

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2018	30.06.2017	Change	30.06.2018	30.06.2017	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	133,695	129,050	3.6%	548,294	509,414	7.6%
Other operating income	2,557	3,486	-26.6%	12,112	13,454	-10.0%
Gross revenue	136,252	132,536	2.8%	560,406	522,868	7.2%
Quit rent, assessment and insurance	(3,736)	(3,838)	-2.7%	(13,892)	(14,088)	-1.4%
Other property operating expenses	(32,242)	(30,182)	6.8%	(126,584)	(119,963)	5.5%
Property operating expenses	(35,978)	(34,020)	5.8%	(140,476)	(134,051)	4.8%
Net property income	100,274	98,516	1.8%	419,930	388,817	8.0%
Interest income	1,833	915	> 100%	6,231	3,238	92.4%
Other income / (expense)	101	(9)	> 100%	2,070	5,058	-59.1%
Change in fair value of investment properties	144,701	152,073	-4.8%	144,701	152,073	-4.8%
Net investment income	246,909	251,495	-1.8%	572,932	549,186	4.3%
Manager's fee	(8,637)	(8,062)	7.1%	(34,463)	(31,650)	8.9%
Trustee's fee	(17)	(309)	-94.5%	(1,012)	(1,266)	-20.1%
Other trust expenses	(1,137)	(1,327)	-14.3%	(3,120)	(2,491)	25.3%
Finance costs	(29,005)	(22,955)	26.4%	(105,646)	(89,295)	18.3%
	(38,796)	(32,653)	18.8%	(144,241)	(124,702)	15.7%
Profit before tax	208,113	218,842	-4.9%	428,691	424,484	1.0%
Income tax expense	(1,000)	-	N/A	(1,000)	-	N/A
Profit for the period	207,113	218,842	-5.4%	427,691	424,484	0.8%
Profit for the period comprise the following:						
Realised	63,314	66,818	-5.2%	281,947	270,586	4.2%
Unrealised	143,799	152,024	-5.4%	145,744	153,898	-5.3%
	207,113	218,842	-5.4%	427,691	424,484	0.8%
Earnings per unit (sen)						
- realised	2.15	2.27	-5.3%	9.57	9.19	4.1%
- unrealised	4.89	5.16	-5.2%	4.95	5.22	-5.2%
	7.04	7.43	-5.2%	14.52	14.41	0.8%
Proposed/declared distribution per unit (sen)	2.15	2.27	-5.3%	9.57	9.19	4.1%

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2018	30.06.2017	Change	30.06.2018	30.06.2017	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	207,113	218,842	-5.4%	427,691	424,484	0.8%
Other comprehensive income						
Cash flow hedge - fair value of derivative ¹	17,682	(12,450)	> 100%	(29,497)	26,570	> -100%
Cash flow hedge reserve recycled to profit or loss ²	(17,450)	12,900	> -100%	28,700	(26,250)	> 100%
Total comprehensive income for the period	207,345	219,292	-5.4%	426,894	424,804	0.5%

¹ Please refer to Note B15b) for details.

² Please refer to Note A16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Fourth Quarter ended			Cumulative Quarter ended		
	30.06.2018	30.06.2017	Change	30.06.2018	30.06.2017	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	133,695	129,050	3.6%	548,294	509,414	7.6%
Interest income	1,833	915	> 100%	6,231	3,238	92.4%
Other income *	2,560	3,526	-27.4%	12,139	16,687	-27.3%
	138,088	133,491	3.4%	566,664	529,339	7.1%
Less: Expenses	(74,774)	(66,673)	12.2%	(284,717)	(258,753)	10.0%
Realised income for the period	63,314	66,818	-5.2%	281,947	270,586	4.2%
Previous period/year's undistributed realised income	555	482	15.1%	447	513	-12.9%
Total realised income available for distribution	63,869	67,300	-5.1%	282,394	271,099	4.2%
Less: Proposed/declared income distribution	(63,319)	(66,853)	-5.3%	(281,844)	(270,652)	4.1%
Balance undistributed realised income	550	447	23.0%	550	447	23.0%
Distribution per unit (sen)	2.15	2.27	-5.3%	9.57	9.19	4.1%

* Included in other income above is other operating income

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	CURRENT	IMMEDIATE	Change
	QUARTER	PRECEDING	
	30.06.2018	31.03.2018	
	RM'000	RM'000	%
Rental income	133,695	138,871	-3.7%
Other operating income	2,557	2,644	-3.3%
Gross revenue	136,252	141,515	-3.7%
Quit rent, assessment and insurance	(3,736)	(2,654)	40.8%
Other property operating expenses	(32,242)	(33,558)	-3.9%
Property operating expenses	(35,978)	(36,212)	-0.6%
Net property income	100,274	105,303	-4.8%
Interest income	1,833	1,672	9.6%
Other income	101	500	-79.8%
Change in fair value of investment properties	144,701	-	N/A
Net investment income	246,909	107,475	> 100%
Manager's fee	(8,637)	(8,548)	1.0%
Trustee's fee	(17)	(353)	-95.2%
Other trust expenses	(1,137)	(826)	37.7%
Finance costs	(29,005)	(27,396)	5.9%
	(38,796)	(37,123)	4.5%
Profit before tax	208,113	70,352	> 100%
Income tax expense	(1,000)	-	N/A
Profit for the period	207,113	70,352	> 100%
Profit for the period comprise the following:			
Realised	63,314	69,852	-9.4%
Unrealised	143,799	500	> 100%
	207,113	70,352	> 100%
Earnings per unit (sen)			
- realised	2.15	2.37	-9.3%
- unrealised	4.89	0.01	> 100%
	7.04	2.38	> 100%
Proposed/declared distribution per unit (sen)	2.15	2.37	-9.3%

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

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

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER	Change
	30.06.2018	31.03.2018	
	RM'000	RM'000	%
Profit for the period	207,113	70,352	> 100%
Other comprehensive income			
Cash flow hedge - fair value of derivative	17,682	(22,207)	> 100%
Cash flow hedge reserve recycled to profit or loss	(17,450)	21,500	> -100%
Total comprehensive income for the period	207,345	69,645	> 100%

STATEMENT OF INCOME DISTRIBUTION

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER	Change
	30.06.2018	31.03.2018	
	RM'000	RM'000	%
Rental income	133,695	138,871	-3.7%
Interest income	1,833	1,672	9.6%
Other income *	2,560	2,644	-3.2%
	138,088	143,187	-3.6%
Less: Expenses	(74,774)	(73,335)	2.0%
Realised income for the period	63,314	69,852	-9.4%
Previous period's undistributed realised income	555	501	10.8%
Total realised income available for distribution	63,869	70,353	-9.2%
Less: Proposed/declared income distribution	(63,319)	(69,798)	-9.3%
Balance undistributed realised income	550	555	-0.9%
Distribution per unit (sen)	2.15	2.37	-9.3%

* Included in other income above is other operating income

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.06.2018 (Unaudited)	As At 30.06.2017 ³ (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Investment properties	7,280,225	6,689,200
Plant and equipment	13,591	9,063
	<u>7,293,816</u>	<u>6,698,263</u>
Current assets		
Trade receivables	21,423	17,397
Other receivables	10,669	19,117
Derivatives	10,766	8,112
Short term investment	129,625	-
Cash and bank balances	57,559	100,544
	<u>230,042</u>	<u>145,170</u>
	<u>7,523,858</u>	<u>6,843,433</u>
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,625,407	1,483,891
Total Unitholders' funds	<u>4,353,236</u>	<u>4,211,720</u>
Non-current liabilities		
Borrowings	299,750	-
Long term liabilities	77,519	65,724
Deferred tax liability	6,896	5,896
Derivatives	-	529
	<u>384,165</u>	<u>72,149</u>
Current liabilities		
Borrowings	2,602,750	2,343,759
Trade payables	2,096	3,366
Other payables	181,583	210,962
Derivatives	28	1,477
	<u>2,786,457</u>	<u>2,559,564</u>
	<u>7,523,858</u>	<u>6,843,433</u>
Number of units in circulation ('000 units)	2,945,078	2,945,078
NET ASSET VALUE ("NAV")		
- Before income distribution	4,353,236	4,211,720
- After income distribution	4,289,917	4,144,867
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.4781	1.4301
- After income distribution ²	1.4566	1.4074

¹ Before the 4Q2018 proposed income distribution of 2.15 sen per unit (4Q2017: 2.27 sen per unit).

