

SUNWAY REAL ESTATE INVESTMENT TRUST
 FIRST QUARTER ENDED 30 SEPTEMBER 2020
 FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2021 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First Quarter ended			Cumulative Quarter ended		
	30.09.2020	30.09.2019	Change	30.09.2020	30.09.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income	105,608	148,950	-29.1%	105,608	148,950	-29.1%
Other operating income	1,835	6,402	-71.3%	1,835	6,402	-71.3%
Gross revenue	107,443	155,352	-30.8%	107,443	155,352	-30.8%
Quit rent, assessment and insurance	(3,752)	(3,614)	3.8%	(3,752)	(3,614)	3.8%
Other property operating expenses	(35,602)	(32,667)	9.0%	(35,602)	(32,667)	9.0%
Property operating expenses	(39,354)	(36,281)	8.5%	(39,354)	(36,281)	8.5%
Net property income	68,089	119,071	-42.8%	68,089	119,071	-42.8%
Interest income	1,500	1,032	45.3%	1,500	1,032	45.3%
Other income	30	91	-67.0%	30	91	-67.0%
Net investment income	69,619	120,194	-42.1%	69,619	120,194	-42.1%
Manager's fees	(8,436)	(9,828)	-14.2%	(8,436)	(9,828)	-14.2%
Trustee's fees	(167)	(169)	-1.2%	(167)	(169)	-1.2%
Other trust expenses	(853)	(1,028)	-17.0%	(853)	(1,028)	-17.0%
Finance costs	(25,765)	(30,345)	-15.1%	(25,765)	(30,345)	-15.1%
	(35,221)	(41,370)	-14.9%	(35,221)	(41,370)	-14.9%
Profit before tax	34,398	78,824	-56.4%	34,398	78,824	-56.4%
Income tax expense	-	-	N/A	-	-	N/A
Profit for the period	34,398	78,824	-56.4%	34,398	78,824	-56.4%
Profit for the period comprises the following:						
Realised						
- Unitholders	29,356	73,729	-60.2%	29,356	73,729	-60.2%
- Perpetual note holders	5,013	5,013	0.0%	5,013	5,013	0.0%
	34,369	78,742	-56.4%	34,369	78,742	-56.4%
Unrealised	29	82	-64.6%	29	82	-64.6%
	34,398	78,824	-56.4%	34,398	78,824	-56.4%
Basic earnings per unit attributable to unitholders (sen):						
Realised	1.00	2.50	-60.0%	1.00	2.50	-60.0%
Unrealised	-	-	N/A	-	-	N/A
	1.00	2.50	> -100%	1.00	2.50	-60.0%
Distributable income per unit (sen) ¹	1.00	2.50	-60.0%	1.00	2.50	-60.0%
Proposed/declared distribution per unit (sen) ²	0.90	2.50	-64.0%	0.90	2.50	-64.0%

N/A - Not Applicable

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

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

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

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	First Quarter ended			Cumulative Quarter ended		
	30.09.2020	30.09.2019	Change	30.09.2020	30.09.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	34,398	78,824	-56.4%	34,398	78,824	-56.4%
Other comprehensive income/(loss)						
Cash flow hedge - fair value of derivative ¹	3,687	(10,808)	> 100%	3,687	(10,808)	> 100%
Cash flow hedge reserve recycled to profit or loss ²	(3,375)	9,382	> -100%	(3,375)	9,382	> -100%
Total comprehensive income for the period	34,710	77,398	-55.2%	34,710	77,398	-55.2%

¹ Please refer to Note B15 for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	First Quarter ended			Cumulative Quarter ended		
	30.09.2020	30.09.2019	Change	30.09.2020	30.09.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income	105,608	148,950	-29.1%	105,608	148,950	-29.1%
Interest income	1,500	1,032	45.3%	1,500	1,032	45.3%
Other income ³	1,836	6,411	-71.4%	1,836	6,411	-71.4%
	108,944	156,393	-30.3%	108,944	156,393	-30.3%
Less: Expenses	(74,575)	(77,651)	-4.0%	(74,575)	(77,651)	-4.0%
Realised income for the period	34,369	78,742	-56.4%	34,369	78,742	-56.4%
Less: Amount reserved for distribution to perpetual note holders	(5,013)	(5,013)	0.0%	(5,013)	(5,013)	0.0%
Realised income attributable to unitholders	29,356	73,729	-60.2%	29,356	73,729	-60.2%
Add: Previous period's undistributed realised income	-	453	-100.0%	-	453	-100.0%
Total income available for distribution	29,356	74,182	-60.4%	29,356	74,182	-60.4%
Less: Proposed/declared income distribution to unitholders	(26,506)	(73,627)	-64.0%	(26,506)	(73,627)	-64.0%
Balance undistributed realised income ⁴	2,850	555	> 100%	2,850	555	> 100%
Distribution per unit (sen)	0.90	2.50	-64.0%	0.90	2.50	-64.0%

³ Included other operating income.

⁴ Arising from the distribution payout ratio of at least 90% (1Q2020: 100%) of distributable income.

