

SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter ended			Cumulative Quarter ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	136,014	138,024	-1.5%	271,625	275,728	-1.5%
Other operating income	3,486	3,446	1.2%	11,616	6,911	68.1%
<b>Gross revenue</b>	<b>139,500</b>	<b>141,470</b>	<b>-1.4%</b>	<b>283,241</b>	<b>282,639</b>	<b>0.2%</b>
Quit rent, assessment and insurance	(3,279)	(3,779)	-13.2%	(6,668)	(7,502)	-11.1%
Other property operating expenses	(31,996)	(34,324)	-6.8%	(61,834)	(60,784)	1.7%
<b>Property operating expenses</b>	<b>(35,275)</b>	<b>(38,103)</b>	<b>-7.4%</b>	<b>(68,502)</b>	<b>(68,286)</b>	<b>0.3%</b>
<b>Net property income</b>	<b>104,225</b>	<b>103,367</b>	<b>0.8%</b>	<b>214,739</b>	<b>214,353</b>	<b>0.2%</b>
Interest income	1,465	1,591	-7.9%	3,659	2,726	34.2%
Other income	17	978	-98.3%	42	1,469	-97.1%
<b>Net investment income</b>	<b>105,707</b>	<b>105,936</b>	<b>-0.2%</b>	<b>218,440</b>	<b>218,548</b>	<b>0.0%</b>
Manager's fee	(8,838)	(8,634)	2.4%	(17,858)	(17,278)	3.4%
Trustee's fee	(166)	(321)	-48.3%	(332)	(642)	-48.3%
Other trust expenses	(955)	(892)	7.1%	(1,864)	(1,157)	61.1%
Finance costs	(29,303)	(25,092)	16.8%	(58,932)	(49,245)	19.7%
	(39,262)	(34,939)	12.4%	(78,986)	(68,322)	15.6%
<b>Profit before tax</b>	<b>66,445</b>	<b>70,997</b>	<b>-6.4%</b>	<b>139,454</b>	<b>150,226</b>	<b>-7.2%</b>
Income tax expense	-	-	-	-	-	-
<b>Profit for the period</b>	<b>66,445</b>	<b>70,997</b>	<b>-6.4%</b>	<b>139,454</b>	<b>150,226</b>	<b>-7.2%</b>
<b>Profit for the period comprise the following:</b>						
Realised	66,426	70,045	-5.2%	139,410	148,781	-6.3%
Unrealised	19	952	-98.0%	44	1,445	-97.0%
	66,445	70,997	-6.4%	139,454	150,226	-7.2%
Earnings per unit (sen)						
- realised	2.25	2.37	-5.1%	4.73	5.04	-6.2%
- unrealised	-	0.03	> -100%	-	0.05	> -100%
	2.25	2.40	-6.3%	4.73	5.09	-7.1%
Proposed/declared distribution per unit (sen)	2.25	2.38	-5.5%	4.73	5.05	-6.3%

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Second Quarter ended			Cumulative Quarter ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Profit for the period</b>	<b>66,445</b>	<b>70,997</b>	<b>-6.4%</b>	<b>139,454</b>	<b>150,226</b>	<b>-7.2%</b>
<b>Other comprehensive income</b>						
Cash flow hedge - fair value of derivative <sup>1</sup>	(11,138)	(17,310)	-35.7%	(1,917)	(24,972)	-92.3%
Cash flow hedge reserve recycled to profit or loss <sup>2</sup>	11,385	17,450	-34.8%	2,235	24,650	-90.9%
<b>Total comprehensive income for the period</b>	<b>66,692</b>	<b>71,137</b>	<b>-6.2%</b>	<b>139,772</b>	<b>149,904</b>	<b>-6.8%</b>

<sup>1</sup> Please refer to Note B15b) for details.