² After the 4Q2018 proposed income distribution of 2.15 sen per unit (4Q2017: 2.27 sen per unit).

³ Certain comparative figures have been reclassified as disclosed in Note A23.

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
As at 1 July 2017	2,727,829	(312)	1,484,203	4,211,720
Total comprehensive income				
Profit for the year	-	281,947	145,744	427,691
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	(29,497)	(29,497)
- Cash flow hedge reserve recycled to profit or loss	-	-	28,700	28,700
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	281,635	1,629,150	4,638,614
Unitholders' transactions				
Distribution to unitholders				
- Income distribution declared and paid in current year	-	(218,525)	-	(218,525)
- Income distribution proposed in prior year but paid in current year	-	(66,853)	-	(66,853)
Decrease in net assets resulting from unitholders' transactions	-	(285,378)	-	(285,378)
As at 30 June 2018 (Unaudited)	2,727,829	(3,743)	1,629,150	4,353,236

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
As at 1 July 2016	2,725,933	(4,688)	1,329,985	4,051,230
Total comprehensive income				
Profit for the year	-	270,586	153,898	424,484
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	26,570	26,570
- Cash flow hedge reserve recycled to profit or loss	-	-	(26,250)	(26,250)
Total comprehensive income, representing the increase in net assets resulting from operations	2,725,933	265,898	1,484,203	4,476,034
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	1,896	-	-	1,896
Distribution to unitholders				
- Income distribution declared and paid in current year	-	(203,799)	-	(203,799)
- Income distribution proposed in prior year but paid in current year	-	(62,411)	-	(62,411)
Increase/(decrease) in net assets resulting from unitholders' transactions	1,896	(266,210)	-	(264,314)
As at 30 June 2017 (Unaudited)	2,727,829	(312)	1,484,203	4,211,720

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

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

¹ Issue of new units comprise the following:

	30.06.2017	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 25% Manager's fee paid in units:		
- at RM1.6348 per unit for the quarter ended 30 June 2016	1,160	1,896
Total Manager's fee paid in units	<u>1,160</u>	<u>1,896</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	617,849	599,159
Refundable security deposits from customers	2,284	2,688
Cash paid for operating expenses	(240,243)	(242,883)
Net cash from operating activities	<u>379,890</u>	<u>358,964</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(6,336)	(2,164)
Deposit for acquisition of investment property	-	(9,150)
Acquisition of investment properties	(422,350)	(17,200)
Incidental costs on acquisition of investment properties	(4,639)	(307)
Subsequent expenditure of investment properties	(30,439)	(93,761)
Investment in short term money market instrument	(821,000)	-
Redemption of short term money market instrument	691,000	-
Interest received	6,857	3,196
Net cash used in investing activities	<u>(586,907)</u>	<u>(119,386)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of commercial papers	284,600	165,000
Proceeds from issuance of unrated medium term notes	300,000	-
Drawdown of revolving loans	14,530,100	9,194,400
Repayment of commercial papers	(318,600)	(131,000)
Repayment of revolving loans	(13,818,600)	(9,086,400)
Repayment of term loan	(422,000)	-
Interest paid	(106,090)	(84,543)
Distribution paid	(285,378)	(266,210)
Net cash from/(used in) financing activities	<u>164,032</u>	<u>(208,753)</u>
Net (decrease)/increase in cash and bank balances	(42,985)	30,825
Cash and bank balances at beginning of year	100,544	69,719
Cash and bank balances at end of year	<u>57,559</u>	<u>100,544</u>
Cash and bank balances at end of year comprise:		
Cash on hand and at banks	20,259	20,544
Deposits placed with licensed financial institutions	37,300	80,000
Cash and bank balances	<u>57,559</u>	<u>100,544</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

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

A1. Corporate Information

Sunway Real Estate Investment Trust ("Sunway REIT" or "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (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 condensed consolidated interim financial statements comprise Sunway REIT and its subsidiaries (the "Group").

A2. Significant Accounting Policies and Basis of Preparation

The condensed consolidated interim financial statements of the Group for the financial year ended 30 June 2018 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts ("the REITs Guidelines"). These condensed consolidated interim financial statements also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

The consolidated financial statements of the Group for the financial year ended 30 June 2017 which were prepared under MFRS are available upon request from the management company's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway 47500, Subang Jaya, Selangor Darul Ehsan.

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 2017.

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 2018 except for the following:

	Fourth Quarter ended	
	30.06.2018	30.06.2017
	RM'000	RM'000
Profit after tax	207,113	218,842
Less: Fair value changes ¹	(144,799)	(152,024)
Add: Deferred taxation ²	1,000	-
Profit after tax, excluding unusual items	63,314	66,818

¹ Mainly comprise change in fair value of investment properties (after accounting for net capital expenditure incurred), of RM144.7 million (30 June 2017: RM152.1 million), with details explained in Note A14.

² Relates to deferred tax provided at 5% for the cumulative fair value gain of the freehold land component within the investment properties which are 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 2018.

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 2018.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

A8. Segmental Reporting

Segmental results for the quarter ended 30 June 2018 are as follows:

	Fourth Quarter ended 30.06.2018					Fourth Quarter ended 30.06.2017				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	101,248	18,746	9,098	7,160	136,252	100,854	18,084	8,033	5,565	132,536
Net property income	70,680	17,022	5,412	7,160	100,274	71,690	17,018	4,243	5,565	98,516
Interest income					1,833					915
Other income					101					(9)
Change in fair value of investment properties *					144,701					152,073
Trust and other expenses					(9,791)					(9,698)
Finance costs					(29,005)					(22,955)
Profit before tax					208,113					218,842
Income tax expense					(1,000)					-
Profit for the period					207,113					218,842

* After accounting for net capital expenditure incurred

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 30.06.2018					Cumulative Quarter ended 30.06.2017				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	416,521	82,637	33,471	27,777	560,406	405,045	64,462	31,477	21,884	522,868
Net property income	296,943	77,719	17,491	27,777	419,930	289,856	60,568	16,509	21,884	388,817
Interest income					6,231					3,238
Other income					2,070					5,058
Change in fair value of investment properties *					144,701					152,073
Trust and other expenses					(38,595)					(35,407)
Finance costs					(105,646)					(89,295)
Profit before tax					428,691					424,484
Income tax expense					(1,000)					-
Profit for the period					427,691					424,484

* After accounting for net capital expenditure incurred

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

Segmental assets and liabilities as at 30 June 2018 and 30 June 2017 are as follows:

	As at 30.06.2018					As at 30.06.2017				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
ASSETS										
Segment assets	4,699,399	1,719,715	476,318	433,920	7,329,352	4,551,298	1,361,467	475,743	337,966	6,726,474
Unallocated assets					194,506					116,959
Total assets					7,523,858					6,843,433
LIABILITIES										
Segment liabilities	202,721	26,135	10,730	-	239,586	198,782	49,542	9,541	-	257,865
Unallocated liabilities					2,931,036					2,373,848
Total liabilities					3,170,622					2,631,713