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

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FIRST QUARTER ENDED 30 SEPTEMBER 2020
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FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Current Quarter ended 30.09.2020	Immediate Preceding Quarter ended 30.06.2020	Change
	RM'000	RM'000	%
Rental and lease income			
- Realised	105,608	87,451	20.8%
- Unrealised (in relation to unbilled lease income receivable) ¹	-	16,930	-100.0%
Other operating income	1,835	544	> 100%
Gross revenue	107,443	104,925	2.4%
Quit rent, assessment and insurance	(3,752)	(3,755)	-0.1%
Other property operating expenses	(35,602)	(23,565)	51.1%
Property operating expenses	(39,354)	(27,320)	44.0%
Net property income	68,089	77,605	-12.3%
Interest income	1,500	1,628	-7.9%
Other income	30	34	-11.8%
Changes in fair value of investment properties			
- As per valuation reports	-	(41,283)	-100.0%
- Unbilled lease income receivable ¹	-	(16,930)	-100.0%
Net investment income	69,619	21,054	> 100%
Manager's fees	(8,436)	(8,072)	4.5%
Trustee's fees	(167)	(216)	-22.7%
Other trust expenses	(853)	(570)	49.6%
Finance costs	(25,765)	(26,578)	-3.1%
	(35,221)	(35,436)	-0.6%
Profit/(Loss) before tax	34,398	(14,382)	> 100%
Income tax expense	-	900	-100.0%
Profit/(Loss) for the period	34,398	(13,482)	> 100%
Profit/(Loss) for the period comprises the following:			
Realised			
- Unitholders	29,356	21,912	34.0%
- Perpetual note holders	5,013	4,958	1.1%
	34,369	26,870	27.9%
Unrealised	29	(40,352)	> 100%
	34,398	(13,482)	> 100%
Basic earnings/(loss) per unit attributable to unitholders (sen):			
Realised	1.00	0.75	33.3%
Unrealised	-	(1.36)	-100.0%
	1.00	(0.61)	> 100%
Distributable income per unit (sen) ²	1.00	0.75	33.3%
Proposed/declared distribution per unit (sen) ³	0.90	2.38	-62.2%

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

² Represents realised income attributable to unitholders and distribution adjustments, if any.

³ 1Q 2021 DPU of 0.90 sen represents advance income distribution to existing unitholders for the period from 1 July 2020 to 30 September 2020 (4Q2020 DPU of 2.38 sen represents semi-annual income distribution for the period from 1 January 2020 to 30 June 2020)

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

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

	Current Quarter ended 30.09.2020	Immediate Preceding Quarter ended 30.06.2020	Change
	RM'000	RM'000	%
Profit/(Loss) for the period	34,398	(13,482)	> 100%
Other comprehensive income/(loss)			
Cash flow hedge - fair value of derivative ¹	3,687	43,023	-91.4%
Cash flow hedge reserve recycled to profit or loss ²	(3,375)	(44,752)	-92.5%
Total comprehensive income/(loss) for the period	34,710	(15,211)	> 100%

¹ Please refer to Note B15 for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended 30.09.2020	Immediate Preceding Quarter ended 30.06.2020	Change
	RM'000	RM'000	%
Rental and lease income	105,608	87,451	20.8%
Interest income	1,500	1,628	-7.9%
Other income ³	1,836	547	> 100%
	108,944	89,626	21.6%
Less: Expenses	(74,575)	(62,756)	18.8%
Realised income for the period	34,369	26,870	27.9%
Less: Amount reserved for distribution to perpetual note holders	(5,013)	(4,958)	1.1%
Realised income attributable to unitholders	29,356	21,912	34.0%
Add: Previous period's undistributed realised income	-	61,209	-100.0%
Total income available for distribution	29,356	83,121	-64.7%
Less: Proposed/declared income distribution to unitholders	(26,506)	(70,093)	-62.2%
Balance undistributed realised income ⁴	2,850	13,028	-78.1%
Distribution per unit (sen)	0.90	2.38	-62.2%

³ Included in other income above is other operating income.

⁴ Arising from the distribution payout ratio of at least 90% of distributable income with effect 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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.09.2020 (Unaudited)	As At 30.06.2020 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Investment properties	8,044,586	8,020,233
Investment properties - accrued lease income	16,930	16,930
Plant and equipment	13,562	12,902
	8,075,078	8,050,065
Current assets		
Trade receivables	39,076	53,266
Other receivables	56,938	55,349
Derivatives	23,726	20,039
Short term investment	99,987	179,710
Cash and bank balances	137,765	101,816
	357,492	410,180
Total assets	8,432,570	8,460,245
Equity and liabilities		
Equity		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,661,832	1,702,228
Total Unitholders' funds	4,389,661	4,430,057
Perpetual note holders' funds	339,717	339,717
Total equity	4,729,378	4,769,774
Non-current liabilities		
Borrowings	200,000	200,000
Long term liabilities	65,801	78,524
Deferred tax liability	13,941	13,941
	279,742	292,465
Current liabilities		
Borrowings	3,248,825	3,245,418
Trade payables	3,106	1,698
Other payables	171,519	150,890
	3,423,450	3,398,006
Total liabilities	3,703,192	3,690,471
Total equity and liabilities	8,432,570	8,460,245
Units in circulation ('000 units)	2,945,078	2,945,078
Net Asset Value ("NAV") attributable to unitholders:		
Before income distribution	4,389,661	4,430,057
After income distribution ¹	4,363,155	4,359,964
NAV per unit attributable to unitholders (RM):		
Before income distribution	1.4905	1.5042
After income distribution ¹	1.4815	1.4804

¹ After proposed interim income distribution of 0.90 sen per unit for the period from 1 July 2020 to 30 September 2020 (30 June 2020: 2.38 sen per unit for the second half-year ended 30 June 2020).

