sup> Incremental lease income is recognised on straight-line basis over the lease period pursuant to MFRS 16 Leases.

<sup>2</sup> Represents realised income attributable to unitholders and distribution adjustments, if any.

<sup>3</sup> Please refer to Note A12 for details on income distribution.

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

SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2020	30.06.2019	Change	30.06.2020	30.06.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Profit/(Loss) for the period/year</b>	<b>(13,482)</b>	<b>178,005</b>	<b>&gt; -100%</b>	<b>208,207</b>	<b>386,373</b>	<b>-46.1%</b>
<b>Other comprehensive income/(loss)</b>						
Cash flow hedge - fair value of derivative <sup>1</sup>	43,023	(997)	> 100%	9,184	(6,513)	> 100%
Cash flow hedge reserve recycled to profit or loss <sup>2</sup>	(44,752)	567	> -100%	(11,300)	6,488	> -100%
<b>Total comprehensive income/(loss) for the period/year</b>	<b>(15,211)</b>	<b>177,575</b>	<b>&gt; -100%</b>	<b>206,091</b>	<b>386,348</b>	<b>-46.7%</b>

<sup>1</sup> Please refer to Note B15 for details.

<sup>2</sup> Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2020	30.06.2019	Change	30.06.2020	30.06.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income	87,451	141,703	-38.3%	519,705	557,144	-6.7%
Interest income	1,628	825	97.3%	5,392	5,165	4.4%
Other income <sup>3</sup>	547	3,870	-85.9%	20,267	23,179	-12.6%
	89,626	146,398	-38.8%	545,364	585,488	-6.9%
Less: Expenses	(62,756)	(75,093)	-16.4%	(296,971)	(299,011)	-0.7%
Realised income for the period/year	26,870	71,305	-62.3%	248,393	286,477	-13.3%
Less: Amount reserved for distribution to perpetual note holders	(4,958)	(4,141)	19.7%	(19,944)	(4,141)	> 100%
Realised income attributable to unitholders	21,912	67,164	-67.4%	228,449	282,336	-19.1%
Add: Previous period's undistributed realised income	61,209	437	> 100%	453	550	-17.6%
Total income available for distribution	83,121	67,601	23.0%	228,902	282,886	-19.1%
Less: Proposed/declared income distribution to unitholders	(70,093)	(67,148)	4.4%	(215,874)	(282,433)	-23.6%
Balance undistributed realised income <sup>4</sup>	13,028	453	> 100%	13,028	453	> 100%
<b>Distribution per unit (sen)</b>	<b>2.38</b>	<b>2.28</b>	<b>4.4%</b>	<b>7.33</b>	<b>9.59</b>	<b>-23.6%</b>

<sup>3</sup> Included in other income above is other operating income.

<sup>4</sup> Represents balance undistributed realised income arising from the distribution payout ratio of at least 90% of distributable income effective from 3Q2020.

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

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER**

	Current Quarter ended 30.06.2020	Immediate Preceding Quarter ended 31.03.2020	Change
	RM'000	RM'000	%
Rental and lease income			
- Realised	87,451	133,851	-34.7%
- Unrealised (in relation to unbilled lease income receivable) <sup>1</sup>	16,930	-	N/A
Other operating income	544	6,949	-92.2%
<b>Gross revenue</b>	<b>104,925</b>	<b>140,800</b>	<b>-25.5%</b>
Quit rent, assessment and insurance	(3,755)	(3,556)	5.6%
Other property operating expenses	(23,565)	(33,734)	-30.1%
<b>Property operating expenses</b>	<b>(27,320)</b>	<b>(37,290)</b>	<b>-26.7%</b>
<b>Net property income</b>	<b>77,605</b>	<b>103,510</b>	<b>-25.0%</b>
Interest income	1,628	1,030	58.1%
Other income	34	40	-15.0%
Changes in fair value of investment properties			
- As per valuation reports	(41,283)	-	N/A
- Unbilled lease income receivable <sup>1</sup>	(16,930)	-	N/A
Net investment income	21,054	104,580	-79.9%
Manager's fees	(8,072)	(9,296)	-13.2%
Trustee's fees	(216)	(167)	29.3%
Other trust expenses	(570)	(470)	21.3%
Finance costs	(26,578)	(28,984)	-8.3%
	(35,436)	(38,917)	-8.9%
<b>Profit/(Loss) before tax</b>	<b>(14,382)</b>	<b>65,663</b>	<b>-121.9%</b>
Income tax expense	900	-	N/A
<b>Profit/(Loss) for the period</b>	<b>(13,482)</b>	<b>65,663</b>	<b>-120.5%</b>
Profit/(Loss) for the period comprises the following:			
Realised			
- Unitholders	21,912	60,663	-63.9%
- Perpetual note holders	4,958	4,959	0.0%
	26,870	65,622	-59.1%
Unrealised	(40,352)	41	> -100%
	(13,482)	65,663	> -100%
Basic earnings/(loss) per unit attributable to unitholders (sen):			
Realised	0.75	2.06	-63.6%
Unrealised	(1.36)	-	N/A
	(0.61)	2.06	> -100%
<b>Distributable income per unit (sen) <sup>2</sup></b>	<b>0.75</b>	<b>2.06</b>	<b>-63.6%</b>
<b>Proposed/declared distribution per unit (sen) <sup>3</sup></b>	<b>2.38</b>	<b>-</b>	<b>N/A</b>

N/A - Not Applicable

<sup>1</sup> Incremental lease income is recognised on straight-line basis over the lease period pursuant to MFRS 16 Leases.

<sup>2</sup> Represents realised income attributable to unitholders and distribution adjustments, if any.

<sup>3</sup> Please refer to Note A12 for details on income distribution.

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

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

	Current Quarter ended 30.06.2020	Immediate Preceding Quarter ended 31.03.2020	Change
	RM'000	RM'000	%
<b>Profit/(Loss) for the period</b>	<b>(13,482)</b>	<b>65,663</b>	> -100%
<b>Other comprehensive income/(loss)</b>			
Cash flow hedge - fair value of derivative <sup>1</sup>	43,023	(29,129)	> 100%
Cash flow hedge reserve recycled to profit or loss <sup>2</sup>	(44,752)	29,268	> -100%
<b>Total comprehensive income/(loss) for the period</b>	<b>(15,211)</b>	<b>65,802</b>	<b>&gt; - 100%</b>

<sup>1</sup> Please refer to Note B15 for details.

<sup>2</sup> Please refer to Note A16 for details.

**STATEMENT OF INCOME DISTRIBUTION**

	Current Quarter ended 30.06.2020	Immediate Preceding Quarter ended 31.03.2020	Change
	RM'000	RM'000	%
Rental and lease income	87,451	133,851	-34.7%
Interest income	1,628	1,030	58.1%
Other income <sup>3</sup>	547	6,948	-92.1%
	89,626	141,829	-36.8%
Less: Expenses	(62,756)	(76,207)	-17.7%
Realised income for the period	26,870	65,622	-59.1%
Less: Amount reserved for distribution to perpetual note holders	(4,958)	(4,959)	0.0%
Realised income attributable to unitholders	21,912	60,663	-63.9%
Add: Previous period's undistributed realised income	61,209	546	> 100%
Total income available for distribution	83,121	61,209	35.8%
Less: Proposed/declared income distribution to unitholders <sup>4</sup>	(70,093)	-	N/A
Balance undistributed realised income	13,028	61,209	-78.7%
<b>Distribution per unit (sen)</b>	<b>2.38</b>	<b>-</b>	<b>N/A</b>

N/A - Not Applicable

<sup>3</sup> Included in other income above is other operating income.