A8. Segmental Reporting (Cont'd)
By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Fourth Quarter			Fourth Quarter			Cumulative Quarter ended			Cumulative Quarter ended		
	30.06.2018	30.06.2017	Change	30.06.2018	30.06.2017	Change	30.06.2018	30.06.2017	Change	30.06.2018	30.06.2017	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	76,874	75,167	2.3%	57,648	57,489	0.3%	314,273	303,460	3.6%	237,947	229,620	3.6%
Sunway Carnival Shopping Mall	11,489	11,823	-2.8%	6,471	7,229	-10.5%	46,821	46,143	1.5%	29,081	29,361	-1.0%
SunCity Ipoh Hypermarket	1,100	1,165	-5.6%	1,017	1,081	-5.9%	4,386	4,916	-10.8%	4,075	4,607	-11.5%
Sunway Putra Mall	11,785	12,699	-7.2%	5,544	5,891	-5.9%	51,041	50,526	1.0%	25,840	26,268	-1.6%
	101,248	100,854	0.4%	70,680	71,690	-1.4%	416,521	405,045	2.8%	296,943	289,856	2.4%
Hotel												
Sunway Resort Hotel & Spa	6,082	10,894	-44.2%	5,656	10,415	-45.7%	37,155	40,066	-7.3%	35,501	38,401	-7.6%
Sunway Pyramid Hotel	4,064	2,752	47.7%	3,970	2,638	50.5%	16,087	4,435	> 100%	15,649	3,979	> 100%
Sunway Hotel Seberang Jaya	952	927	2.7%	905	876	3.3%	3,109	3,432	-9.4%	2,919	3,226	-9.5%
Sunway Putra Hotel	2,638	2,028	30.1%	2,283	1,656	37.9%	14,928	11,543	29.3%	13,523	10,183	32.8%
Sunway Hotel Georgetown	1,501	1,483	1.2%	1,456	1,433	1.6%	5,695	4,986	14.2%	5,508	4,779	15.3%
Sunway Clio Property ¹	3,509	-	N/A	2,752	-	N/A	5,663	-	N/A	4,619	-	N/A
	18,746	18,084	3.7%	17,022	17,018	0.0%	82,637	64,462	28.2%	77,719	60,568	28.3%
Office												
Menara Sunway	4,167	4,186	-0.5%	2,741	2,845	-3.7%	16,716	16,470	1.5%	10,688	11,236	-4.9%
Sunway Tower	818	824	-0.7%	(190)	(184)	-3.3%	3,322	3,339	-0.5%	(399)	(593)	32.7%
Sunway Putra Tower	2,771	1,445	91.8%	2,197	699	> 100%	7,792	5,097	52.9%	4,253	1,981	> 100%
Wisma Sunway	1,342	1,578	-15.0%	664	883	-24.8%	5,641	6,571	-14.2%	2,949	3,885	-24.1%
	9,098	8,033	13.3%	5,412	4,243	27.6%	33,471	31,477	6.3%	17,491	16,509	5.9%
Others												
Sunway Medical Centre	5,760	5,565	3.5%	5,760	5,565	3.5%	22,650	21,884	3.5%	22,650	21,884	3.5%
Sunway REIT Industrial - Shah Alam ²	1,400	-	N/A	1,400	-	N/A	5,127	-	N/A	5,127	-	N/A
	7,160	5,565	28.7%	7,160	5,565	28.7%	27,777	21,884	26.9%	27,777	21,884	26.9%
TOTAL PORTFOLIO	136,252	132,536	2.8%	100,274	98,516	1.8%	560,406	522,868	7.2%	419,930	388,817	8.0%

¹ Acquired on 9 February 2018

² Acquired on 1 August 2017

N/A - Not applicable

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018 (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) Others - leasing of 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 registered gross revenue of RM101.2 million for the current quarter ended 30 June 2018 (4Q2018), marginally higher by 0.4% or RM0.4 million compared to the preceding year corresponding quarter (4Q2017) despite cautious consumer sentiment attributable to the General Election.

Sunway Pyramid Shopping Mall recorded an increase in gross revenue by RM1.7 million for 4Q2018 mainly contributed by a higher average gross rent per sq. ft., whilst gross revenue for Sunway Putra Mall was lower by RM0.9 million mainly attributable to lower average rental.

Gross revenue for Sunway Carnival Shopping Mall was lower in the current quarter by RM0.3 million compared to the preceding year corresponding quarter mainly due to lower other income and gross revenue for SunCity Ipoh Hypermarket was marginally lower by RM0.1 million for 4Q2018.

Property operating expenses of the retail segment for 4Q2018 was RM30.6 million, an increase of 4.8% or RM1.4 million mainly attributable to higher fit-out expenses for Sunway Pyramid Shopping Mall.

Correspondingly, net property income of the retail segment for 4Q2018 stood at RM70.7 million, lower by 1.4% or RM1.0 million compared to 4Q2017.

Hotel segment

Despite the soft market demand from the hospitality industry, gross revenue for the hotel segment for 4Q2018 was RM18.7 million, higher by 3.7% or RM0.7 million compared to 4Q2017 with an overall average occupancy of 73% (4Q2017: 71%).

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM13.6 million in the current quarter, similar to the performance for 4Q2017. The new contribution from Sunway Clio Property and higher gross revenue for Sunway Pyramid Hotel following the full completion of its refurbishment in June 2017, partially offset the lower contribution from Sunway Resort Hotel & Spa which was mainly due to lower average occupancy rate from softer leisure demand.

Sunway Putra Hotel reported gross revenue of RM2.6 million for 4Q2018, an increase of RM0.6 million compared to the preceding year corresponding quarter, primarily attributable to both higher average occupancy rate and average daily rate ("ADR") from better leisure demand.

Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown maintained gross revenue of RM0.9 million and RM1.5 million respectively for the same period.

Net property income of the hotel segment for 4Q2018 was largely unchanged at RM17.0 million, as compared to 4Q2017.

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

Note 2: The gross revenue and net property income of Sunway Clio Property includes 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

The office segment recorded gross revenue of RM9.1 million for 4Q2018, higher by 13.3% or RM1.1 million compared to the preceding year corresponding quarter, mainly contributed by Sunway Putra Tower but partially offset by Wisma Sunway.

Sunway Putra Tower registered higher gross revenue of RM1.3 million on the back of higher average occupancy following commencement of new tenancies.

The lower gross revenue for Wisma Sunway in 4Q2018 was mainly attributable to downsizing of a tenant in 4Q2017. However, the average occupancy is expected to improve in the next financial year with the expansion of an existing tenant requiring additional space.

Gross revenue for Menara Sunway and Sunway Tower were maintained at RM4.2 million and RM0.8 million respectively in the current quarter.

Net property income of the office segment in 4Q2018 was RM5.4 million, higher by RM1.2 million compared to the preceding year corresponding quarter.

Others

Gross revenue and net property income for the others segment increased by 28.7% or RM1.6 million in 4Q2018 compared to the preceding year corresponding quarter mainly attributable to the new contribution from Sunway REIT Industrial - Shah Alam 1 of RM1.4 million (acquisition completed on 1 August 2017).

Sunway Medical Centre contributed RM5.8 million to revenue and net property income for 4Q2018, an increase of 3.5% compared to 4Q2017 due to rental reversion in accordance with the master lease agreement.

Note: The lease and rental structure of the above properties are available in Sunway REIT's Annual Report 2017.

Profit before tax

Interest income for 4Q2018 increased by RM0.9 million compared to 4Q2017 primarily contributed by interest income from investment in money market instrument during the quarter of RM0.8 million and marginally higher interest income from financial institutions of RM0.1 million.

Trustee fee was lower in the current quarter as explained in Note B9.

Finance costs for 4Q2018 was RM29.0 million, higher by 26.4% or RM6.1 million compared to 4Q2017 due to a higher principal loan amount mainly to fund investing activities, as described in Note B1c), and higher average cost of debt.