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Undistributed Income	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 July 2020	2,727,829	1,702,228	4,430,057	339,717	4,769,774
Total comprehensive income					
Profit for the period	-	34,398	34,398	-	34,398
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	3,687	3,687	-	3,687
- Cash flow hedge reserve recycled to profit or loss	-	(3,375)	(3,375)	-	(3,375)
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	1,736,938	4,464,767	339,717	4,804,484
Unitholders' Transactions					
Distribution to unitholders:					
- Income distribution proposed in prior year but paid in current period	-	(70,093)	(70,093)	-	(70,093)
Decrease in net assets resulting from unitholders' transactions	-	(70,093)	(70,093)	-	(70,093)
Perpetual Note Holders' Transactions					
Amount reserved for distribution to perpetual note holders	-	(5,013)	(5,013)	-	(5,013)
Decrease in net assets resulting from perpetual note holders' transactions	-	(5,013)	(5,013)	-	(5,013)
As at 30 September 2020 (Unaudited)	2,727,829	1,661,832	4,389,661	339,717	4,729,378

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.

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

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

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	120,109	162,467
Refundable security deposits from customers	(1,239)	3,166
Cash paid for operating expenses	(52,316)	(70,143)
Net cash from operating activities	66,554	95,490
Cash flows from investing activities		
Acquisition of plant and equipment	(1,090)	(1,570)
Subsequent expenditure of investment properties	(18,032)	(11,505)
Investment in short term money market instrument	(250,000)	(250,000)
Redemption of short term money market instrument	330,000	150,000
Net cash flows to licensed financial institutions with maturity of over 3 months	-	(3,000)
Interest received	1,173	1,590
Net cash from/(used in) investing activities	62,051	(114,485)
Cash flows from financing activities		
Proceeds from issuance of commercial papers	150,000	160,000
Drawdown of revolving loan	4,800,000	4,610,000
Repayment of commercial papers	(150,000)	(160,000)
Repayment of revolving loan	(4,800,000)	(4,500,000)
Payment of unit issuance expenses	(277)	-
Interest paid	(22,286)	(24,720)
Distribution paid to unitholders	(70,093)	(67,148)
Net cash (used in)/from financing activities	(92,656)	18,132
Net increase/(decrease) in cash and cash equivalents	35,949	(863)
Cash and cash equivalents at beginning of year	101,816	47,258
Cash and cash equivalents at end of period	137,765	46,395
Cash and bank balances	137,765	69,395
Deposits with licensed financial institutions with maturity of over 3 months	-	(23,000)
Cash and cash equivalents	137,765	46,395
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	52,765	29,395
Deposits placed with licensed financial institutions	85,000	40,000
Cash and bank balances	137,765	69,395

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

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

A1. Corporate Information

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

A2. Significant Accounting Policies and Basis of Preparation

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

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

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

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

A3. Audit Report of Preceding Financial Year

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

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 30 September 2020, except for material events as disclosed in the Note A18.

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

There were no issuance, repurchases and repayments of debt and equity securities for the current/cumulative quarter ended 30 September 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/cumulative quarter ended 30 September 2020.

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A8. Segmental Reporting

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

Business segments	First/Cumulative Quarter ended 30.09.2020						First/Cumulative Quarter ended 30.09.2019					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
Revenue and results												
Gross revenue	77,724	2,791	10,471	14,917	1,540	107,443	105,529	23,650	10,122	14,512	1,539	155,352
Net property income	44,157	1,223	6,252	14,917	1,540	68,089	75,309	22,032	5,679	14,512	1,539	119,071
Interest income						1,500						1,032
Other income						30						91
Trust and other expenses						(9,456)						(11,025)
Finance costs						(25,765)						(30,345)
Profit before tax						34,398						78,824
Income tax expense						-						-
Profit for the period						34,398						78,824

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A8. Segmental Reporting (Cont'd)

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

Business segments	As at 30.09.2020						As at 30.06.2020					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
Assets												
Segment assets	5,009,344	1,628,439	488,192	910,351	96,000	8,132,326	4,997,765	1,625,718	486,257	910,057	96,000	8,115,797
Unallocated assets						300,244						344,448
Total assets						8,432,570						8,460,245
Liabilities												
Segment liabilities	181,399	9,845	10,905	-	-	202,149	180,036	10,567	11,230	-	-	201,833
Unallocated liabilities						3,501,043						3,488,638
Total liabilities						3,703,192						3,690,471

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FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2021 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

Properties	Gross Revenue			Net Property Income		
	First Quarter ended			First Quarter ended		
	30.09.2020	30.09.2019	Change	30.09.2020	30.09.2019	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Retail						
Sunway Pyramid Shopping Mall	60,686	80,428	-24.5%	36,715	61,201	-40.0%
Sunway Carnival Shopping Mall	7,803	11,690	-33.3%	3,750	7,291	-48.6%
SunCity Ipoh Hypermarket	642	1,100	-41.6%	630	1,025	-38.5%
Sunway Putra Mall	8,593	12,311	-30.2%	3,062	5,792	-47.1%
	77,724	105,529	-26.3%	44,157	75,309	-41.4%
Hotel						
Sunway Resort Hotel ¹	211	7,105	-97.0%	(189)	6,686	> -100%
Sunway Pyramid Hotel	324	4,731	-93.2%	146	4,563	-96.8%
Sunway Hotel Seberang Jaya	52	646	-92.0%	5	601	-99.2%
Sunway Putra Hotel	777	3,412	-77.2%	444	3,149	-85.9%
Sunway Hotel Georgetown	233	1,176	-80.2%	184	1,126	-83.7%
Sunway Clio Property	1,194	6,580	-81.9%	633	5,907	-89.3%
	2,791	23,650	-88.2%	1,223	22,032	-94.4%
Office						
Menara Sunway	4,472	4,493	-0.5%	3,136	3,005	4.4%
Sunway Tower	1,230	922	33.4%	253	(122)	> 100%
Sunway Putra Tower	3,026	3,083	-1.8%	1,931	1,978	-2.4%
Wisma Sunway	1,743	1,624	7.3%	932	818	13.9%
	10,471	10,122	3.4%	6,252	5,679	10.1%
Services						
Sunway Medical Centre (Tower A & B)	6,170	5,961	3.5%	6,170	5,961	3.5%
Sunway university & college campus	8,747	8,551	2.3%	8,747	8,551	2.3%
	14,917	14,512	2.8%	14,917	14,512	2.8%
Industrial & Others						
Sunway REIT Industrial - Shah Alam 1	1,540	1,539	0.1%	1,540	1,539	0.1%
	1,540	1,539	0.1%	1,540	1,539	0.1%
TOTAL PORTFOLIO	107,443	155,352	-30.8%	68,089	119,071	-42.8%