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

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As At 30.06.2020 (Unaudited)</b>	<b>As At 30.06.2019 (Audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties	8,020,233	8,047,410
Investment properties - accrued lease income	16,930	-
Plant and equipment	12,902	12,517
	<b>8,050,065</b>	<b>8,059,927</b>
<b>Current assets</b>		
Trade receivables	53,266	19,380
Other receivables	55,349	11,473
Derivatives	20,039	-
Short term investment	179,710	-
Cash and bank balances	101,816	67,258
	<b>410,180</b>	<b>98,111</b>
<b>Total assets</b>	<b>8,460,245</b>	<b>8,158,038</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,702,228	1,729,010
Total Unitholders' funds	<b>4,430,057</b>	<b>4,456,839</b>
Perpetual note holders' funds	339,717	339,717
Total equity	<b>4,769,774</b>	<b>4,796,556</b>
<b>Non-current liabilities</b>		
Borrowings	200,000	-
Long term liabilities	78,524	77,018
Deferred tax liability	13,941	14,841
	<b>292,465</b>	<b>91,859</b>
<b>Current liabilities</b>		
Borrowings	3,245,418	3,090,793
Trade payables	1,698	3,057
Other payables	150,890	174,640
Derivatives	-	1,133
	<b>3,398,006</b>	<b>3,269,623</b>
Total liabilities	<b>3,690,471</b>	<b>3,361,482</b>
<b>Total equity and liabilities</b>	<b>8,460,245</b>	<b>8,158,038</b>
Units in circulation ('000 units)	2,945,078	2,945,078
<b>Net Asset Value ("NAV") attributable to unitholders:</b>		
Before income distribution	4,430,057	4,456,839
After income distribution <sup>1</sup>	4,359,964	4,389,691
<b>NAV per unit attributable to unitholders (RM):</b>		
Before income distribution	1.5042	1.5133
After income distribution <sup>1</sup>	1.4804	1.4905

<sup>1</sup> After proposed final income distribution of 2.38 sen per unit (30 June 2019: 2.28 sen per unit).

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE**

	Unitholders' Capital	<---- Undistributed Income ----> Realised	Unrealised	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 1 July 2019</b>	2,727,829	(11)	1,729,021	4,456,839	339,717	4,796,556
<b>Total comprehensive income</b>						
Profit for the year	-	248,393	(40,186)	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	248,382	1,686,719	4,662,930	339,717	5,002,647
<b>Unitholders' Transactions</b>						
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)
<b>Perpetual Note Holders' Transactions</b>						
Amount reserved and distribution paid 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)
<b>As at 30 June 2020 (Unaudited)</b>	2,727,829	15,509	1,686,719	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  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

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

	Unitholders' Capital	<---- Undistributed Income ----> Realised	Unrealised	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 1 July 2018</b>	2,727,829	(3,743)	1,629,150	4,353,236	-	4,353,236
<b>Total comprehensive income</b>						
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
<b>Unitholders' Transactions</b>						
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)
<b>Perpetual Note Holders' Transactions</b>						
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
<b>As at 30 June 2019 (Audited)</b>	2,727,829	(11)	1,729,021	4,456,839	339,717	4,796,556

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

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Cumulative Quarter ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	562,005	623,639
Refundable security deposits from customers	821	11,335
Cash paid for operating expenses	(217,919)	(235,537)
Net cash from operating activities	<u>344,907</u>	<u>399,437</u>
<b>Cash flows from investing activities</b>		
Acquisition of plant and equipment	(2,290)	(3,126)
Deposit for acquisition of investment property	(45,000)	-
Acquisition of investment properties	-	(550,000)
Incidental costs on acquisition of investment properties	-	(5,885)
Subsequent expenditure of investment properties	(72,358)	(111,687)
Investment in short term money market instrument	(1,020,000)	(455,000)
Redemption of short term money market instrument	840,000	585,000
Net cash flows from/(to) licensed financial institutions with maturity of over 3 months	20,000	(20,000)
Interest received	6,041	4,503
Net cash used in investing activities	<u>(273,607)</u>	<u>(556,195)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of commercial papers	1,010,000	1,801,000
Proceeds from issuance of unrated medium term notes	1,400,000	1,200,000
Drawdown of revolving loan - USD	373,680	1,207,910
Drawdown of revolving loan	18,410,000	14,398,000
Repayment of commercial papers	(960,000)	(1,801,000)
Repayment of unrated medium term notes	(1,200,000)	(1,300,000)
Repayment of revolving loan - USD	(392,310)	(1,208,500)
Repayment of revolving loan	(18,310,000)	(14,097,000)
Interest paid	(115,239)	(115,066)
Distribution paid to unitholders	(212,929)	(278,604)
Distribution paid to perpetual note holders	(19,944)	-
Net proceed from issuance of perpetual note	-	339,717
Net cash (used in)/from financing activities	<u>(16,742)</u>	<u>146,457</u>
Net increase/(decrease) in cash and cash equivalents	54,558	(10,301)
Cash and cash equivalents at beginning of year	47,258	57,559
Cash and cash equivalents at end of year	<u>101,816</u>	<u>47,258</u>
Cash and bank balances	101,816	67,258
Deposits with licensed financial institutions with maturity of over 3 months	-	(20,000)
Cash and cash equivalents	<u>101,816</u>	<u>47,258</u>
Cash and bank balances at end of year comprise:		
Cash on hand and at banks	31,816	25,258
Deposits placed with licensed financial institutions	70,000	42,000
Cash and bank balances	<u>101,816</u>	<u>67,258</u>

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 2020 (UNAUDITED)**

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

**A1. Corporate Information**

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

**A2. Significant Accounting Policies and Basis of Preparation**

The unaudited condensed consolidated financial statements of the Group for the financial year ended 30 June 2020 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts (the "REIT Guidelines"). These unaudited condensed consolidated financial statements of the Group also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

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

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

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

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

Although the Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform* are mandatory for the financial periods beginning on or after 1 January 2020, the Group early adopted these amendments to MFRSs from the financial period beginning 1 July 2019. These amendments to MFRSs provide relief in applying the requirements of MFRS 9 to affected hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based would not be altered as a result of interest rate benchmark reform.

The adoption of the above new MFRSs, amendments to MFRSs and IC interpretation did 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 2020 (UNAUDITED)**

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

**A3. Audit Report of Preceding Financial Year**

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

**A4. Changes in Estimates**

This is not applicable as no estimates were previously reported.

**A5. Unusual Items**

There were no material unusual items affecting the amounts reported for the current quarter ended 30 June 2020, except as disclosed in the Note A18 and for the following:

	<b>Fourth Quarter ended</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit/(Loss) for the period	(13,482)	178,005
Add/(Less): Fair value changes <sup>1</sup>	41,252	(107,750)
(Less)/Add: Deferred taxation <sup>2</sup>	(900)	1,050
<b>Realised profit for the period</b>	<b>26,870</b>	<b>71,305</b>

<sup>1</sup> Mainly comprise changes in fair value of investment properties (after accounting for net reversal of capital expenditure incurred), of RM41.3 million (4Q2019: RM107.7 million), with details explained in Note A14.

<sup>2</sup> Relates to deferred tax 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 2020, except as disclosed in Note A16.

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

There was no change to Sunway REIT's fund size of 2,945.1 million for the current quarter and cumulative quarter ended 30 June 2020.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**A8. Segmental Reporting**

Segmental revenue and results for the fourth quarter ended 30 June 2020 and 30 June 2019 are as follows:

Business segments	Fourth Quarter ended 30.06.2020						Fourth Quarter ended 30.06.2019					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
<b>Revenue and results</b>												
Gross revenue												
- Realised	54,094	7,016	10,428	14,918	1,539	87,995	105,784	15,021	10,032	13,183	1,539	145,559
- Unrealised (in relation to unbilled lease income receivable)	-	-	-	16,930	-	16,930	-	-	-	-	-	-
	54,094	7,016	10,428	31,848	1,539	104,925	105,784	15,021	10,032	13,183	1,539	145,559
Net property income	32,131	5,646	6,441	31,848	1,539	77,605	77,235	13,367	5,858	13,183	1,539	111,182
Interest income						1,628						825
Other income						34						34
Changes in fair value of investment properties *						(58,213)						107,730
Trust and other expenses						(8,858)						(10,782)
Finance costs						(26,578)						(29,934)
Profit/(Loss) before tax						(14,382)						179,055
Income tax expense						900						(1,050)
Profit/(Loss) for the period						(13,482)						178,005

\* After accounting for net reversal of capital expenditure incurred and includes unbilled lease income receivable.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

Segmental revenue and results for the cumulative quarter ended 30 June 2020 and 30 June 2019 are as follows:

Business segments	Cumulative Quarter ended 30.06.2020						Cumulative Quarter ended 30.06.2019					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
<b>Revenue and results</b>												
Gross revenue												
- Realised	364,653	68,530	41,679	58,925	6,158	539,945	426,721	78,609	38,427	30,664	5,878	580,299
- Unrealised (in relation to unbilled lease income receivable)	-	-	-	16,930	-	16,930	-	-	-	-	-	-
	364,653	68,530	41,679	75,855	6,158	556,875	426,721	78,609	38,427	30,664	5,878	580,299
Net property income	248,538	62,257	24,001	75,855	6,158	416,809	310,453	71,316	21,384	30,664	5,878	439,695
Interest income						5,392						5,165
Other income						224						135
Changes in fair value of investment properties *						(58,213)						107,730
Trust and other expenses						(40,513)						(40,743)
Finance costs						(116,392)						(117,664)
Profit before tax						207,307						394,318
Income tax expense						900						(7,945)
Profit for the year						208,207						386,373

\* After accounting for net reversal of capital expenditure incurred and includes unbilled lease income receivable.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

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

Business segments	As at 30.06.2020						As at 30.06.2019					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
<b>Assets</b>												
Segment assets	4,997,765	1,625,718	486,257	910,057	96,000	8,115,797	4,927,476	1,698,472	487,652	895,987	95,000	8,104,587
Unallocated assets						344,448						53,451
Total assets						8,460,245						8,158,038
<b>Liabilities</b>												
Segment liabilities	180,036	10,567	11,230	-	-	201,833	190,107	25,389	11,604	-	-	227,100
Unallocated liabilities						3,488,638						3,134,382
Total liabilities						3,690,471						3,361,482

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

Properties	Gross Revenue <sup>1</sup>			Net Property Income <sup>1</sup>			Gross Revenue <sup>1</sup>			Net Property Income <sup>1</sup>		
	Fourth Quarter ended			Fourth Quarter ended			Cumulative Quarter ended			Cumulative Quarter ended		
	30.06.2020	30.06.2019	Change	30.06.2020	30.06.2019	Change	30.06.2020	30.06.2019	Change	30.06.2020	30.06.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
<b>Retail</b>												
Sunway Pyramid Shopping Mall	41,228	81,318	-49.3%	27,634	64,171	-56.9%	278,982	327,936	-14.9%	204,825	256,911	-20.3%
Sunway Carnival Shopping Mall	5,454	11,776	-53.7%	1,987	7,057	-71.8%	39,725	47,080	-15.6%	22,265	27,755	-19.8%
SunCity Ipoh Hypermarket	445	1,100	-59.5%	377	801	-52.9%	3,745	4,400	-14.9%	3,423	3,884	-11.9%
Sunway Putra Mall	6,967	11,590	-39.9%	2,133	5,206	-59.0%	42,201	47,305	-10.8%	18,025	21,903	-17.7%
	54,094	105,784	-48.9%	32,131	77,235	-58.4%	364,653	426,721	-14.5%	248,538	310,453	-19.9%
<b>Hotel</b>												
Sunway Resort Hotel	968	4,188	-76.9%	598	3,907	-84.7%	19,163	20,066	-4.5%	17,455	18,581	-6.1%
Sunway Pyramid Hotel	2,568	3,374	-23.9%	2,427	3,240	-25.1%	13,219	15,649	-15.5%	12,571	14,966	-16.0%
Sunway Hotel Seberang Jaya	914	1,001	-8.7%	868	956	-9.2%	2,721	3,085	-11.8%	2,553	2,909	-12.2%
Sunway Putra Hotel	1,802	2,349	-23.3%	1,469	1,943	-24.4%	9,684	10,811	-10.4%	8,422	9,540	-11.7%
Sunway Hotel Georgetown	36	1,044	-96.6%	(14)	997	> -100%	2,651	4,974	-46.7%	2,448	4,798	-49.0%
Sunway Clio Property	728	3,065	-76.2%	298	2,324	-87.2%	21,092	24,024	-12.2%	18,808	20,522	-8.4%
	7,016	15,021	-53.3%	5,646	13,367	-57.8%	68,530	78,609	-12.8%	62,257	71,316	-12.7%
<b>Office</b>												
Menara Sunway	4,510	4,479	0.7%	3,196	3,009	6.2%	18,143	17,417	4.2%	12,357	11,329	9.1%
Sunway Tower	1,147	815	40.7%	225	158	42.4%	4,396	3,024	45.4%	251	(339)	> 100%
Sunway Putra Tower	3,068	3,037	1.0%	2,102	1,789	17.5%	12,409	11,584	7.1%	7,851	7,270	8.0%
Wisma Sunway	1,703	1,701	0.1%	918	902	1.8%	6,731	6,402	5.1%	3,542	3,124	13.4%
	10,428	10,032	3.9%	6,441	5,858	10.0%	41,679	38,427	8.5%	24,001	21,384	12.2%
<b>Services</b>												
Sunway Medical Centre (Tower A & B)	6,170	5,962	3.5%	6,170	5,962	3.5%	24,263	23,443	3.5%	24,263	23,443	3.5%
Sunway university & college campus <sup>1</sup>	8,748	7,221	21.1%	8,748	7,221	21.1%	34,662	7,221	> 100%	34,662	7,221	> 100%
	14,918	13,183	13.2%	14,918	13,183	13.2%	58,925	30,664	92.2%	58,925	30,664	92.2%
<b>Industrial &amp; Others</b>												
Sunway REIT Industrial - Shah Alam 1	1,539	1,539	0.0%	1,539	1,539	0.0%	6,158	5,878	4.8%	6,158	5,878	4.8%
	1,539	1,539	0.0%	1,539	1,539	0.0%	6,158	5,878	4.8%	6,158	5,878	4.8%
<b>TOTAL PORTFOLIO</b>	<b>87,995</b>	<b>145,559</b>	<b>-39.5%</b>	<b>60,675</b>	<b>111,182</b>	<b>-45.4%</b>	<b>539,945</b>	<b>580,299</b>	<b>-7.0%</b>	<b>399,879</b>	<b>439,695</b>	<b>-9.1%</b>

<sup>1</sup> Exclude unrealised lease income (in relation to unbilled lease income receivable).

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2020 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

The Group comprises the following major business segments:

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

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

**a) Review of Current Quarter Results**

Retail segment

The retail segment recorded gross revenue of RM54.1 million for the current quarter ended 30 June 2020 (4Q2020), a decrease of 48.9% or RM51.7 million compared to the preceding year corresponding quarter (4Q2019), mainly due to rental support to assist tenants as well as lower carpark income affected by restrictions and loss of business during the MCO, CMCO and RMCO.

Sunway Pyramid Shopping Mall registered lower revenue by RM40.1 million, while revenue for Sunway Carnival Shopping Mall and Sunway Putra Mall was lower by RM6.3 million and RM4.6 million respectively for 4Q2020 mainly due to rental support as described above.

Property operating expenses of the retail segment for 4Q2020 has dropped by RM6.6 million compared to 4Q2019, with the cost containment measures undertaken to reduce the net impact and coupled with the economic stimulus packages announced by the Government.

Overall, net property income for the retail segment recorded a reduction of 58.4% or RM45.1 million.

Hotel segment

The hotel segment recorded gross revenue of RM7.0 million for 4Q2020, a decrease of 53.3% or RM8.0 million from 4Q2019, due to the hotels were mostly closed for the quarter and loss of business from restrictions on domestic and inbound travel, group and corporate events, as well as lease rebate to assist lessees affected by the MCO and CMCO conditions .

The cluster hotels in Sunway City (Sunway Resort Hotel, Sunway Pyramid Hotel and Sunway Clio Property) contributed revenue of RM4.3 million in the current quarter, lower by RM6.4 million, mainly due the reason as stated above.

In Penang, Sunway Hotel Seberang Jaya registered a decrease in revenue by RM0.1 million and Sunway Hotel Georgetown reported a lower revenue by RM1.0 million for the same period while Sunway Putra Hotel in Kuala Lumpur closed with a decrease in revenue by RM0.5 million.

Net property income of the hotel segment correspondingly reported a drop of 57.8% or RM7.7 million as compared to 4Q2019.

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.

## **A8. Segmental Reporting (Cont'd)**

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

#### Office segment

Despite the continued challenging office market, the office segment recorded revenue of RM10.4 million for 4Q2020, an increase of 3.9% or RM0.4 million compared to 4Q2019, mainly contributed by overall improved performance from all office properties.

Menara Sunway, Sunway Tower and Sunway Putra Tower registered marginal increase in revenue, on the back of higher average occupancy. The revenue for Wisma Sunway was largely maintained.