Net profit for 4Q2018 was RM207.1 million (4Q2017: RM218.8 million) comprising realised profit of RM63.3 million (4Q2017: RM66.8 million) and unrealised profit of RM143.8 million (4Q2017: RM152.0 million).

The realised profit was lower by RM3.5 million in the current quarter compared to 4Q2017 mainly due to higher finance costs but mitigated by higher net property income and interest income.

The unrealised profit in 4Q2018 was lower by RM8.2 million compared to the preceding year corresponding quarter mainly attributable to lower fair value gain on investment properties (after accounting for net capital expenditure incurred), of RM144.7 million (4Q2017: RM152.1 million) and provision for deferred taxation of RM1.0 million (4Q2017: Nil).

A8. Segmental Reporting (Cont'd)

b) Review of Cumulative Quarter Results

Retail segment

The retail segment registered gross revenue of RM416.5 million for the cumulative quarter ended 30 June 2018 (YTD 4Q2018), an increase of 2.8% or RM11.5 million compared to the preceding year corresponding cumulative quarter (YTD 4Q2017), attributable to all malls, except for SunCity Ipoh Hypermarket.

Gross revenue for Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall were higher for YTD 4Q2018 mainly contributed by higher average gross rent per sq. ft.

Sunway Putra Mall reported an increase in gross revenue of RM0.5 million for the cumulative current quarter mainly due to higher average occupancy rate with attractive rental packages offered. The lower gross revenue from SunCity Ipoh Hypermarket was attributable to lower rental reversion upon renewal of the tenancy in 4Q2017.

Property operating expenses of the retail segment for YTD 4Q2018 was RM119.6 million, higher by 3.8% or RM4.4 million, attributable to all malls with the exception of SunCity Ipoh Hypermarket, mainly due to higher maintenance expenses and allowance for doubtful debts during the financial year (as compared to a reversal of allowance for doubtful debts for YTD 4Q2017), as well as lower vacancy allowance for assessment for Sunway Putra Mall.

Net property income of the retail segment for YTD 4Q2018 was RM296.9 million, an increase of 2.4% or RM7.1 million compared to YTD 4Q2017.

Hotel segment

The hotel segment recorded gross revenue of RM82.6 million for YTD 4Q2018, higher by 28.2% or RM18.2 million compared to YTD 4Q2017 mainly due to higher contribution from all hotels and new contribution from Sunway Clio Property (acquisition completed on 9 February 2018), with the exception of Sunway Resort Hotel & Spa and Sunway Hotel Seberang Jaya.

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM58.9 million for YTD 4Q2018, compared to RM44.5 million for 4Q2017 mainly for reasons as mentioned in Note A8a).

Gross revenue for Sunway Putra Hotel was higher by RM3.4 million mainly attributable to both higher average occupancy rate and ADR with one-off contribution from the SEA Games and ASEAN PARA Games in 1Q2018, coupled with stronger demand compared to YTD 4Q2017.

Sunway Hotel Seberang Jaya registered lower gross revenue by RM0.3 million mainly due to lower F&B revenue with the cessation of the tenancy of the convention centre despite higher average occupancy rate.

Sunway Hotel Georgetown's gross revenue for the current period was RM5.7 million, higher by RM0.7 million or 14.2% compared to the preceding year corresponding cumulative quarter contributed by both higher average occupancy rate and ADR from the leisure segment.

Net property income of the hotel segment for YTD 4Q2018 was RM77.7 million, an increase of 28.3% or RM17.2 million, in line with higher gross revenue.

Office segment

Gross revenue for the office segment stood at RM33.5 million for YTD 4Q2018, higher by 6.3% or RM2.0 million compared to YTD 4Q2017 mainly contributed by Menara Sunway and Sunway Putra Tower with higher average occupancy rate but partially offset by Wisma Sunway as explained in Note A8a) above.

Property operating expenses of the office segment for YTD 4Q2018 was RM16.0 million, higher by 6.8% or RM1.0 million compared to YTD 4Q2017, mainly attributable to higher maintenance expenses for Menara Sunway and Sunway Putra Tower but mitigated by vacancy allowance for assessment received by Sunway Tower and Sunway Putra Tower.

Correspondingly, net property income of the office segment for YTD 4Q2018 was RM17.5 million, higher by 5.9% or RM1.0 million.

Others

Gross revenue and net property income for the others segment increased by 26.9% or RM5.9 million for YTD 4Q2018 compared to the preceding year corresponding cumulative quarter due to reasons mentioned in Note A8a).

A8. Segmental Reporting (Cont'd)**b) Review of Cumulative Quarter Results (Cont'd)**Profit before tax

Interest income for YTD 4Q2018 was higher by RM3.0 million compared to YTD 4Q2017 mainly due to the reasons mentioned in Note A8a).

Other income was higher by RM3.0 million in the preceding year mainly attributable to the recognition of RM3.2 million court award for assessment for damages in relation to the litigation for Sunway Putra in 2Q2017.

Other trust expenses for YTD 4Q2018 was RM3.1 million, an increase of RM0.6 million, mainly due to advisory fees incurred for the acquisition of Sunway Clio Property.

Finance costs for YTD 4Q2018 was RM105.6 million, higher by 18.3% or RM16.4 million compared to YTD 4Q2017 mainly due to the reasons mentioned in Note A8a).

Net profit for YTD 4Q2018 was RM427.7 million (YTD 4Q2017: RM424.5 million) comprising realised profit of RM281.9 million (YTD 4Q2017: RM270.6 million) and unrealised profit of RM145.7 million (YTD 4Q2017: RM153.9 million).

Realised profit for YTD 4Q2018 was higher by 4.2% or RM11.4 million compared to YTD 4Q2017, mainly due to higher net property income but partially offset by higher finance costs.

The unrealised profit for YTD 4Q2018 was RM145.7 million, lower by RM8.2 million compared to YTD 4Q2017 primarily due to the reasons mentioned in Note A8a).

A9. Seasonality of Operations

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

A10. Profit Before Tax

Included in the profit before tax are the following items:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Interest Income	(1,833)	(915)	(6,231)	(3,238)
Net changes in fair value of long term liabilities	(14)	(22)	(65)	(100)
Unrealised foreign exchange loss / (gain) - hedged item	17,450	(12,900)	(28,700)	26,250
Cash flow hedge reserve recycled to profit or loss	(17,450)	12,900	28,700	(26,250)
Net changes in fair value of derivative financial instrument (Reversal) / Allowance of impairment on trade trade receivables	(84)	71	(1,978)	(1,725)
Bad debts written off	(355)	(831)	900	(905)
Depreciation of plant and equipment	-	385	-	539
	612	516	1,908	1,608

A11. Income Tax Expense

Taxation of the REIT

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

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ended 30 June 2018.

Taxation of the Unitholders

Pursuant to Section 109D(2) of 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:

Unitholders	Withholding tax rate
Individuals & 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 normal corporate tax return and subject to the prevailing corporate tax rate of 24%.

A12. Income Distribution

For the quarter ended 30 June 2018, the Manager proposed a final income distribution of approximately 100% of the realised distributable income amounting to RM63.319 million or 2.15 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.34 sen per unit and 0.81 sen per unit respectively.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 27 August 2018 and 12 September 2018 respectively.

A13. Investment properties

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
Investment properties	7,253,000	6,689,200
Investment property under construction	27,225	-
	<u>7,280,225</u>	<u>6,689,200</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 reclassified from investment properties in the current year and the property development costs incurred to-date of RM10.0 million with commencement of piling works in 4Q2018.

A14. Valuation of Investment properties

Investment properties are valued by independent registered valuers, C H Williams Talhar & Wong Sdn Bhd. and Knight Frank Malaysia Sdn Bhd. The difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise.