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

SUNWAY REAL ESTATE INVESTMENT TRUST
FIRST QUARTER ENDED 30 SEPTEMBER 2020
FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2021 (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/Cumulative Quarter Results

Retail segment

The retail segment has shown encouraging footfall and sales recovery following the easing of movement restrictions coupled with few festive celebrations in the current quarter ended 30 September 2020 (1Q2021) compared to immediate preceding quarter (4Q2020).

Gross revenue for 1Q2021 was at RM77.7 million, a decrease of 26.3% or RM27.8 million compared to the preceding year corresponding quarter (1Q2020), with all the malls registering a drop in gross revenue largely due to the ongoing rental support programme provided on a case-to-case basis to assist affected tenants.

Property operating expenses for 1Q2021 was higher by RM3.4 million compared to 1Q2020 mainly due to higher general provision for doubtful debts in view of the rising outstanding receivables, despite lower property management expenses from cost containment measures.

Correspondingly, net property income for the retail segment for 1Q2021 was RM44.2 million, lower by 41.4% or RM31.2 million.

Hotel segment

The hotel segment recorded gross revenue of RM2.8 million for 1Q2021, a decrease of 88.2% or RM20.9 million from 1Q2020, mainly due to closure of Sunway Resort Hotel for phased refurbishment commencing from July 2020 for 12 - 24 months and loss of business from restrictions on inbound travel, group and corporate events. The contribution in current quarter was primarily from the tactical promotional campaigns to drive hotel occupancies.

Net property income of the hotel segment for 1Q2021 correspondingly reported a drop of 94.4% or RM20.8 million as compared to 1Q2020.

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

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

Office segment

The office segment registered a gross revenue of RM10.5 million for 1Q2021, with marginal increase of 3.4% or RM0.4 million compared to 1Q2020, contributed by largely stable office portfolio average occupancy rate of 77%.

Property operating expenses for 1Q2021 was lower by RM0.2 million mainly due to lower property management expenses.

Net property income of the office segment in 1Q2021 was RM6.3 million, higher by 10.1% or RM0.6 million compared to 1Q2020.

A8. Segmental Reporting (Cont'd)

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

Services segment

The services segment contributed gross revenue and net property income of RM14.9 million for 1Q2021, an increase of 2.8% or RM0.4 million compared to 1Q2020, due to annual rental reversion of Sunway Medical Centre and Sunway university & college campus in accordance with the master lease agreements.

Industrial & Others segment

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

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

Results for the quarter

Interest income for 1Q2021 has increased by RM0.5 million, contributed by higher placements in money market instruments compared to 1Q2020.

Manager's fees for 1Q2021 was lower by RM1.4 million compared to 1Q2020 in line with the drop in net property income. The fee structure is disclosed in Note B8.

Finance costs for 1Q2021 was lower by RM4.6 million resulting from lower average interest rate for the quarter, despite higher principal loan amount.

Results for the quarter mainly comprising realised profit of RM34.4 million (1Q2020: RM78.8 million). Realised profit for 1Q2021 was lower by RM44.4 million in line with lower NPI of RM51.0 million, partially mitigated by lower Manager's fees and finance costs as explained above.

A9. Seasonality of Operations

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

A10. Profit Before Tax

Included in the profit before tax are the following items:

	First Quarter ended		Cumulative Quarter ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Interest income	(1,500)	(1,032)	(1,500)	(1,032)
Net changes in fair value of long term liabilities	(29)	(82)	(29)	(82)
Unrealised foreign exchange loss/(gain) (hedged item)	3,375	(9,382)	3,375	(9,382)
Cash flow hedge reserve recycled to profit or loss	(3,375)	9,382	(3,375)	9,382
Allowance of impairment on trade receivables	10,129	131	10,129	131
Depreciation of plant and equipment	622	570	622	570
Gain on disposal of plant and equipment	(1)	-	(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 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 period from 1 July 2020 to 30 September 2020 ("Advance Distribution Period"), interim income distribution amounting to RM26.5 million or 0.90 sen per unit was paid on 10 November 2020. This represents an advance income distribution to the existing unitholders of Sunway REIT prior to the issuance of new placement units pursuant to the Private Placement exercise as disclosed in Note A18b).

The next interim income distribution will comprise Sunway REIT's distributable income for the period from 1 October 2020 to 31 December 2020, being the day immediately after the Advance Distribution Period until the end of the relevant semi-annual period. Thereafter, semi-annual income distribution will resume.