Property operating expenses of the office segment for 4Q2020 was lower by 4.5% or RM0.2 million mainly due to lower utilities.

Net property income of the office segment in 4Q2020 was RM6.4 million, higher by 10.0% or RM0.6 million compared to 4Q2019.

#### Services segment

The services segment recorded higher revenue and net property income of RM14.9 million in the current quarter compared to RM13.2 million in the corresponding quarter last year, mainly due to full quarter contribution this year following the completion of the acquisition of Sunway university & college campus on 15 April 2019.

The increase was also contributed by Sunway Medical Centre with the annual rental reversion of 3.5% in accordance with the master lease agreement.

#### Industrial & Others segment

Contribution from Sunway REIT Industrial - Shah Alam 1 was stable at RM1.5 million per quarter.

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

#### Results for the quarter

Interest income for 4Q2020 has doubled to RM1.6 million, contributed by higher short term investment.

Manager's fees for 4Q2020 was lower by RM1.3 million following the drop in net property income for the quarter.

Finance costs for 4Q2020 was lower by RM3.4 million resulting from lower average interest rate during the quarter, despite higher principal loan from capital expenditure.

Income tax expense in 4Q2020 represents reversal of 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 lower fair value from annual revaluation of the investment properties.

Results for the quarter comprising realised profit of RM26.9 million and unrealised loss of RM40.4 million (4Q2020: realised profit of RM71.3 million and unrealised profit of RM106.7 million).

Realised profit for 4Q2020 was lower by RM44.4 million in line with lower NPI of RM50.5 million, partially mitigated by lower Manager's fees and finance costs as explained above.

Unrealised loss for 4Q2020 was largely in relation to the fair value loss on investment properties of RM41.3 million. Similarly, unrealised profit for 4Q2019 was contributed by fair value gain on investment properties of RM107.7 million.



## **A8. Segmental Reporting (Cont'd)**

### **b) Review of Cumulative Quarter Results**

#### Retail segment

The retail segment recorded gross revenue of RM364.7 million for the cumulative period ended 30 June 2020 (YTD 4Q2020), a decrease of 14.5% or RM62.1 million compared to YTD 4Q2019, mainly due to rental support to assist tenants as well as lower carpark income due to reason as stated in Note A8a) above.

Property operating expenses of the retail segment for YTD 4Q2020 was RM116.1 million, lower by 0.1% or RM0.2 million compared to YTD 4Q2019, mainly due to savings in utilities, lower staff costs, lower marketing and maintenance expenses in the last quarter, partially offset by higher operating expenses for YTD 3Q2020.

Net property income of the retail segment for YTD 4Q2020 was RM248.5 million, a decrease of 19.9% or RM61.9 million compared to YTD 4Q2019.

#### Hotel segment

The hotel segment recorded gross revenue of RM68.5 million for YTD 4Q2020, a decrease of 12.8% or RM10.1 million, mainly due the same reasons as stated in Note A8a) above.

The cluster hotels in Sunway City (Sunway Resort Hotel, Sunway Pyramid Hotel and Sunway Clio Property) contributed revenue of RM53.5 million for YTD 4Q2020, with a drop of RM6.2 million.

Revenue for Sunway Hotel Seberang Jaya, Sunway Putra Hotel and Sunway Hotel Georgetown also closed lower than YTD 4Q2019, primarily due to lower average occupancy rate.

In overall, net property income of the hotel segment for YTD 4Q2020 was at RM62.3 million, lower by 12.7% or RM9.1 million.

#### Office segment

The office segment recorded gross revenue of RM41.7 million for YTD 4Q2020, an increase of 8.5% or RM3.3 million compared to YTD 4Q2019, mainly contributed by overall improved performance from all office properties.

Property operating expenses of the office segment for YTD 4Q2020 was RM17.7 million, higher by 3.7% or RM0.6 million compared to YTD 4Q2019, mainly due to vacancy allowances for assessment received by Sunway Tower and Sunway Putra Tower in YTD 4Q2019.

Correspondingly, net property income of the office segment for YTD 4Q2020 was RM24.0 million, higher by 12.2% or RM2.6 million.

#### Services segment

Revenue and net property income in services segment increased to RM58.9 million in the current financial year from RM30.7 million last year, largely from the additional contribution from Sunway university & college campus of RM27.4 million.

The increase was also contributed by Sunway Medical Centre with the increase in rental by 3.5% due to the reason as mentioned in Note A8a).

#### Industrial and Others segment

Sunway REIT Industrial - Shah Alam 1 contributed RM6.2 million to revenue and net property income for the financial year compared to RM5.9 million last year, due to new cycle of rental reversion commencing 1 January 2019 in accordance with the master lease agreement.

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

Interest income for YTD 4Q2020 was higher by RM0.2 million mainly due to higher short term investment, partially offset by lower average interest rate for short term investment and placements with financial institutions.

Manager's fees for YTD 4Q2020 was higher by RM0.7 million, mainly due to higher assets under management during the financial year.

Other trust expenses for YTD 4Q2020 was lower by RM0.9 million mainly due to one-off professional fees in relation to the acquisition of Sunway university & college campus and the establishment of Perpetual Note Programme in the preceding year.

Finance costs for YTD 4Q2020 was lower by RM1.3 million due to the reasons mentioned in Note A8a).

Profit for the year was RM208.2 million (YTD 4Q2019: RM386.4 million) mainly comprised of realised profit of RM248.4 million and unrealised loss of RM40.2 million (YTD 4Q2019: realised profit of RM286.5 million and unrealised profit of RM99.9 million).

Realised profit was lower by RM38.1 million primarily due to lower NPI by RM39.8 million, partially offset by lower finance costs as explained above.

Unrealised loss was largely in relation to the annual revaluation of investment properties as explained in Note A8a).

**A9. Seasonality of Operations**

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

**A10. Profit Before Tax**

Included in the profit before tax are the following items:

	<b>Fourth Quarter ended</b>		<b>Cumulative Quarter ended</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	(1,628)	(825)	(5,392)	(5,165)
Net changes in fair value of long term liabilities	(31)	(20)	(197)	(83)
Unrealised foreign exchange loss/(gain) (hedged item)	44,752	(567)	11,300	(6,488)
Cash flow hedge reserve recycled to profit or loss	(44,752)	567	(11,300)	6,488
Net changes in fair value of derivative financial instrument	-	-	-	(28)
Allowance of impairment on trade receivables	1,934	702	3,370	1,275
Depreciation of plant and equipment	611	796	2,388	2,279
Loss on disposal of plant and equipment	-	-	30	1

## A11. Income Tax Expense

### Taxation of the REIT

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

Sunway REIT will not incur any tax expense in the current financial year as it will distribute at least 90% of its distributable income for the financial year ended 30 June 2020 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.

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

- (i) For the first quarter ended 30 September 2019 (1Q2020), interim income distribution amounting to RM73.6 million or 2.50 sen per unit paid on 4 December 2019;
- (ii) For the second quarter ended 31 December 2019 (2Q2020), interim income distribution amounting to RM72.2 million or 2.45 sen per unit paid on 12 March 2020; and
- (iii) For the second half-year ended 30 June 2020 (2H2020), final income distribution amounting to RM70.1 million or 2.38 sen per unit, comprising taxable and non-taxable/tax-exempt amount of 1.95 sen per unit and 0.43 sen per unit respectively, payable on 28 August 2020.

With the proposed final income distribution, the Manager will be distributing at least 90% of the distributable income to the unitholders of Sunway REIT for the financial year ended 30 June 2020.

## A13. Investment Properties

	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
Investment properties - based on valuation reports	7,933,000	7,981,500
Investment property under construction	104,163	65,910
Investment property - accrued lease income	(16,930)	-
	<u>8,020,233</u>	<u>8,047,410</u>

Investment property under construction relates to the property development activities for the expansion of Sunway Carnival Shopping Mall which includes the land cost of RM17.2 million and the property development costs incurred to-date of RM87.0 million. Piling works were completed and the other structural works are on-going.

Investment properties - accrued lease income is 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 30 June 2020.

#### A14. Valuation of Investment Properties

Investment properties are valued by independent registered valuers, Knight Frank Malaysia Sdn Bhd, Savills (Malaysia) Sdn Bhd and First Pacific Valuers Property Consultants Sdn Bhd. The difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise.