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

STATEMENT OF INCOME DISTRIBUTION

	Second Quarter ended			Cumulative Quarter ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Rental income	136,014	138,024	-1.5%	271,625	275,728	-1.5%
Interest income	1,465	1,591	-7.9%	3,659	2,726	34.2%
Other income *	3,484	3,472	0.3%	11,614	6,935	67.5%
	140,963	143,087	-1.5%	286,898	285,389	0.5%
Less: Expenses	(74,537)	(73,042)	2.0%	(147,488)	(136,608)	8.0%
Realised income for the period	66,426	70,045	-5.2%	139,410	148,781	-6.3%
Previous period/year's undistributed realised income	496	549	-9.7%	550	447	23.0%
Total realised income available for distribution	66,922	70,594	-5.2%	139,960	149,228	-6.2%
Less: Proposed/declared income distribution	(66,264)	(70,093)	-5.5%	(139,302)	(148,727)	-6.3%
Balance undistributed realised income	658	501	31.3%	658	501	31.3%
Distribution per unit (sen)	2.25	2.38	-5.5%	4.73	5.05	-6.3%

\* 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 SECOND QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

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

	CURRENT	IMMEDIATE	Change
	QUARTER	PRECEDING	
	31.12.2018	30.09.2018	
	RM'000	RM'000	%
Rental income	136,014	135,611	0.3%
Other operating income	3,486	8,130	-57.1%
<b>Gross revenue</b>	<b>139,500</b>	<b>143,741</b>	<b>-3.0%</b>
Quit rent, assessment and insurance	(3,279)	(3,389)	-3.2%
Other property operating expenses	(31,996)	(29,838)	7.2%
<b>Property operating expenses</b>	<b>(35,275)</b>	<b>(33,227)</b>	<b>6.2%</b>
<b>Net property income</b>	<b>104,225</b>	<b>110,514</b>	<b>-5.7%</b>
Interest income	1,465	2,194	-33.2%
Other income	17	25	-32.0%
<b>Net investment income</b>	<b>105,707</b>	<b>112,733</b>	<b>-6.2%</b>
Manager's fee	(8,838)	(9,020)	-2.0%
Trustee's fee	(166)	(166)	0.0%
Other trust expenses	(955)	(909)	5.0%
Finance costs	(29,303)	(29,629)	-1.1%
	(39,262)	(39,724)	-1.2%
<b>Profit before tax</b>	<b>66,445</b>	<b>73,009</b>	<b>-9.0%</b>
Income tax expense	-	-	-
<b>Profit for the period</b>	<b>66,445</b>	<b>73,009</b>	<b>-9.0%</b>
<b>Profit for the period comprise the following:</b>			
Realised	66,426	72,984	-9.0%
Unrealised	19	25	-24.0%
	66,445	73,009	-9.0%
Earnings per unit (sen)			
- realised	2.25	2.48	-9.3%
- unrealised	-	-	-
	2.25	2.48	-9.3%
Proposed/declared distribution per unit (sen)	2.25	2.48	-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
	31.12.2018	30.09.2018	
	RM'000	RM'000	%
<b>Profit for the period</b>	<b>66,445</b>	<b>73,009</b>	<b>-9.0%</b>
<b>Other comprehensive income</b>			
Cash flow hedge - fair value of derivative	(11,138)	9,221	> -100%
Cash flow hedge reserve recycled to profit or loss	11,385	(9,150)	> 100%
<b>Total comprehensive income for the period</b>	<b>66,692</b>	<b>73,080</b>	<b>-8.7%</b>