A13. Investment Properties

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
Investment properties	7,926,675	7,916,070
Investment property under construction	117,911	104,163
	<u>8,044,586</u>	<u>8,020,233</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 RM100.7 million. Piling works were completed and the other structural works are on-going.

Included in the investment properties was the adjustment for accrued lease income in relation to the 30-year non-cancellable lease agreements for Sunway university & college campus, commencing on 15 April 2019 and expiring on 30 November 2048, with in-built incremental lease rental of 2.3% every year. The lease income has been recognised on a straight-line based over the lease period of 30 years pursuant to MFRS 16 Leases, with a total accrued lease income of RM16.9 million as at 30 September 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. There was no valuation performed during the quarter under review.

A15. Trade Receivables

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
Third parties	55,252	55,505
Amount due from parties related to the Manager	-	3,808
	<hr/> 55,252	<hr/> 59,313
Less: Allowance for impairment	(16,176)	(6,047)
Total trade receivables	<hr/> 39,076	<hr/> 53,266

Trade receivables, before allowance for impairment, has reduced by RM4.1 million as at 30 September 2020 mainly due to billings for minimum guaranteed rent for Sunway Resort Hotel, Sunway Pyramid Hotel, Sunway Hotel Seberang Jaya and Sunway Putra Hotel were recognised in June 2020. The high receivables balance was due to longer collection period, especially from the retail segment in view of the flexible rent repayment scheme to eligible tenants. The trade receivables is expected to be collected over time with the recovery of the tenants' sales performance.

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

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
Neither past due nor impaired	4,189	9,696
Past due but not impaired		
1 to 30 days	4,026	15,482
31 to 60 days	11,423	15,328
61 to 90 days	7,919	6,177
91 to 120 days	4,189	513
More than 120 days	7,331	6,070
	<hr/> 34,888	<hr/> 43,570
Impaired	16,176	6,047
	<hr/> 55,253	<hr/> 59,313

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

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
At beginning of financial year	6,047	2,692
Charge for the period/year	10,129	3,370
Written off	-	(15)
At end of financial period/year	<hr/> 16,176	<hr/> 6,047

A16. Borrowings and Debt Securities

	As at 30.09.2020 RM'000	As at 30.09.2019 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial paper	50,000	-
- Revolving loan (USD)	399,317	381,901
- Unrated medium term notes	1,200,000	1,200,000
	<u>1,649,317</u>	<u>1,581,901</u>
Unsecured		
- Revolving loan	1,600,000	1,610,000
	<u>3,249,317</u>	<u>3,191,901</u>
Less: Discount on commercial paper	(92)	-
Less: Unamortised transaction costs	(400)	(472)
Total short term borrowings	<u>3,248,825</u>	<u>3,191,429</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>3,448,825</u>	<u>3,191,429</u>

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

The revolving loan (USD) 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 September 2019: 1-year AUD-MYR CCS at MYR notional value of RM392.3 million until May 2020) to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period.

The revolving loan (USD) (drawn in AUD135 million) was translated at an exchange rate of 2.9579 on 30 September 2020 (30 September 2019: 2.8289) with cumulative unrealised foreign exchange loss of RM25.6 million (30 September 2019: gain of RM10.4 million) since the drawdown.

The unamortised transaction costs of RM0.4 million as at 30 September 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 September 2020, increased by RM0.2 billion compared to 30 September 2019, mainly from the issuance of RM200.0 million unrated medium term notes for planned capital expenditure and issuance of RM50.0 million commercial paper for deposit for the acquisition of The Pinnacle Sunway.

The weighted average interest rate of borrowings as at 30 September 2020 was 3.02% (30 September 2019: 3.87%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 43 : 57 (30 September 2019: 43 : 57).

A17. Fair Value Hierarchy

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

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 September 2020				
Financial assets				
Investment properties	-	-	7,933,000	7,933,000
Derivatives	-	23,726	-	23,726
<hr/>				
At 30 September 2019				
Financial assets				
Investment properties	-	-	7,981,500	7,981,500
Derivatives	-	(11,941)	-	-
<hr/>				

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

A18. Material Events

a) COVID-19 Pandemic and Malaysia Movement Control Order

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

i) Impact on financials

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

ii) Impact on liquidity

The Manager has taken pre-emptive measures to increase the liquidity position of Sunway REIT via borrowings, both for ongoing business needs as well as for the purposes of averting any liquidity crunch in the credit market that could potentially arise. As at 30 September 2020, Sunway REIT has cash and short term investments amounting to RM238 million and despite a higher gearing of 40.9%, interest service coverage ratio is expected to remain healthy at 3.2 times.

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

A18. Material Events (Cont'd)

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

iii) Impact on occupancies

Average occupancy rate of the retail segment and office segment remained relatively stable at 94% and 77% respectively for 1Q2021 compared to 1Q2020.

Excluding Sunway Resort Hotel which was closed for phased refurbishment commencing from July 2020 for 12 - 24 months, the hotel segment registered average occupancy rate of 34% for 1Q2021, a drop of 46% compared to 80% in 1Q2020. With international travel restriction remains prevalent and restricted group meeting capacity, hotel pick-up pace remains challenging in the coming months.

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

iv) Strategies and steps taken

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

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

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

With the completion of the Private Placement raising gross proceeds of approximately RM710 million to fund the acquisition of The Pinnacle Sunway and the expansion of Sunway Carnival Shopping Mall, Sunway REIT's capital base will be strengthened. Further details on the Private Placement is disclosed in Note A18b) below.

b) 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

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 ("SPA") with Sunway Integrated Properties Sdn. Bhd. and Sunway Pinnacle Sdn. Bhd. (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").