Property	Cost of Investment <sup>1</sup>	Fair Value			as % of NAV attributable to unitholders <sup>6</sup>
	As at 30.06.2020	As at 30.06.2020 <sup>2</sup>	As at 30.06.2019 <sup>3</sup>	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	RM'000	%
<b>Retail</b>					
Sunway Pyramid Shopping Mall	2,242,386	3,830,000	3,774,000	56,000	86.5
Sunway Carnival Shopping Mall	235,411	393,000	400,000	(7,000)	8.9
SunCity Ipoh Hypermarket	46,348	53,000	61,000	(8,000)	1.2
Sunway Putra Mall	476,445	545,000	583,000	(38,000)	12.3
	3,000,590	4,821,000	4,818,000	3,000	108.9
<b>Hotel</b>					
Sunway Resort Hotel	580,109	500,000	525,000	(25,000)	11.3
Sunway Pyramid Hotel	334,130	342,000	350,000	(8,000)	7.7
Sunway Hotel Seberang Jaya	65,653	60,000	60,000	-	1.4
Sunway Putra Hotel	336,453	334,000	335,000	(1,000)	7.5
Sunway Hotel Georgetown	76,870	80,000	82,500	(2,500)	1.8
Sunway Clio Property	343,966	307,000	340,000	(33,000)	6.9
	1,737,181	1,623,000	1,692,500	(69,500)	36.6
<b>Office</b>					
Menara Sunway	150,427	172,000	172,000	-	3.9
Sunway Tower	175,396	120,000	120,000	-	2.7
Sunway Putra Tower	102,627	133,000	130,000	3,000	3.0
Wisma Sunway	62,934	60,000	60,000	-	1.4
	491,384	485,000	482,000	3,000	11.0
<b>Services</b>					
Sunway Medical Centre (Tower A & B)	319,887	348,000	344,000	4,000	7.9
Sunway university & college campus	555,885	560,000	550,000 <sup>4</sup>	10,000	12.6
	875,772	908,000	894,000	14,000	20.5
<b>Industrial and Others</b>					
Sunway REIT Industrial - Shah Alam 1	92,499	96,000	95,000	1,000	2.2
	92,499	96,000	95,000	1,000	2.2
<b>Total investment properties</b>	<b>6,197,426</b>	<b>7,933,000</b>	<b>7,981,500</b>	<b>(48,500)</b>	179.2
Less: Capital expenditure				7,217 <sup>5</sup>	
<b>Fair value loss</b>				<b>(41,283)</b>	

<sup>1</sup> Cost of investment comprises purchase consideration and subsequent capital expenditure incurred and accrued from inception date up to the end of the reporting date.

<sup>2</sup> Appraised value based on valuation carried out on 30 June 2020.

<sup>3</sup> Appraised value based on valuation carried out on 30 June 2019.

<sup>4</sup> Appraised value based on valuation carried out on 5 December 2018 for acquisition purpose.

<sup>5</sup> Overaccrual in prior years.

<sup>6</sup> This is computed based on fair value of the investment properties over the NAV attributable to the unitholders, before income distribution, as at 30 June 2020.

## A15. Trade Receivables

	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
Third parties	55,505	15,232
Amount due from parties related to the Manager	3,808	6,840
	<u>59,313</u>	<u>22,072</u>
Less: Allowance for impairment	(6,047)	(2,692)
Total trade receivables	<u>53,266</u>	<u>19,380</u>

Trade receivables, before allowance for impairment, has increased by RM37.2 million as at 30 June 2020. The increase was mainly due to temporary relief granted under the flexible rent repayment scheme to eligible tenants and longer collection period, especially from the retail segment which was greatly affected by the COVID-19 pandemic and MCO. The trade receivables is expected to be recovered over time with the rebound of retail sales and footfall in shopping malls.

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

	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
Neither past due nor impaired	9,696	8,007
Past due but not impaired		
1 to 30 days	15,482	5,564
31 to 60 days	15,328	2,501
61 to 90 days	6,177	1,323
91 to 120 days	513	227
More than 120 days	6,070	1,758
	<u>43,570</u>	<u>11,373</u>
Impaired	6,047	2,692
	<u>59,313</u>	<u>22,072</u>

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

	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
At beginning of financial year	2,692	2,271
Charge for the year	3,370	1,275
Written off	(15)	(854)
At end of financial year	<u>6,047</u>	<u>2,692</u>

## A16. Borrowings and Debt Securities

	As at 30.06.2020 RM'000	As at 30.06.2019 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial paper	50,000	-
- Revolving loan (USD100 million)	395,941	391,284
- Unrated medium term notes	1,200,000	1,200,000
	<u>1,645,941</u>	<u>1,591,284</u>
Unsecured		
- Revolving loan	1,600,000	1,500,000
	<u>3,245,941</u>	<u>3,091,284</u>
Less: Discount on commercial paper	(105)	-
Less: Unamortised transaction costs	(418)	(491)
Total short term borrowings	<u>3,245,418</u>	<u>3,090,793</u>
<u>Long term borrowings</u>		
Secured		
- Unrated medium term notes	200,000	-
Total long term borrowings	<u>200,000</u>	<u>-</u>
Total borrowings	<u>3,445,418</u>	<u>3,090,793</u>

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

The USD100 million revolving loan was drawn in AUD135 million and has been fully hedged with a 9-month AUD-MYR cross currency swap ("CCS") contract at MYR notional value of RM373.7 million until February 2021 (30 June 2019: 1-year AUD-MYR CCS at MYR notional value of RM392.3 million) to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period.

The USD100 million revolving loan (drawn in AUD135 million) was translated at an exchange rate of 2.9329 on 30 June 2020 (30 June 2019: 2.8984) with cumulative unrealised foreign exchange loss of RM22.3 million (30 June 2019: gain of RM1.0 million) since the drawdown.

The unrealised foreign exchange reflected in the statement of comprehensive income for 4Q2020 and YTD 4Q2020 were loss of RM44.8 million (4Q2019: gain of RM0.6 million) and loss of RM11.3 million (YTD 4Q2019: gain of RM6.5 million) respectively.

The unamortised transaction costs of RM0.4 million as at 30 June 2020 relates to upfront expenses incurred for establishment of the 7-year CP Programme of up to RM3.0 billion commencing from April 2019.

Total borrowings stood at RM3.4 billion as at 30 June 2020, increased by RM0.3 billion compared to 30 June 2019, mainly from the drawdown of revolving loan of RM100.0 million and issuance of unrated medium term notes of RM200.0 million for planned capital expenditure, and issuance of commercial paper of RM50.0 million for acquisition deposit.

The weighted average interest rate of borrowings as at 30 June 2020 was 3.66% (30 June 2019: 4.02%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 43 : 57 (30 June 2019: 45 : 55).

### 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
<b>At 30 June 2020</b>				
<b>Financial assets</b>				
Investment properties	-	-	7,933,000	7,933,000
Derivatives	-	20,039	-	20,039
<b>At 30 June 2019</b>				
<b>Financial asset</b>				
Investment properties	-	-	7,981,500	7,981,500
<b>Financial liability</b>				
Derivatives	-	(1,133)	-	(1,133)

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 during the Current Quarter

#### COVID-19 Pandemic and Malaysia Movement Control Order

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

#### i) Impact on financials

Following the impact of COVID-19 pandemic in 3Q2020, both retail and hotel sectors continued to be severely impacted by the COVID-19 pandemic and the imposition of MCO, CMCO and RMCO. Sunway REIT experienced a major drop in revenue from both retail and hotel segments. The significant decline in revenue from the retail segment was mainly due to rental support granted to assist tenants during this crucial period, especially those providing non-essential products and services. Besides the retail sector, the hotel sector had been affected adversely where many hotels in the market have ceased operations. Despite the master lease agreements we have entered into in respect of our hotels, the Manager has also evaluated the necessity to provide some rental support to the hotel lessees to ease their burden during the period of MCO and CMCO. Overall, Sunway REIT has provided significant rental support as part of its long-term business partnership sustainability, subject to case-to-case basis upon evaluation of conditions and fulfilment of the criteria set.

Besides the above rental support, the 15% electricity discount from April to September 2020 as announced by the Malaysian Government will also be passed on by Sunway REIT to eligible tenants upon similar receipt from Tenaga Nasional Berhad. Sunway REIT also provided other tenant support measures such as flexible operating hours, promotional space and marketing support.