**STATEMENT OF INCOME DISTRIBUTION**

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER	Change
	31.12.2018	30.09.2018	
	RM'000	RM'000	%
Rental income	136,014	135,611	0.3%
Interest income	1,465	2,194	-33.2%
Other income *	3,484	8,130	-57.1%
	140,963	145,935	-3.4%
Less: Expenses	(74,537)	(72,951)	2.2%
Realised income for the period	66,426	72,984	-9.0%
Previous period's undistributed realised income	496	550	-9.9%
Total realised income available for distribution	66,922	73,534	-9.0%
Less: Proposed/declared income distribution	(66,264)	(73,038)	-9.3%
Balance undistributed realised income	658	496	32.7%
Distribution per unit (sen)	2.25	2.48	-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 SECOND QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As At 31.12.2018 (Unaudited)</b>	<b>As At 30.06.2018 (Audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	7,346,875	7,280,225
Plant and equipment	12,193	13,591
	<u>7,359,068</u>	<u>7,293,816</u>
<b>Current assets</b>		
Trade receivables	20,272	21,423
Other receivables	73,010	10,669
Derivatives	-	10,766
Short term investment	-	129,625
Cash and bank balances	62,910	57,559
	<u>156,192</u>	<u>230,042</u>
	<u>7,515,260</u>	<u>7,523,858</u>
<b>FINANCED BY:</b>		
<b>Unitholders' funds</b>		
Unitholders' capital	2,727,829	2,727,829
Undistributed income	1,628,822	1,625,407
Total Unitholders' funds	<u>4,356,651</u>	<u>4,353,236</u>
<b>Non-current liabilities</b>		
Borrowings	-	299,750
Long term liabilities	67,651	77,519
Deferred tax liability	6,896	6,896
	<u>74,547</u>	<u>384,165</u>
<b>Current liabilities</b>		
Borrowings	2,894,565	2,602,750
Trade payables	1,084	2,096
Other payables	172,088	181,583
Derivatives	16,325	28
	<u>3,084,062</u>	<u>2,786,457</u>
	<u>7,515,260</u>	<u>7,523,858</u>
Number of units in circulation ('000 units)	2,945,078	2,945,078
<b>NET ASSET VALUE ("NAV")</b>		
- Before income distribution	4,356,651	4,353,236
- After income distribution	4,290,387	4,289,917
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution <sup>1</sup>	1.4793	1.4781
- After income distribution <sup>2</sup>	1.4568	1.4566

<sup>1</sup> Before the 2Q2019 proposed income distribution of 2.25 sen per unit (4Q2018: 2.15 sen per unit).

<sup>2</sup> After the 2Q2019 proposed income distribution of 2.25 sen per unit (4Q2018: 2.15 sen per unit).

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 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
<b>As at 1 July 2018</b>	2,727,829	(3,743)	1,629,150	4,353,236
<b>Total comprehensive income</b>				
Profit for the period	-	139,410	44	139,454
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	(1,917)	(1,917)
- Cash flow hedge reserve recycled to profit or loss	-	-	2,235	2,235
Total comprehensive income, representing the increase in net assets resulting from operations	2,727,829	135,667	1,629,512	4,493,008
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- Income distribution declared and paid in current period	-	(73,038)	-	(73,038)
- Income distribution declared in prior year but paid in current period	-	(63,319)	-	(63,319)
Decrease in net assets resulting from unitholders' transactions	-	(136,357)	-	(136,357)
<b>As at 31 December 2018 (Unaudited)</b>	2,727,829	(690)	1,629,512	4,356,651

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
<b>As at 1 July 2017</b>	2,727,829	(312)	1,484,203	4,211,720
<b>Total comprehensive income</b>				
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
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- Income distribution declared and paid in current year	-	(218,525)	-	(218,525)
- Income distribution declared in prior year but paid in current year	-	(66,853)	-	(66,853)
Decrease in net assets resulting from unitholders' transactions	-	(285,378)	-	(285,378)
<b>As at 30 June 2018 (Audited)</b>	2,727,829	(3,743)	1,629,150	4,353,236