A18. Material Events (Cont'd)

b) Multiple Corporate Proposals (Cont'd)

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

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 annual general meeting 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 Board had subsequently elected to table a specific resolution for the Proposed Private Placement at the unitholders' meeting on 2 October 2020, instead of undertaking the Proposed Private Placement under a general mandate. Hence, the Vendors and the Trustee, on behalf of Sunway REIT, had entered into a supplemental letter dated 11 September 2020 to remove reference to the New Mandate being obtained in the relevant condition precedent in the SPA.

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

On 12 October 2020, following the bookbuilding process, the Board fixed the issue price at RM1.48 per unit. The Proposed Private Placement has been completed following the listing and quotation of 479,729,700 new units on the Main Market of Bursa Securities on 28 October 2020, raising gross proceeds of approximately RM710.0 million. Accordingly, the SPA has become unconditional on even date.

The Proposed Acquisition was completed on 20 November 2020 following the payment of the balance purchase consideration which was funded with the proceeds from the Private Placement.

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

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

A20. Capital Commitments

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

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
Approved and contracted for	573,469	329,682
Approved but not contracted for	44,706	304,114
	<u>618,175</u>	<u>633,796</u>

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

A21. Contingent Liabilities and Assets

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

A22. Transactions with Parties Related to the Manager

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

	First Quarter ended		Cumulative Quarter ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(19,732)	(37,515)	(19,732)	(37,515)
- Purchases	30,992	26,860	30,992	26,860
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(144)	(77)	(144)	(77)
- Purchases	33	176	33	176
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Net (redemption)/investment in money market	(80,000)	100,000	(80,000)	100,000

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

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	283	6,046
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	4,415	6,800

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 increased by RM24.4 million mainly contributed by on-going works for the expansion of Sunway Carnival Shopping Mall and the phased refurbishment of Sunway Resort Hotel.

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

The increase in trade receivables is explained in Note A15.

Other receivables include 10% deposit for the acquisition of The Pinnacle Sunway of RM45.0 million upon signing of the SPA in June 2020. Details and status of the Proposed Acquisition are disclosed in Note A18b).

Derivatives of RM23.7 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.

B1. Review of Performance (Cont'd)

b) Statement of Financial Position (Cont'd)

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 RM100.0 million.

The increase in cash and bank balances by RM35.9 million as at 30 September 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 net asset value as at 30 September 2020 was RM4,729.4 million, comprise of unitholders' funds of RM4,389.7 million and perpetual note holders' funds of RM339.7 million. Unitholders' funds was lower by RM40.4 million due to the distribution to unitholders of RM70.1 million and amount reserved for distribution to perpetual note holders of RM5.0 million, after total comprehensive income for the period of RM34.7 million. There is no movement in the perpetual note holders' funds during the financial year.

Correspondingly, net asset value per unit as at 30 September 2020, before income distribution, was lower at RM1.4905, compared to RM1.5042 as at 30 June 2020.

c) Statement of Cash Flows

Net cash from operating activities for 1Q2021 was RM66.6 million, lower by RM28.9 million compared to preceeding financial year mainly attributable to lower collection from lessees and tenants by RM42.4 million, partially offset by lower cash paid for operating expenses of RM17.8 million.

Net cash from investing activities for 1Q2021 of RM62.1 million was largely due to the net redemption of money market instrument of RM80 million.

Net cash used in financing activities for 1Q2021 of RM92.4 million consists of income distribution paid to unitholders of RM70.1 million and interest paid of RM22.3 million.

Cash and bank balances as at 30 September 2020 and 30 September 2019 stood at RM137.8 million and RM69.4 million respectively. The higher balance of RM68.4 million was contributed by balance fund from borrowings in 4Q2020 for planned capital expenditure.

B2. Maintenance Costs and Major Capital Expenditure

There was no unusual nor material maintenance costs during the quarter under review.

Sunway REIT incurred capital expenditure of RM24.4 million for 1Q2021, mainly for ongoing works for the expansion of Sunway Carnival Shopping Mall of RM13.7 million, details as disclosed in Note A13, and the phased refurbishment for Sunway Resort Hotel of RM5.7 million.

B3. Material Changes in Quarterly Results

	Current Quarter ended 30.09.2020 RM'000	Immediate Preceding Quarter ended 30.06.2020 RM'000	Change %
Realised profit	34,369	26,870	27.9%
Unrealised profit/(loss)	29	(40,352)	> 100%
Profit/(Loss) for the quarter	34,398	(13,482)	> 100%

Realised profit for 1Q2021 was higher by RM7.5 million compared to the immediate preceding quarter (3Q2020), mainly due to lower rental support following the improvement in tenants' sales performance during RMCO.

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

B4. Commentary on Prospects

International Monetary Fund (IMF) cited that the COVID-19 pandemic has triggered the worst downturn in global economy since the Great Depression in 1930s, the damaging effects brought by the pandemic are unprecedented and the journey to global economy recovery remains highly uncertain. The pace of recovery would depend on both domestic and external factors including political stability, global oil and commodity prices as well as further developments related to COVID-19 pandemic.

In October 2020, IMF forecasts a narrower contraction in global growth to 4.4% in CY2020, from its earlier forecast of -5.2% in June 2020. The upward revision reflects better-than-anticipated 2Q CY2020 economic outturns in advanced economies and gradual reopening of economic activities in 2H CY2020. The global economy remains highly vulnerable on the back of resurgence of COVID-19 infections.

Moving forward, the global economy is projected to record a solid rebound of 5.2% in CY2021, underpinned by robust domestic demand and exports in the advanced economies as well as the emerging and developing economies.