Property	Fair value		Increase/ (Decrease) RM'000
	As at 30.6.2018 ¹ RM'000	As at 30.6.2017 ² RM'000	
Retail			
Sunway Pyramid Shopping Mall	3,580,000	3,450,000	130,000
Sunway Carnival Shopping Mall	415,200 ³	415,200	-
SunCity Ipoh Hypermarket	61,000	61,000	-
Sunway Putra Mall	595,000	595,000	-
	<u>4,651,200</u>	<u>4,521,200</u>	<u>130,000</u>
Hotel			
Sunway Resort Hotel & Spa	530,000	530,000	-
Sunway Pyramid Hotel	360,000	360,000	-
Sunway Hotel Seberang Jaya	63,000	63,000	-
Sunway Putra Hotel	345,000	335,000	10,000
Sunway Hotel Georgetown	75,000	72,000	3,000
Sunway Clio Property	340,000	-	340,000
	<u>1,713,000</u>	<u>1,360,000</u>	<u>353,000</u>
Office			
Menara Sunway	169,000	169,000	-
Sunway Tower	123,000	128,000	(5,000)
Sunway Putra Tower	123,000	113,000	10,000
Wisma Sunway	59,000	62,000	(3,000)
	<u>474,000</u>	<u>472,000</u>	<u>2,000</u>
Others			
Sunway Medical Centre	340,000	336,000	4,000
Sunway REIT Industrial - Shah Alam 1	92,000	-	92,000
	<u>432,000</u>	<u>336,000</u>	<u>96,000</u>
TOTAL	<u>7,270,200</u>	<u>6,689,200</u>	<u>581,000</u>
Less: Acquisitions during the year ⁴			(436,139)
Less: Capital expenditure ⁵			(160)
Fair value gain			<u>144,701</u>

¹ Appraised value based on valuation carried out on 30 June 2018.

² Appraised value based on valuation carried out on 30 June 2017.

³ Including land for the expansion of Sunway Carnival Shopping Mall of RM17.2 million which is reclassified as part of investment property under construction for FY2018.

⁴ In relation to purchase consideration paid for the acquisitions of Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property, including incidental costs related to the acquisitions.

⁵ Net capital expenditure incurred after reversal of over-accruals from previous years

A15. Trade receivables

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
Third parties	15,785	13,844
Amount due from parties related to the Manager	7,909	5,038
	<u>23,694</u>	<u>18,882</u>
Less: Allowance for impairment	(2,271)	(1,485)
Total trade receivables	<u>21,423</u>	<u>17,397</u>

Trade receivables, before allowance for impairment, increased by RM4.8 million as at 30 June 2018 mainly due to new contribution from Sunway Clio Property and timing of receipts for the hotel lease rentals.

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

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
Neither past due nor impaired	6,625	4,858
Past due but not impaired		
1 to 30 days	5,699	5,744
31 to 60 days	3,654	3,186
61 to 90 days	1,668	1,405
91 to 120 days	145	307
More than 120 days	3,632	1,897
	<u>14,798</u>	<u>12,539</u>
Impaired	2,271	1,485
	<u>23,694</u>	<u>18,882</u>

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

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
At beginning of financial year	1,485	3,942
Charge/(Reversal) for the year	900	(905)
Written off	(114)	(1,552)
At end of financial year	<u>2,271</u>	<u>1,485</u>

A16. Borrowings and Debt Securities

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial papers	-	34,000
- Revolving loan (USD100 million)	403,750	-
- Term loan (USD100 million)	-	429,400
- Unrated medium term notes	1,000,000	1,000,000
	<u>1,403,750</u>	<u>1,463,400</u>
Unsecured		
- Revolving loan	1,199,000	880,400
Total gross short term borrowings	<u>2,602,750</u>	<u>2,343,800</u>
Less: Discount on commercial papers	-	(41)
Total short term borrowings	<u>2,602,750</u>	<u>2,343,759</u>
<u>Long term borrowings</u>		
Secured		
- Unrated medium term notes	300,000	-
Less: Unamortised transaction costs	(250)	-
Total long term borrowings	<u>299,750</u>	<u>-</u>
Total borrowings	<u>2,902,500</u>	<u>2,343,759</u>

A secured 1-year revolving loan of USD100 million (equivalent to RM392.9 million) was used to refinance the USD100 million term loan (equivalent to RM422.0 million) which expired on 5 February 2018, and is hedged with a 6-month cross currency swap contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation.

The above USD100 million revolving loan was translated at an exchange rate of 4.0375 as at 30 June 2018 (30.06.2017 : USD100 million term loan at an exchange rate of 4.2940).

Hence, the cumulative unrealised foreign exchange loss arising from this translation amounted to RM10.9 million (30.06.2017: RM7.4 million). The unrealised foreign exchange loss reflected in the statement of comprehensive income for 4Q2018 was RM17.5 million (4Q2017: unrealised gain of RM12.9 million) and for YTD 4Q2018, the unrealised foreign exchange gain was RM28.7 million (YTD 4Q2017: unrealised loss of RM26.3 million).

Unamortised transaction costs of RM0.3 million as at 30 June 2018 relates to upfront expenses incurred upon issuance of the RM300 million 3-year medium term note during the financial year.

Total borrowings stood at RM2.9 billion as at 30 June 2018, of which 90% is due within 1 year and disclosed as short-term. The increase in total borrowings by RM0.6 billion from RM2.3 billion as at 30 June 2017 was mainly for the purpose of funding investing activities.

The weighted average interest rate of borrowings as at 30 June 2018 was 3.98% (30.06.2017: 3.95%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 40:60 (30.06.2017 - 89:11).

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 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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
At 30 June 2018				
Financial assets				
Investment properties	-	-	7,280,225	7,280,225
Derivative	-	10,766	-	10,766
<hr/>				
Financial liability				
Derivative	-	(28)	-	(28)
<hr/>				
At 30 June 2017				
Financial assets				
Investment properties	-	-	6,689,200	6,689,200
Derivative	-	8,112	-	8,112
<hr/>				
Financial liability				
Derivative	-	(2,006)	-	(2,006)
<hr/>				

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

A18. Material Events

There were no material events since the end of the last annual reporting period, except for the following:

Acquisition of Sunway Clio Property

On 3 August 2017, RHB Investment Bank Berhad announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, the Manager for Sunway REIT ("SunREIT"), that RHB Trustees Berhad, as the trustee of SunREIT ("Trustee"), entered into a conditional sale and purchase agreement ("SPA") with Sunway Forum Hotel Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of Sunway Berhad, for the proposed acquisition of the Sunway Clio Property (as defined below) for a total purchase consideration of RM340 million to be entirely satisfied in cash ("Proposed Acquisition").

The Proposed Acquisition entails the acquisition of a parcel of leasehold land held under H.S. (D) 259881, Lot No. PT 1333, Bandar Sunway, District of Petaling, Selangor Darul Ehsan together with a 27-storey building with a lower ground floor (and all services infrastructure, fixtures and fittings affixed or located or used in the property) comprising:

- (i) a 19-storey 4-star rated hotel with 401 hotel rooms and facilities including a swimming pool, an exercise area, a dining area and meeting rooms known as Sunway Clio Hotel ("Hotel Property");
 - (ii) 3-storey (including 1 storey at lower ground floor) retail lots known as Sunway Pyramid West ("Retail Space"); and
 - (iii) a 6-storey podium car park ("Podium Car Park") and 4-storey basement car park (collectively, "Multi-storey Car Park"),
- (collectively, the "Sunway Clio Property").

The Proposed Acquisition was completed on 9 February 2018 in accordance with the SPA's terms and conditions fully satisfied and full payment of the purchase consideration.

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

There were no material events subsequent to the quarter ended 30 June 2018.

A20. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 30 June 2018 were as follows:

	As at 30.06.2018 RM'000
Approved and contracted for	348,437
Approved but not contracted for	183,490
	<u>531,927</u>

The capital commitment approved and contracted for mainly relates to the expansion of Sunway Carnival Shopping Mall with commencement of piling works in 4Q FY2018 and Sunway Resort Hotel & Spa's planned refurbishment activities for the grand ballroom, meeting and function room facilities.