## A18. Material Events during the Current Quarter (Cont'd)

### COVID-19 Pandemic and Malaysia Movement Control Order (cont'd)

#### ii) Impact on liquidity

As at 30 June 2020, Sunway REIT's cash and short term investment stood at approximately RM280 million and has adequate working capital to sustain the business operations. Sunway REIT's balance sheet remains strong and its funding and liquidity needs are well supported by diversified pool of financiers. The gearing level is at 40.7% with interest service cover ratio remains healthy at 3.1 times, and based on current cashflows, Sunway REIT is able to meet its existing debt obligations.

#### iii) Impact on occupancies

For the expiring tenancies due in FY2020, 92% have been renewed as at 30 June 2020 with positive low single-digit rental reversionary rate.

Retail segment registered average occupancy of 95%, a drop of 1% as compared to FY2019. As at 30 June 2020, more than 90% of our tenants have resumed business under the RMCO and following this resumption with further relaxation granted to other businesses thereafter, shoppers' traffic has also shown encouraging recovery.

Hotel segment registered average occupancy of 53%, a drop of 16% as compared to FY2019. With international travel restriction remains prevalent and restricted group meeting capacity, hotel pick-up pace remains challenging in the coming months with gradual recovery over the next 6 to 12 months.

Other segments remain relatively stable in terms of occupancy.

#### iv) Strategies and steps taken

The Manager have undertaken certain actions for implementation of the standard operating procedures during MCO, CMCO and RMCO, such as investment in thermal scanners, sanitising stations, frequent fogging disinfection at public areas and maintaining social distancing protocols. Despite the initial costs to implement these standard operating procedures, the necessity to build retail confidence is critical and paramount.

Aside from the above, the Manager also implemented certain cost containment initiatives from reducing, cancelling and/or deferring non-essential operational and capital spending. These entails working closely with our lessees, operators and property manager to achieve operational cost savings, leaner cost structure as well as enhanced business efficiency and synergies.

From the liquidity management aspect, the Manager have incorporated proactive and 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 proposed establishment of a distribution reinvestment scheme to provide flexibility to unitholders to receive future income distribution in cash, units or a combination of both. The Manager is also working towards strengthening the balance sheet by proposing a private placement exercise to fund acquisition and property development activities which will lead to achieving an optimal gearing level.



## A18. Material Events during the Current Quarter (Cont'd)

### Multiple Corporate Proposals

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

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

III - Proposed establishment of a distribution reinvestment scheme

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

The Proposed Acquisition entails the acquisition of:

- (i) a piece of leasehold land held under PN 17103, Lot No. 61759, Town of Sunway, District of Petaling, State of Selangor ("Land") from Sunway Integrated Properties; and
- (ii) a building comprising a 24-storey office building with three-storey mezzanine floors and six levels of basement car park, and all fixtures and fittings fixed to or located or used therein and services infrastructure and systems and facilities (including without limitation, safety, heating, lighting, plumbing, sanitation, air conditioning, ventilation, fire protection safety facilities, elevators, escalators and broadband computer facilities) (collectively, referred to as "Buildings") from Sunway Pinnacle.

The Land and Buildings, which are held as investment property by the Vendors, are collectively known as "The Pinnacle Sunway".

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

- (i) a proposed private placement to raise gross proceeds of up to RM710.0 million at an issue price to be determined later by the Board which is to be undertaken under a new general mandate for the allotment and issuance of new units in Sunway REIT to be sought at the forthcoming 8th Annual General Meeting ("8th AGM") of Sunway REIT ("New Mandate") ("Proposed Private Placement"); and
- (ii) the proposed establishment of a distribution reinvestment scheme that provides the unitholders of Sunway REIT with an option to elect to reinvest, in whole or in part, their cash income distribution in new units in Sunway REIT ("Proposed DRS").

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

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the new units in Sunway REIT ("Placement Units") on the Main Market of Bursa Securities;
- (ii) the approval of the Unitholders for the Proposed Acquisition, Proposed DRS and for any proposed placement to Major Unitholders of Sunway REIT and/or persons connected to them ("Specific Allotment") at the Unitholders' Meeting;
- (iii) the approval of the Unitholders for the New Mandate at the 8th AGM to be convened for the allotment and issuance of the Placement Units or if the New Mandate is not obtained, the approval of the Unitholders at the Unitholders' Meeting for the Proposed Private Placement (which includes allotment and issuance of the Placement Units);
- (iv) the approval or no objection from the state authority for the transfer of the Land from Sunway Integrated Properties to the Trustee; and
- (v) any other relevant authority and/or party, if required.

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

The status of the Proposals is as disclosed in Note B10.

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

There was no material event subsequent to the quarter ended 30 June 2020.

**A20. Capital Commitments**

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

	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
Approved and contracted for	329,682	297,408
Approved but not contracted for	304,114	202,730
	<u>633,796</u>	<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.

The capital commitment approved but not contracted for mainly in relation to the phased refurbishment of Sunway Resort Hotel.

**A21. Contingent Liabilities and Assets**

There were no contingent liabilities or contingent assets as at 30 June 2020.

**A22. Transactions with Parties Related to the Manager**

The following table provides information on the transactions which have been entered into with parties related to the Manager during the financial year ended 30 June 2020 and 30 June 2019:

	<b>Fourth Quarter ended</b>		<b>Cumulative Quarter ended</b>	
	<b>30.06.2020 RM'000</b>	<b>30.06.2019 RM'000</b>	<b>30.06.2020 RM'000</b>	<b>30.06.2019 RM'000</b>
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(30,839)	(34,037)	(144,068)	(145,766)
- Purchases	23,688	25,910	101,314	141,870
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(179)	(145)	(533)	(554)
- Purchases	156	552	665	2,652
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Subscription of commercial paper	100,000	-	180,000	-
- Acquisition of investment property	45,000	495,000	45,000	550,000

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

	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	<u>6,046</u>	<u>7,564</u>
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	<u>6,800</u>	<u>15,832</u>

**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 has reduced by RM27.2 million mainly resulting from net fair value loss of RM41.3 million pursuant to annual revaluation in June 2020 and recognition of unbilled lease income receivable of RM16.9 million pursuant to MFRS 16 Leases, partially mitigated by on-going capital expenditure mainly for the expansion of Sunway Carnival Shopping Mall.

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

The increase in trade receivables is explained in Note A15.

Other receivables was higher by RM43.9 million mainly due the 10% deposit of RM45.0 million for the proposed acquisition of The Pinnacle Sunway. Details and status of the proposed acquisition are stated in Notes A18 and B10 respectively.

Derivatives of RM20.0 million is in relation to AUD-MYR CCS contract for USD100 million revolving loan (drawn in AUD135 million). Further details and movement of the derivatives are explained in Notes A16 and B15.

Short term investment relates to investment in 1-month commercial paper issued by Sunway Berhad Group, as disclosed in Note A22 above, at the nominal value of RM180.0 million less discount on commercial paper of RM0.3 million.

Cash and bank balances has increased by RM34.6 million as at 30 June 2020 is explained in Note B1c).

Perpetual note holders' funds represent proceed from an issuance of perpetual note of RM340 million by SUNREIT Perpetual Bond Berhad in April 2019, net of transaction costs incurred for establishment of the Perpetual Note Programme of RM0.3 million.

Total borrowings increased by RM354.6 million mainly to increase the liquidity to prepare for funding of planned capital expenditure and for payment of the 10% deposit for the proposed acquisition of The Pinnacle Sunway upon signing of the sale and purchase agreement in June 2020.

Other payables was lower by RM23.7 million mainly due to reversal of the over accrued capital expenditure of investment properties in prior years.

Total net asset value as at 30 June 2020 was RM4,769.8 million, comprise of unitholders' funds of RM4,430.1 million and perpetual note holders' funds of RM339.7 million.

Unitholders' funds was lower by RM26.8 million due to total comprehensive unrealised loss for the financial year of RM42.3 million, partially cushioned by the net realised income by RM15.5 million. The unrealised loss was mainly due to fair value loss on investment properties of RM41.3 million, while the net realised income was derived after deducting the distribution to unitholders of RM212.9 million and distribution to perpetual note holders of RM20.0 million from the realised profit of RM248.4 million. There is no movement in the perpetual note holders' funds during the financial year.