The Malaysian economy entered into a technical recession in 3Q CY2020 after recording a gross domestic product (GDP) contraction of 2.7% (2Q CY2020 GDP: -17.1%). That said, the economic condition has improved in 3Q CY2020 compared to 2Q CY2020 due to re-opening of the economy and improved external demand conditions. Improvements in growth were notable across main economic sectors, particularly in the manufacturing sector. Malaysia's economy is anticipated to contract by 4.5% in CY2020. Nevertheless, downside risks to outlook remain, stemming from ongoing uncertainties surrounding the pandemic globally and domestically.

The Malaysian economy is set for a firm rebound in CY2021, in line with the expectation of a synchronised global economic recovery. This will be supported by improvements in the employment market, low interest rate and inflation as well as revival of infrastructure projects with multiplier effects on the economy.

Headline inflation continues to be in the negative territory for most part of the year on the back of lower fuels, utilities and transportation costs. Consumer Price Index (CPI) eased by 1.4% in September 2020, bringing 9M CY2020 CPI to -1.1%. Headline inflation is expected to remain benign in CY2020 and CY2021.

On 3 November 2020, the Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) has maintained the Overnight Policy Rate (OPR) at 1.75%, following a cumulative 125 basis points (bps) reduction in the OPR during the first 7M CY2020. Similarly, the Statutory Reserve Requirement (SRR) was reduced by 100 bps to 2.00% to ensure sufficient liquidity to support the domestic financial market. BNM is committed to utilise its policy levers to support a sustainable economic recovery.

The Manager maintains a cautious outlook for Sunway REIT in FY2021 on the back of heightened uncertainties amidst the resurgence of COVID-19 transmissions in Malaysia. The Manager anticipates the operating conditions to remain challenging in the near-term. That said, Sunway REIT's earnings is cushioned by its diversified asset portfolio and expected new income contribution from The Pinnacle Sunway upon the completion of the acquisition in 2Q FY2021.

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

Review of retail market

Retail sales in Malaysia suffered a contraction of 20.2% in 1H CY2020 as the lockdown has caused the worst quarterly experience in the history of Malaysia's retail industry in 2Q CY2020. The Retail Group Malaysia (RGM) maintains its retail sales forecast of -9.3% in CY2020. The RGM, however cautions that the re-imposition of Conditional Movement Control Order (CMCO) poses downside risk to retail sales in 4Q CY2020.

B4. Commentary on Prospects (Cont'd)

Review of retail market (cont'd)

The Malaysian Institute of Economic Research's (MIER) Consumer Sentiment Index (CSI) has moved a notch higher to 91.5 points in 3Q CY2020 (2Q CY2020: 90.1 points). The survey indicated that consumers plan to spend prudently where confidence level remains fragile. On a positive note, the current index is far above the 51.1 points recorded in 1Q CY2020.

With adherence to strict standard operating procedures (SOP), all retail tenants resumed operations during the RMCO period. During the quarter under review, retail assets within Sunway REIT's portfolio have recorded encouraging improvement in retail footfall and retail sales, with recovery rate of 70% - 80% compared to pre-COVID-19 period. Nevertheless, the pace of recovery may be hindered by the re-imposition of CMCO in the Klang Valley from 14 October – 9 November 2020 with further CMCO extension to other states until 6 December 2020.

Against the challenging operating conditions, it is imperative for retail businesses to reinvent their business model through innovation and digitalization to diversify its income base, in line with the changing retail and consumption trend.

In the recent Federal Budget 2021, the Government has announced measures to ease the burden of rakyat by increasing their disposable income to weather through the difficult period. Some of these measures include withdrawal of RM500 a month up to RM6,000 over 12 months from Employees Provident Fund's (EPF) savings from account 1 and lowering employee EPF contribution from 11% to 9% for a duration of 12 months. Higher disposable income may positively induce higher consumer spending and bodes well for the retail segment.

The Government has extended the Wage Subsidy Program for another 3 months, specifically for the tourism and retail sectors. In addition, the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Act 2020 was passed in the Parliament, which acts as a protection to affected tenants. In an adverse condition, the COVID-19 Act may potentially lead to slower rental recovery pace for landlords.

The Manager remains cautious on the prospects of the financial performance for the retail segment in the short-term in anticipation of subdued footfall following the extension of CMCO. Based on precedence during the RMCO, our retail segment is likely to gradual recover upon successful containment of the COVID-19 infection.

Review of hotel market

The COVID-19 pandemic brought inbound tourism to a virtual standstill and severely dented local consumer sentiment, it has been reported that a significant drop of 68.2% tourist arrivals in 1H CY2020, as compared to previous year.

In July 2020, an average hotel occupancy rate of 21% to 30% has been reported by the Ministry of Tourism, Arts and Culture (MOTAC). Similarly, MOTAC recorded an estimated losses of tourism sector, approximately amounted to RM45 billion in the 1H 2020 due to the impact of MCO.

The government of Malaysia has initiated tourism recovery plan focusing on domestic travel in conjunction with the introduction of recovery initiatives and government assistance, namely special individual tax relief, PENJANA Tourism Financing Scheme, etc. Adoption of technology and embracing innovative solutions to promote tourism, arts, culture and heritage services are strongly encouraged by the government, for example, the digital platforms such as the "Cuti-Cuti Malaysia" TV promotional campaign in effort to revitalize domestic tourism.