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

A21. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 30 June 2018.

A22. Transactions with Parties Related to the Manager

The following table provides information on the transactions which have been entered into with parties related to the Manager during the period ended 30 June 2018 and 30 June 2017 as well as the balances with the parties related to the Manager as at 30 June 2018 and 30 June 2017:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(36,291)	(34,879)	(152,517)	(131,262)
- Purchases	16,439	28,664	64,072	137,012
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(154)	(147)	(571)	(608)
- Purchases	(2,556)	-	(2,556)	-
<u>Other transactions with parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Subscription of commercial paper	130,000	-	130,000	-
- Acquisition of investment property	-	-	340,000	-

Subscription to the 1-month commercial paper, with nominal value of RM130 million announced on 28 June 2018, was issued by Sunway Berhad, a substantial unitholder of SunREIT. The rationale for this investment in money market instrument was that it offered the most competitive discount rate in line with SunREIT's active capital management strategy.

The acquisition of investment property relates to the completed acquisition of Sunway Clio Property for RM340 million, as disclosed in Note A18, with a deposit of RM34 million paid in 1Q2018 (10% of the purchase consideration) and the balance purchase consideration of RM306 million paid in 3Q2018.

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	10,286	5,994
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	24,494	25,942

A23. Comparative figures

The following comparative figures for the statement of financial position as at 30 June 2017 and the related note have been reclassified to conform to the current year's presentation arising from reclassification of other charges to tenants and prepayment from tenants, from trade receivables to other receivables and other payables respectively:

At 30 June 2017	As previously reported RM'000	Reclassification RM'000	As reclassified RM'000
Current assets			
Trade receivables	16,821	576	17,397
Other receivables	16,153	2,964	19,117
	32,974	3,540	36,514
Current liabilities			
Other payables	207,422	3,540	210,962

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

B1. Review of Performance

a) Statement of Comprehensive Income

Explanatory comments are provided in Note A8.

b) Statement of Financial Position

Investment properties increased to RM7.3 billion as at 30 June 2018 compared to RM6.7 billion as at 30 June 2017 primarily attributable to the acquisition of Sunway REIT Industrial - Shah Alam 1 of RM92.5 million and Sunway Clio Property of RM343.6 million, including incidental costs related to the acquisition, and recognition of fair value gain of RM144.7 million in 4Q2018.

The increase in trade receivables by RM4.0 million from the last financial year-end to 30 June 2018 is explained in Note A15.

Other receivables stood at RM10.7 million as at 30 June 2018, lower by RM8.4 million compared to RM19.1 million as at 30 June 2017, mainly due to the RM9.2 million deposit reclassified to investment properties upon completion of the acquisition of Sunway REIT Industrial - Shah Alam 1 on 1 August 2017.

Short term investment as at 30 June 2018 relates to an investment in money market instrument comprising 1-month commercial paper (CP) issued by Sunway Berhad (nominal value of RM130.0 million less discount on CP of RM0.4 million), as disclosed in Note A22 above.

Total borrowings was higher by RM558.7 million as at 30 June 2018 compared to the last financial year-end mainly due to higher drawdown to fund investing activities as disclosed in Note A16.

The movements in derivatives is explained in Note B15.

Total net asset value as at 30 June 2018 was RM4,353.2 million, an increase of RM141.5 million in the undistributed income as compared to the last financial year, which comprised unrealised income of RM144.9 million and negative amount of net realised income of RM3.4 million. The unrealised income is mainly attributable to the fair value gain of investment properties and interest rate swap, and net changes relating to the cash flow hedge. The negative amount of net realised income arose mainly due to the timing difference of 4Q2017 income distribution of RM66.9 million proposed in 4Q2017, but only distributed out of realised income in FY2018, and was higher than the realised profit for 4Q2018 of RM63.3 million.

Correspondingly, net asset value per unit as at 30 June 2018, before proposed/declared income distribution for the current quarter, stood at RM1.4781 compared to RM1.4301 as at 30 June 2017.

c) Statement of Cash Flows

Net cash from operating activities for YTD 4Q2018 was RM379.9 million, an increase of RM20.9 million compared to YTD 4Q2017, mainly due to higher net property income.

During the financial year, RM586.9 million was used for investing activities mainly related to the acquisition of Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property, and the investment in money market instrument as mentioned in Note A22 above. In the preceding year, net cash used for investing activities was RM119.4 million mainly for the refurbishment of Sunway Pyramid Hotel and the balance payment for the acquisition of Sunway Carnival land.

Additional borrowings of RM555.5 million was drawdown for YTD 4Q2018 to fund investing activities compared to RM142.0 million drawn for YTD 4Q2017.

Interest paid in the current financial year was RM106.1 million (YTD 4Q2017 : RM84.5 million), an increase of RM21.5 million, in tandem with the higher outstanding borrowings and higher average cost of debt.

Distribution paid for YTD 4Q2018 was RM285.4 million compared to RM266.2 million for YTD 4Q2017.

The cash and cash equivalents balance as at 30 June 2018 was RM57.6 million, lower by RM43.0 million from RM100.5 million as at 30 June 2017 mainly attributable to higher net cash used in investing activities as explained above.

B2. Maintenance Costs and Major Capital Expenditure

There was no unusual nor material maintenance costs during the quarter under review. Sunway REIT incurred capital expenditure of RM3.7 million for 4Q2018 and RM20.9 million for YTD 4Q2018, of which approximately RM1.1 million for 4Q2018 and RM10.0 million for YTD 4Q2018 respectively relate to the property development costs incurred for the expansion of Sunway Carnival Shopping Mall, details as disclosed in Note A13.

In addition to the above, there was a reversal of over-accruals for capital expenditure from previous years of RM10.7 million in 4Q2018 mainly relating to the finalisation of project cost for the refurbishment of Sunway Putra Hotel. Excluding the above property development costs, this would result in a net decrease in capital expenditure of RM7.0 million for 4Q2018 and a net increase in capital expenditure of RM0.2 million for YTD 4Q2018 as reflected in Note A14.

B3. Material Changes in Quarterly Results

	Current Quarter Ended 30.06.2018 RM'000	Immediate Preceding Quarter Ended 31.03.2018 RM'000	Change %
Realised profit	63,314	69,852	-9.4%
Unrealised profit	143,799	500	> 100%
Profit for the quarter	<u>207,113</u>	<u>70,352</u>	<u>> 100%</u>

Realised profit for 4Q2018 was RM63.3 million, lower by RM6.5 million compared to the immediate preceding quarter (3Q2018) of RM69.9 million, mainly due to lower contribution from the retail segment by RM6.3 million with the lull market condition partly attributable to the General Election. The higher contribution from the hotel and office segments of RM1.3 million largely offset the increase in finance costs of RM1.6 million.

Unrealised profit for the current quarter stood at RM143.8 million, mainly contributed by fair value gain from the annual revaluation of investment properties of RM144.7 million. Unrealised profit for the immediate preceding quarter of RM0.5 million was mainly due to fair value gain from the derivative financial instrument.

B4. Commentary on Prospects

In the latest World Economic Outlook release, the International Monetary Fund (IMF) has maintained global growth projection at 3.9% for CY2018 and CY2019. The IMF, however, expects less synchronised growth trajectory in view that some major economies appear to have peaked. Global growth outlook is tilting toward downside bias in light of the weak outturn in the first quarter in several large economies, intensifying trade protectionism coupled with ongoing monetary policy normalization in the advanced economies.