Correspondingly, net asset value per unit as at 30 June 2020, before proposed final income distribution, was lower at RM1.5042, compared to RM1.5133 as at 30 June 2019.

**c) Statement of Cash Flows**

Net cash from operating activities for the financial year was RM344.9 million, lower by RM54.5 million compared to preceding financial year mainly attributable to lower collection from lessees and tenants by RM61.6 million, as well as lower refundable security deposits from customers by RM10.5 million, partially offset by lower cash paid for operating expenses of RM17.6 million.

Net cash used in investing activities for the financial year was RM273.6 million comprising investment in short-term money market instrument of RM180.0 million, subsequent expenditure of investment properties of RM72.4 million and acquisition deposit of RM45.0 million.

Net cash used in financing activities for the financial year of RM16.7 million was contributed by income distribution paid to unitholders of RM212.9 million, interest paid of RM115.2 million and distribution to perpetual note holders of RM20.0 million during the financial year, partially offset by net proceeds from borrowings amounting to RM331.4 million.

Cash and bank balances as at 30 June 2020 and 30 June 2019 stood at RM101.8 million and RM67.3 million respectively. The higher balance at the end of current financial year was contributed by excess fund from borrowings for planned capital expenditure coupled with the income for 3Q2020 reserved for distribution in August 2020.

**B2. Maintenance Costs and Major Capital Expenditure**

There was no unusual nor material maintenance costs during the quarter under review. Sunway REIT has net reversal of capital expenditure incurred of RM19.6 million for 4Q2020 and net capital expenditure incurred for YTD 4Q2020 of RM31.0 million, mainly for ongoing works for the expansion of Sunway Carnival Shopping Mall of RM16.2 million for 4Q2020 and RM38.3 million for YTD 4Q2020, details as disclosed in Note A13.

**B3. Material Changes in Quarterly Results**

	<b>Current Quarter ended 30.06.2020 RM'000</b>	<b>Immediate Preceding Quarter ended 31.03.2020 RM'000</b>	<b>Change %</b>
Realised profit	26,870	65,622	-59.1%
Unrealised profit/(loss)	(40,352)	41	> -100%
Profit/(Loss) for the quarter	<u>(13,482)</u>	<u>65,663</u>	<u>&gt; -100%</u>

Realised profit for 4Q2020 was lower by RM38.8 million compared to the immediate preceding quarter (3Q2020), largely due to the rental support for eligible tenants and lessees.

Unrealised loss for 4Q2020 was mainly due to the fair value loss on investment properties.

#### **B4. Commentary on Prospects**

Globally, lockdowns were at their most intense level from mid-March to mid-May 2020 and it appeared that majority of the nations have troughed in second quarter 2020. The International Monetary Fund (IMF), has revised the global growth projection to a contraction of 4.9% in 2020, after reflecting the complex implications arising from persistent social distancing and lockdowns. Relaxation in economic and social activities are happening in some countries and cross-border mobility is expected to resume. Notwithstanding that, global policymakers' fiscal stimulus policies are necessary to fuel the recovery process and revitalize global economies.

That said, we believe that the recovery path may be patchy due to uncertainties associated with prolonged precautionary households' and business expenditure as well as cautious employment markets. Global growth is projected to rebound to 5.4% in 2021, alongside with the strengthening of consumption and investment activities. Risk to recovery remains elevated with vulnerability to resurgence of the pandemic which may eventually necessitates the reactivation of containment measures.

The COVID-19 pandemic has driven many countries into the state of recessionary mode. The Malaysia economy avoided a recession with a mild growth of 0.7% in 1Q2020, reflecting the slowdown in economic activities following the implementation of Movement Control Order (MCO) on 18 March 2020. Following the progressive re-opening of the economy in May 2020, Bank Negara Malaysia (BNM) projected the Malaysian economy to register a growth of between -2% to 0.5% in 2020. That said, the IMF has projected a steeper contraction of 3.8% in 2020 for the Malaysian economy, factoring the adverse impact of global economies on Malaysia.

Against the backdrop of deteriorating economic strength, the outlook for Malaysia's inflation in 2020 may head into the negative trajectory on the back of moderating growth and soft employment prospect as well as significantly lower crude oil price. Consumer Price Index (CPI) slipped by 2.9% in May 2020 led by decline in major non-food components, that brings YTD 5M CPI to -0.7%. The unemployment rate in May 2020 increased to a historical high of 5.3%.

On 7 July 2020, the Monetary Policy Committee (MPC) of BNM trimmed the overnight policy rate (OPR) to a record low of 1.75% to provide additional policy stimulus to accelerate the pace of economic recovery. BNM cited that it will continue to deploy the appropriate policy levers to facilitate a sustainable economic recovery.

The Manager remains cautious on the outlook for Sunway REIT in FY2021 due to the uncertainties surrounding global economic recovery. The Manager continues to focus on rebuilding the business segments which have been adversely impacted by the pandemic while strengthening its balance sheet and expanding the income stream via yield-accretive acquisition and prudent capital management strategies.

In addition, the Manager plans to capitalize on the window of opportunity to undertake phased refurbishment of Sunway Resort Hotel in FY2021. We believe that the refurbishment is timely in view that Sunway REIT has sufficient capacity, supported by rooms inventory at Sunway Pyramid Hotel and Sunway Clio Hotel, to support the recovering demand of domestic travelers while cross-border restriction persists.

The Manager maintains the income distribution payout of at least 90% in FY2021, in line with the cautious sentiment as mentioned above.

##### Review of retail market

In a statistics released by the Retail Group Malaysia (RGM), retail sales in Malaysia recorded a decline of 11.4% in the first quarter of 2020, citing that this year has been the worst period for retailers in Malaysia since the Asian Financial Crisis in 1987.

RGM projected the retail sales to decline by 28.8% in the second quarter of CY2020 on the back of closure of non-essential tenants during the Conditional Movement Control Order (CMCO) and strict social distancing during the Recovery Movement Control Order (RMCO) restricting business capacity. With the expectation of a gradual pick-up in business activity in second half of CY2020, Malaysia's retail sales are projected to decline by 8.7% in CY2020.

#### **B4. Commentary on Prospects (Cont'd)**

##### Review of retail market (cont'd)

The cumulative supply of retail space in Klang Valley stood at 61.5 million sq.ft. as of 1H CY2020. New retail supply is expected to be on an uptrend with approximately 1.7 million sq.ft. of retail space is expected to come on stream in 2H CY2020. It is crucial for these malls to secure healthy pre-opening committed occupancy rates on the back of the highly competitive retail landscape and fragile consumer sentiment.

The MIER Consumer Sentiment Index (CSI) slid 37.9% in 1Q CY2020 to 51.1 points (4Q CY2019 CSI: 82.3 points), reflecting a dive in consumers' confidence level amidst employment uncertainties. Fragile consumer sentiment is expected to persist for the remaining part of CY2020 with essential goods and services being the top priority and preparation ahead of the end of the financial relief moratorium period in September 2020.

Retail landscape in Malaysia continues to evolve alongside with global trends albeit at a different pace. This year, the retail landscape has created new opportunities amidst the lockdown and the "new normal" where landlords and retailers jumped into bandwagon and accelerated into the global omnichannel retail business model. The Department of Statistics Malaysia has reported that Malaysia's online retail sales surged 28.9% in April 2020.

Retailers may enjoy a short-lived spike in retail sales as shopping-deprived consumers splurge on "revenge spending" after being on lockdown for a period of time. In efforts to stimulate spending, landlords and retailers embark on attractive promotions to entice spending.

Pursuant to the resumption in business operation, retail footfall has demonstrated encouraging recovery. The Manager remains cautious on the prospect in the short-term as consumer sentiment remains fragile. In view of that, continuous rental, marketing and promotional supports are necessary for tenants to rebuild their business over the medium to long-term.

##### Review of hotel market

The tourism sector has been paralysed by the COVID-19 pandemic, where tourism related businesses struggled to survive leading to loss of employment and permanent closure of hotels were announced within initial weeks of the MCO. Acknowledging the importance of tourism sector contribution to the economy, the Government promptly introduced relief measures to revive the industry through the Penjana Economic Recovery Plan. Business in the tourism industry was granted an extension for deferment of tax instalments to December 2020 and tourism tax as well as service tax waiver for 1-year period until 30 June 2021. To promote domestic tourism, the Government has introduced personal income tax relief of RM1,000 up to December 2021.