During the quarter, hotel operators nationwide embarked on aggressive promotional campaigns to compete vigorously for domestic tourists market. The pent-up demand for "Cuti-Cuti Malaysia", however, could only lift the average occupancy rate to below 30% in 3Q CY2020.

B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

In view of the highly challenging operating environment, the Government extended the Wage Subsidy Program for another 3 month to partially alleviate the losses suffered by hotel operators. Meanwhile, MOTAC forecasts a quicker recovery in domestic tourism by 2022 in conjunction with the government recovery schemes and continued policy supports.

The Manager anticipates the hotel segment to remain weak as the segment continues to grapple with the impact of COVID-19 pandemic. The ongoing CMCO in the Klang Valley and further extension to other states will continue to cause pressure to our hotel occupancies in the short-term.

Nevertheless, the hotel operator remains agile with its tactical strategies to capture the opportunities that may prevail in a fluid market condition, such as special promotional packages, conversion of hotel use to room only services, amongst others.

The Manager has embarked on a progressive refurbishment for Sunway Resort Hotel in this financial year to take advantage of the excess room inventory during this period. The fully transformed hotel is scheduled to re-open progressively in 3Q FY2021.

Review of office market

Following an unprecedented lockdown in March 2020, businesses across the nation experienced the first work-from-home orders which has resulted in accelerated pace in digitalisation.

The COVID-19 experience may shift the trajectory of business operations moving forward. Tenants may shift towards greater emphasis on efficient space utilisation, collaborative and innovative workspace, which may change the long-term fundamental demand for office space.

In this respect, office space owners must have the foresight to develop or convert office spaces to cater to the evolving demand, which may expand the tenancy mix to beyond traditional corporate tenants.

That said, the stability of office demand is cushioned by a base demand in line with economic prospect and foreign direct investments.

The Manager expects the office segment to register steady income contribution in FY2021 on the back of relatively stable business performance for the segment. In addition, The Pinnacle Sunway is expected to contribute positively to the office segment upon the completion of the acquisition in 2Q FY2021.

Review of industrial market

Malaysia's Industrial Production Index (IPI) saw a 1% year-on-year growth in September 2020, driven by an increase in the IPI's manufacturing component, but dragged down by a decline in the electricity segments. However, for the period January to September 2020, IPI averaged -5.5% year-on-year. Notwithstanding this, with the gradual recovery of the economy and hence industrial production, the demand for properties in key industrial zones is likely to be sustained.

In line with Sunway REIT's TRANSCEND 2025 Strategic Programme, the Manager continues to actively pursue opportunities to grow its income stream in this segment to provide a resilient income base.

B5. Investment Objectives

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

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

B6. Performance Benchmark

Performance indicators	Period ended 30.09.2020	Year ended 30.06.2020
a) Management expense ratio	0.80%	0.86%
b) Total return	-1.4%	-8.9%
c) Average annual total return (5 years)	3.5%	6.5%
d) Distribution yield	2.3%	4.5%
e) NAV per unit (after income distribution) (RM)	1.4815	1.4804

* The performance indicators for the period ended 30 September 2020 was based on annualised results.

- a) The ratio of annualised trust expenses in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus annualised distribution yield for the 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) Annualised DPU of 3.57 sen (based on interim income distribution of 0.90 sen per unit) divided by its closing price as at 30 September 2020 of RM1.56 (30 June 2020: DPU of 7.33 sen; closing price of RM1.62).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units and after interim income distribution of 0.90 sen per unit (30 June 2019: final income distribution of 2.38 sen per unit).

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

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

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

B8. Manager's Fee

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

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

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

Total Manager's fees for current/cumulative quarter was lower in line with lower net property income.

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.

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

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

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

Total Trustee's fees for the current/cumulative were in line with preceding year corresponding period.

B10. Status of Corporate Proposals

Please refer to Note A18b) for the status of Corporate Proposals which were earlier announced.

B11. Material Litigation

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

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

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

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

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

The solicitors acting for the Defendants are of the view that the Defendants have a reasonably fair chance of successfully resisting the Appeal.

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

B12. Soft Commission

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

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

	Current Quarter ended 30.09.2020	Immediate Preceding Quarter ended 30.06.2020	Change %
Number of units in issue (units)	2,945,078,000	2,945,078,000	0.0%
Realised net income (RM'000)	34,369	26,870	27.9%
Realised earnings per unit (EPU) (sen)	1.00	0.75	33.3%
Income distribution (RM'000)	26,506	70,093	-62.2%
Distribution per unit (sen)	0.90	2.38	-62.2%
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ¹	4,363,155	4,359,964	0.1%
NAV per unit (After income distribution) (RM) ¹	1.4815	1.4804	0.1%
Market price per unit (RM)	1.56	1.62	-3.7%

¹ After proposed interim income distribution of 0.90 sen per unit for the period from 1 July 2020 to 30 September 2020 (30 June 2020: 2.38 sen per unit for the second half-year ended 30 June 2020).

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	
	As at 30.09.2020	As at 30.06.2020	As at 30.09.2020	As at 30.06.2020
	RM'000	RM'000	RM'000	RM'000
Cross currency swap - Less than 1 year	373,680	373,680	23,726	20,039

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 1Q2021 was a gain of RM3.7 million (1Q2020: loss of RM10.8 million). The gain recognised in the current quarter of RM3.7 million and the gain recognised in 4Q2020 of RM20.0 million, have been reflected as a derivative asset of RM23.7 million in the balance sheet as at 30 September 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 2020.

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

Please refer to Note A10 for details.

B18. Change of Financial Year End

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

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

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

B19. 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 September 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 23 November 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: 23 November 2020