The Malaysian economy moderated in the first quarter of CY2018 to 5.4% (4Q CY2017: 5.9%), on the back of slower domestic demand, particularly government consumption and investments. Despite the higher net external trades, this was a result of a decline in import. Bank Negara Malaysia (BNM) has maintained the CY2018 Malaysian economy growth projection at 5.5% - 6.0%, to be driven by both domestic and external demand underpinned by continued growth in wages and employment and business sentiment as well as healthy external trades.

BNM has maintained the headline inflation projection within the range of 2% to 3% in CY2018, benefitting from lower cost factors and strong domestic exchange rate. Risk to higher inflation lies in the direction of global oil prices. Headline inflation as measured by the Consumer Price Index (CPI), rose marginally by 0.8% in June 2018, the lowest in more than 3 years following the reduction in Goods and Services Tax (GST) rate effective 1 June 2018. For the first half CY2018, the CPI moderated to 1.6%. The CPI is likely to normalise above the 2% after the tax holiday and commencement of Sales and Service Charge (SST) in September 2018.

On 11 July 2018, the Monetary Policy Committee (MPC), has maintained the Overnight Policy Rate at 3.25%. Bank Negara Malaysia (BNM) opined that the degree of monetary accommodativeness is consistent with the intended policy stance and will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation. Economists consensus surveyed by Bloomberg expects the OPR to remain unchanged for the remaining CY2018.

B4. Commentary on Prospects (Cont'd)

In view of a global interest rate normalisation cycle, the Manager is cautious of the prospects and endeavours to maintain the DPU in FY2019. The retail segment is expected to grow modestly and the hotel segment is expected to grow moderately, however, this will be partially offset by income disruption from the ongoing refurbishment activities at Sunway Resort Hotel & Spa.

The Manager is committed to distribute 100% of its distributable net income for FY2019.

Review of retail market

In June 2018, The Retail Group Malaysia (RGM) has revised upwards the CY2018 retail sales projection, from 4.7% to 5.3%. Despite the weaker than expected retail sales growth in 1Q CY2018 of 2.6%, RGM is optimistic that retail spending to pick up in the subsequent quarters boosted by the transitional tax holiday enjoyed by consumer between June 2018 to August 2018.

Riding on the optimism, the Malaysian Institute of Economic Research's (MIER) Consumer Sentiment Index (CSI) spiked to a 21-year high of 132.9 points. At this juncture, it may be still premature to confirm if the strong sentiment is sustainable.

The average occupancy rate at Sunway Pyramid Shopping Mall was maintained at close to full occupancy rate for YTD 4Q FY2018 at 98.9% (YTD 3Q FY2018 : 99.1%). Based on the total net lettable area (NLA) of 651,428 sq.ft. which was due for renewal in FY2018, a total of 639,625 sq.ft. equivalent to 98.2% of total space due for renewal, was renewed or replaced at a single-digit rental reversion rate.

Sunway Clio Retail's average occupancy improved to 88.2% for YTD 4Q 2018 (YTD 3Q FY2018: 58.3%) due to commencement of a new tenant. There was no renewal due in view that the property was opened in 4Q FY2016.

Sunway Carnival Shopping Mall recorded marginally higher average occupancy rate of 97.3% for YTD 4Q FY2018 compared to 97.0% for YTD 3Q FY2018. Based on the total NLA of 149,787 sq.ft. which was due for renewal in FY2018, a total of 131,360 sq.ft. equivalent to 87.7% of total space due for renewal, was renewed or replaced at a single-digit rental reversion rate.

Sunway Putra Mall achieved an average occupancy rate of 90.7% for YTD 4Q FY2018 (YTD 3Q FY2018: 90.5%) on the back of commencement of new tenants during the financial year. Based on the total NLA of 323,383 sq.ft. which was due for renewal in FY2018, a total of 312,048 sq.ft. equivalent to 96.5% of total space due for renewal, was renewed or replaced with attractive rental package as a strategy to maintain high occupancy rate.

The Manager expects the retail segment to register a modest growth for FY2019, underpinned by healthy average occupancy rates across all the malls.

Review of hotel market

The outlook for the hospitality sector is increasingly challenging on the back of intensifying competition arising from new and incoming hotels supply in the Klang Valley. In the Klang Valley, there are 9 new hotels coming on stream in CY2018 with an estimated rooms inventory of approximately 1,800 rooms. This is in addition to existing 1,900 rooms inventory that came into the Klang Valley in 2017. Despite the appeal to remove tourism tax, the Government has indicated that the tourism tax shall be maintained.

In addition, uncertainties arising from expected increase in minimum wage may exert pressure on operation cost.

The cluster hotels in Sunway City, consisting of Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Hotel, have improved in the combined average occupancy rate. Sunway Resort Hotel & Spa has recorded softer average occupancy rate of 73.5% in FY2018 versus 81.5% in FY2017, mainly attributable to softer market demand from the Middle Eastern market and leisure market. For the quarter ended 30 June 2018, the average occupancy rate slipped to 60.2% (4Q FY2017: 71.7%), partially due to hold back by consumers and business spending arising from uncertainties pre and post General Election. The hotel is undergoing refurbishment in 1H FY2019 for its ballroom, meeting and function facilities in order to provide refreshing experience for guests and stay relevant with consumer expectations.

B4. Commentary on Prospects (Cont'd)

Review of hotel market (Cont'd)

The average occupancy rate for Sunway Pyramid Hotel rebounded to 71.4% in FY2018 versus 56.8% on the back of completion of its refurbishment. The trend is consistent for 4Q FY2018 where the average occupancy rate improved from 62.0% in 4Q FY2017 to 71.5%.

Meanwhile, Sunway Clio Hotel's average occupancy rate was largely maintained at 71.5% in FY2018 vis-à-vis 72.3% in FY2017. The average occupancy rate was higher at 68.9% in 4Q FY2018 compared to 62.2% in 4Q FY2017. The healthy demand was mainly attributable to guests' preference for newer offerings within the cluster hotels offerings.

Sunway Putra Hotel's average occupancy rate improved to 72.8% in FY2018 from 68.2% in FY2017. The performance is also the best annual performance since the completion of its refurbishment in 2015. The average occupancy rate inched marginally to 65.7% in 4Q FY2018, from 64.5% in 4Q FY2017.

In Penang, Sunway Hotel Georgetown achieved a high of 91.8% in its average occupancy rate in FY2018 (FY2017: 87.7%). Similarly, the average occupancy rate improved to 91.2% in 4Q FY2018 versus 88.6% in 4Q FY2017 as the hotel continued to enjoy strong demand from the leisure segment.

Sunway Hotel Seberang Jaya has also seen an improvement in its average occupancy rate, which increased from 71.1% in FY2017 to 76.4% in FY2018. For the quarter, the average occupancy rate was marginally higher at 77.7% in 4Q FY2018 (4Q FY2017: 76.3%) supported by demand from the corporate segment.

The hotel segment is expected to register moderate growth, however, this will be partially offset by income disruption from the ongoing refurbishment activities at Sunway Resort Hotel & Spa.

Review of office market

The office space supply in the Greater Kuala Lumpur is estimated at 123 million sq.ft. as at 2Q CY2018 with a projected 5 million sq.ft. of additional new office space annually to bring the total office space to 145 million sq.ft. by CY2022. The short to medium term outlook remains challenging in the absence of major catalyst to attract new demand to take up the new incoming supply. On the longer term, confidence in the new Government to generate more robust economic activities and attract more foreign direct investments (FDIs) into the country will help to create new demand.

The average occupancy rate for Menara Sunway was stable at 93.8% for YTD 4Q FY2018 (YTD 3Q FY2018: 93.6%). Based on the total NLA of 17,794 sq.ft. which was due for renewal in FY2018, a total of 17,494 sq.ft. equivalent to 98.3% of total space due for renewal, was renewed or replaced at a single-digit rental reversion rate.