Moving into the RMCO phase with gradual relaxation for the hotel industry, hotels operators marched in with attractive promotions and deals to reactivate travelling activities. In addition, the Malaysia Association of Hotels (MAH) launched the "Clean & Safe Malaysia" hygiene and safety certification program for hotels, to ensure compliance with stringent safety and hygiene SOPs, to alleviate fears of travelling. These efforts have translated into pent up demand for vacations in the short-term.

Going forward, the headwinds surrounding the hotel segment may persist depending on the longevity of the pandemic in the absence of vaccine coupled with ongoing restrictions on cross-border mobility. This may present opportunities for hotels to undertake refurbishment activities to rejuvenate the property ahead of the recovery of the segment. Whilst, some hotel owners opt to reconfigure or redevelop the hotels to other commercial or mixed use to cater to new demand of the market.

The Manager adopts proactive strategies via tactical promotional campaigns to capture market share for domestic travellers. Recently, Sunway Group launched "Ke Sana Ke Sini Ke Sunway" campaign which features a tourism family package with two-night stay at Sunway Pyramid Hotel or Sunway Clio Hotel, 4 park entrance tickets to Sunway Lagoon and retail vouchers at Sunway Pyramid Mall. The response towards this campaign was successful whereby 18,000 room nights were sold in a span of weeks.

In addition, the Manager plans to capitalize on the window of opportunity to undertake phased refurbishment of Sunway Resort Hotel in the coming financial year in view that there is sufficient room capacity in Sunway Pyramid Hotel and Sunway Clio Hotel to cater for the subdued domestic demand. Against the challenging operating landscape, the Manager expects the financial performance for the hotel segment to remain soft in FY2021.

#### **B4. Commentary on Prospects (Cont'd)**

##### Review of office market

The cumulative supply of office space in the Klang Valley stood at 108.8 million sq.ft. in 1H CY2020 with an additional net lettable area of 1.0 million sq.ft. expected to complete in 2H CY2020. The abundance supply of office space coupled with weak business sentiment will continue to put pressure on the outlook of the office segment.

Interestingly, the office segment was relatively insulated by the COVID-19 pandemic in comparison with retail and hotel segments. In general, corporations are more resilient supported by systematic business continuity plan to ensure sustainability of business operation via "work from home" and virtual meetings arrangements. Meanwhile, the vulnerable SMEs segment received Government's support through the RM10 billion additional economic stimulus package.

The recent experience of working from home will eventually lead to change in demand pattern for office space such as requirement for flexible working space or contraction in total space requirement in the longer term horizon. Whilst the trend is notable in neighbouring countries with scarcity of space or exorbitant rent, we believe that it requires a shift in corporate culture mindset in Malaysia for such trend to materialize.

The silver lining in the office segment lies in the opportunity for landlords to offer competitive pricing strategy to induce movement of tenants in the market in view that businesses are on cost-containment mode.

This augurs well for office buildings within integrated developments located in decentralized location with excellent connectivity, infrastructure and transit oriented developments.

The Manager expects the office segment within Sunway REIT's asset portfolio to remain stable in FY2021. The segment's financial performance is expected to be further boosted by new income contribution upon the completion of the proposed acquisition of The Pinnacle Sunway, targeted to be completed in 2Q FY2021.

#### **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 30.06.2020	Year ended 30.06.2019
a) Management expense ratio	0.86%	0.86%
b) Total return	-8.9%	10.7%
c) Average annual total return (5 years)	6.5%	10.8%
d) Distribution yield	4.5%	5.1%
e) NAV per unit (after income distribution) (RM)	1.4804	1.4905

- a) The ratio of trust expenses in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus distribution yield for the financial 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 7.33 sen divided by its closing price as at 30 June 2020 of RM1.62 (30 June 2019: DPU of 9.59 sen; closing price of RM1.87).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units and after proposed final income distribution of 2.38 sen per unit (30 June 2019: final income distribution of 2.28 sen per unit).

**B7. Strategies and Policies**

The Manager's strategies can be broadly categorised as:

- active asset management strategy
- acquisition growth strategy
- capital and risk management strategy
- 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:

- Base fee of 0.3% per annum on the total assets value;
- 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;
- 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
- 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.

**B9. Trustee's Fees**

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

Total Trustee's fees for the current and cumulative quarter ended 30 June 2020 were largely in line with preceding year corresponding period.



## **B10. Status of Corporate Proposals**

There was no corporate proposal that has been announced but not completed as at the date of this report except for the Multiple Corporate Proposals as disclosed in Note A18.

The submissions to the relevant authorities for the Proposals are expected to be made within two months from 29 June 2020, being the date of announcement of the Proposals. Barring any unforeseen circumstances, the Proposals are expected to be completed in 2Q FY2021.

## **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 ("Metroplex") 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 Metroplex but not removed by Metroplex when the Manager 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 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 Metroplex and costs of RM20,000.00 was awarded to Metroplex.

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, Metroplex's solicitors informed the learned Registrar that the Court of Appeal has reversed the High Court decision on 22 January 2019 and that they are awaiting instructions to file an application for leave to appeal to the Federal Court and to stay the Court of Appeal decision. The matter is fixed for further case management on 22 February 2019. On 22 February 2019, Metroplex has withdrawn the assessment with liberty to file afresh and with no order as to cost.

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

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

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

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

Metroplex served LHAG with the Notice of Motion for leave to appeal on 21 February 2019. The hearing date for the leave to appeal was fixed on 28 August 2019 but was adjourned at the request of the Plaintiff. At case management on 30 August 2019, the Federal Court fixed the hearing date on 25 November 2019. The Federal Court granted leave to appeal on 1 out of the 4 proposed questions on which leave was sought. The hearing is fixed on 7 September 2020.

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

**B12. Soft Commission**

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

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

	Current Quarter ended 30.06.2020	Immediate Preceding Quarter ended 31.03.2020	Change %
Number of units in issue (units)	2,945,078,000	2,945,078,000	0.0%
Realised net income (RM'000)	26,870	65,622	-59.1%
Realised earnings per unit (EPU) (sen)	0.75	2.06	-63.6%
Income distribution (RM'000)	70,093	-	N/A
Distribution per unit (sen)	2.38	-	N/A
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) <sup>1</sup>	4,359,964	4,389,563 <sup>2</sup>	-0.7%
NAV per unit (After income distribution) (RM) <sup>1</sup>	1.4804	1.4905 <sup>2</sup>	-0.7%
Market price per unit (RM)	1.62	1.59	1.9%

N/A - Not Applicable

<sup>1</sup> After proposed final income distribution of 2.38 sen per unit.

<sup>2</sup> After distributable income of 2.06 sen per unit is assumed for income distribution.

**B14. Income Distribution**

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

**B15. Disclosure of Nature of Outstanding Derivative Financial Instruments**

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

Type of Derivatives	Contract/Notional Value		Fair value at reporting date Derivative Asset/(Liability)	
	As at 30.06.2020	As at 30.06.2019	As at 30.06.2020	As at 30.06.2019
	RM'000	RM'000	RM'000	RM'000
<b>Cross currency swap</b>				
- Less than 1 year	373,680	392,310	20,039	(1,133)

Sunway REIT entered into a CCS contract to manage its exposure in foreign currency risk arising from borrowings in AUD. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

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

The fair value of the CCS recognised in the statement of comprehensive income for 4Q2020 and YTD 4Q2020 were gain of RM43.0 million (4Q2019: loss of RM1.0 million) and gain of RM9.2 million (YTD 4Q2019: loss of RM6.5 million). The gain recognised in the current quarter comprised fair value gain of the CCS which matured in May 2020 of RM23.0 million and fair value gain of the new CCS of RM20.0 million, which has been reflected as a derivative asset of RM20.0 million in the balance sheet as at 30 June 2020.

**B16. Risks and Policies of Derivatives**

The derivatives of the Group comprises cross currency swap contract as mentioned in Note B15.

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

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

Please refer to Note A10 for details.

**B18. Directors' Declaration**

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 30 June 2020 and of its financial performance and cash flows for the period ended on that date and duly authorised for release by the Board of the Manager on 3 August 2020.

**BY ORDER OF THE BOARD**

**Sunway REIT Management Sdn. Bhd.**

**(As Manager for Sunway Real Estate Investment Trust)**

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

**Bandar Sunway  
Date: 3 August 2020**