In Kuala Lumpur, Sunway Putra Tower's average occupancy rate improved further to 56.0% in FY2018 compared to 36.6% in FY2017 pursuant to the commencement of new tenants during the financial year. The occupancy rate stood at 78.2% as at 30 June 2018. Based on the total NLA of 13,584 sq.ft. which was due for renewal in FY2018, 100% of the total space due for renewal, was renewed or replaced at a single-digit rental reversion rate.

Meanwhile, the average occupancy rate for Sunway Tower remained largely unchanged at 21.0% for YTD 4Q FY2018.

For the financial year ended 30 June 2018, Wisma Sunway experienced a transitional contraction in the average occupancy rate due to downsizing and non-renewal of tenancies. The average occupancy rate stood at 78.3% for YTD 4Q FY2018 compared to 79.0% for YTD 3Q FY2018. The occupancy is expected to increase to 99.9% in the coming financial year on the back of expansion of an existing tenant requiring additional space.

The Manager expects gradual improvement in the overall occupancy of the office segment, mainly attributable to continued improvement at Sunway Putra Tower and Wisma Sunway.

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 REITs Guidelines.

The Manager is confident of 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 30.06.2018	Year ended 30.06.2017
a) Management expense ratio	0.89%	0.85%
b) Total returns	4.8%	12.4%
c) Average annual total returns (5 years)	8.5%	11.3%
d) Distribution yield	5.4%	5.2%
e) NAV per unit (after income distribution) (RM)	1.4566	1.4074

- a) The ratio of expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus distribution yield for the year.
- c) Average annual total return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on DPU of 9.57 sen divided by its closing price as at 30 June 2018 of RM1.77 (30 June 2017 - DPU: 9.19 sen; Closing price: RM1.78).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

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

There was no change in the strategies and policies employed during the period under review with the exception of d) above.

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 fee for the current and cumulative quarter ended 30 June 2018 were RM8.6 million and RM38.8 million respectively (Total base and performance fee of RM34.5 million and acquisition fee of RM4.3 million) compared to the preceding year corresponding quarter and cumulative quarter of RM8.1 million and RM31.7 million respectively. The acquisition fee of RM4.3 million paid to the Manager consists of RM0.9 million for the acquisition of Sunway REIT Industrial - Shah Alam 1 in 1Q2018 and RM3.4 million for the acquisition of Sunway Clio Property in 3Q2018 and this fee was capitalised as part of the acquisition costs.

B9. Trustee's Fee

Pursuant to the Deed constituting Sunway REIT, the Trustee is entitled to receive a fee of up to 0.03% per annum of the net asset value of Sunway REIT, 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. As announced on 4 July 2018, the Trustee had agreed to revise the Trustee's fee from 0.030% to 0.015% per annum of net asset value of Sunway REIT and the fee is subject to a maximum of RM700,000 per annum. This revision will be applied for the calculation of Trustee fee for 2018 and onwards.

With the above, the reduction of Trustee fee for 3Q2018 has been adjusted in the current quarter and the total Trustee's fee for the cumulative quarter ended 30 June 2018 stood at RM1.0 million. For the preceding year corresponding quarter and cumulative quarter ended 30 June 2017, total Trustee's fee were RM0.3 million and RM1.3 million respectively.

B10. Status of Corporate Proposals

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

B11. Material Litigation

1. Sunway Putra (formerly known as Putra Place) - Claim for chattels and movable items (Kuala Lumpur High Court Civil Suit No. 22NCVC-523-09/2015)

Metroplex Holdings Sdn Bhd ("MHSB") had filed writ of summons and a statement of claim dated 28 September 2015 against the Trustee and the Manager, respectively, claiming for various chattels and movable items (e.g. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) which were allegedly acquired and owned by MHSB but not removed by MHSB when the Manager took possession of the hotel at Sunway Putra on 27 September 2011. MHSB has in its statement of claim alleged that the various chattels and movable items were worth in excess of RM80 million as at September 2011.

The trial for liability took place on 5 and 6 June 2017. The decision of the High Court of Malaya at Kuala Lumpur was delivered on 3 November 2017, in favour of MHSB and costs of RM20,000.00 was awarded to MHSB.

The Trustee and Manager had filed a stay application for the trial for assessment of damages which was dismissed by the Court on 21 May 2018 with no order as to costs. The Court fixed the assessment for case management on 21 September 2018, pending disposal of the Manager's appeal in the Court of Appeal as stated below.

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)

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.

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

B12. Soft commission

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

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

	Current quarter ended 30.06.2018	Immediate preceding quarter ended 31.03.2018	% change
Number of units in issue (units)	2,945,078,000	2,945,078,000	0.0%
Realised net income (RM'000)	63,314	69,852	-9.4%
Realised earnings per unit (EPU) (sen)	2.15	2.37	-9.3%
Income distribution(RM'000)	63,319	69,798	-9.3%
Distribution per unit (DPU)(sen)	2.15	2.37	-9.3%
Net Asset Value (NAV) (After income distribution) (RM'000)	4,289,917	4,145,891	3.5%
NAV per unit (After income distribution) (RM)	1.4566	1.4077	3.5%
Market price per unit (RM)	1.77	1.60	10.6%

B14. Income Distribution

Please refer to Note A12 for details .

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

Derivative financial instruments are recognised in the financial statements in accordance with MFRS139.

Type of Derivatives	Contract/Notional Value		Fair value at reporting date Derivative Asset/(Liability)	
	As at 30.06.2018	As at 30.06.2017	As at 30.06.2018	As at 30.06.2017
	RM'000	RM'000	RM'000	RM'000
a) Interest rate swap				
- Less than 1 year	150,000	922,000	(28)	(1,477)
- 1 year to 3 years	-	150,000	-	(529)
	150,000	1,072,000	(28)	(2,006)
b) Cross currency swap				
- Less than 1 year	392,900	422,000	10,766	8,112
	542,900	1,494,000	10,738	6,106

a) Interest rate swap

During the previous financial years, Sunway REIT had entered into several interest rate swap ("IRS") contracts to manage its exposure of the floating rate borrowings. The cumulative IRS contracts to-date amounted to RM150 million. The IRS contracts were entered into to mitigate the risk of increase in interest rate over the hedging period on the floating rate borrowings. The fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as unrealised item as it does not qualify as a cash flow hedge.

The fair value of the IRS recognised in the income statement for 4Q2018 and YTD 4Q2018 amounted to a gain of RM0.1 million (4Q2017: loss of RM0.1 million) and RM2.0 million (YTD 4Q2018: RM1.7 million) respectively. This brings the cumulative total fair value loss of the IRS to RM0.03 million as at 30 June 2018 and reflected as a derivative liability in the balance sheet.

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments (Cont'd)b) Cross currency swap

Sunway REIT had entered into 2-year cross currency swap ("CCS") contracts in February 2016 to manage its exposure in foreign currency risk arising from foreign currency borrowings. In February 2018, upon maturity of the 2-year CCS, Sunway REIT had entered into a new 6-month CCS contract to hedge against the foreign currency exposure of the foreign currency borrowings. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

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

The fair value of the CCS recognised in the statement of comprehensive income for 4Q2018 was a gain of RM17.7 million (4Q2017: loss of RM12.4 million) and for YTD 4Q2018, it was a loss of RM29.5 million (YTD 4Q2017: gain of RM26.6 million). This brings the cumulative total fair value gain of the CCS to RM10.8 million as at 30 June 2018 and reflected as a derivative asset in the balance sheet.

B16. Risks and Policies of Derivatives

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

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 2017 except the IRS contracts do not qualify as cash flow hedge and consequently, the fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as an unrealised item.

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 2018 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 9 August 2018.

BY ORDER OF THE BOARD

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

Tan Kim Aun (MAICSA No.: 7002988)
Ong Wei Leng (MAICSA No.: 7053539)
Company Secretaries

Bandar Sunway
Date: 9 August 2018