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Cumulative Quarter ended</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	297,685	309,935
Refundable security deposits from customers	1,250	86
Cash paid for operating expenses	(135,801)	(132,725)
Net cash from operating activities	<u>163,134</u>	<u>177,296</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(681)	(1,803)
Deposit for acquisition of investment property	(55,000)	(34,000)
Acquisition of investment properties	-	(82,350)
Incidental costs on acquisition of investment properties	-	(1,140)
Subsequent expenditure of investment properties	(66,032)	(8,079)
Investment in short term money market instrument	(455,000)	(85,000)
Redemption of short term money market instrument	585,000	-
Interest received	2,858	2,923
Net cash from/(used in) investing activities	<u>11,145</u>	<u>(209,449)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of commercial papers	301,000	185,600
Proceeds from issuance of unrated medium term notes	-	300,000
Drawdown of revolving loans	9,213,600	5,140,300
Repayment of commercial papers	(301,000)	(219,600)
Repayment of unrated medium term notes	(300,000)	-
Repayment of revolving loans	(8,894,400)	(4,920,700)
Interest paid	(51,771)	(47,295)
Distribution paid	(136,357)	(145,487)
Net cash (used in)/from financing activities	<u>(168,928)</u>	<u>292,818</u>
Net increase in cash and bank balances	5,351	260,665
Cash and bank balances at beginning of year	57,559	100,544
Cash and bank balances at end of period	<u>62,910</u>	<u>361,209</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	27,910	18,209
Deposits placed with licensed financial institutions	35,000	343,000
Cash and bank balances	<u>62,910</u>	<u>361,209</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 SECOND QUARTER ENDED 31 DECEMBER 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 deeds dated 10 June 2010 and 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 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 period ended 31 December 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 2018 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 2018 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 2018.

**A4. Changes in Estimates**

This is not applicable as no estimates were previously reported.

**A5. Unusual Items**

There were no material unusual items affecting the amounts reported for the current quarter ended 31 December 2018.

**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 31 December 2018, except as disclosed in Note A16.

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

There was no change to Sunway REIT's fund size of 2,945.1 million for the current quarter and cumulative quarter ended 31 December 2018.



**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

**A8. Segmental Reporting**

Segmental results for the quarter ended 31 December 2018 are as follows:

	Second Quarter ended 31.12.2018						Second Quarter ended 31.12.2017					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
<b>BY BUSINESS SEGMENTS</b>												
REVENUE AND EXPENSES												
Gross revenue	105,322	17,636	9,382	5,760	1,400	139,500	103,771	22,851	7,883	5,565	1,400	141,470
Net property income	75,985	15,936	5,144	5,760	1,400	104,225	70,946	21,869	3,587	5,565	1,400	103,367
Interest income						1,465						1,591
Other income						17						978
Trust and other expenses						(9,959)						(9,847)
Finance costs						(29,303)						(25,092)
Profit before tax						66,445						70,997
Income tax expense						-						-
Profit for the period						66,445						70,997

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

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

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 31.12.2018						Cumulative Quarter ended 31.12.2017					
	Retail	Hotel	Office	Services	Industrial & Others	Total	Retail	Hotel	Office	Services	Industrial & Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>BY BUSINESS SEGMENTS</b>												
REVENUE AND EXPENSES												
Gross revenue	210,263	40,203	18,455	11,520	2,800	283,241	207,330	45,936	15,915	11,130	2,328	282,639
Net property income	153,695	36,456	10,268	11,520	2,800	214,739	149,236	44,020	7,639	11,130	2,328	214,353
Interest income						3,659						2,726
Other income						42						1,469
Trust and other expenses						(20,054)						(19,077)
Finance costs						(58,932)						(49,245)
Profit before tax						139,454						150,226
Income tax expense						-						-
Profit for the period						139,454						150,226

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

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

Segmental assets and liabilities as at 31 December 2018 and 30 June 2018 are as follows:

	As at 31.12.2018						As at 30.06.2018					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
<b>BY BUSINESS SEGMENTS</b>												
ASSETS												
Segment assets	4,726,035	1,753,224	479,063	341,920	92,000	7,392,242	4,699,399	1,719,715	476,318	341,920	92,000	7,329,352
Unallocated assets						123,018						194,506
Total assets						<u>7,515,260</u>						<u>7,523,858</u>
LIABILITIES												
Segment liabilities	187,183	19,800	10,447	-	-	217,430	202,721	26,135	10,730	-	-	239,586
Unallocated liabilities						2,941,179						2,931,036
Total liabilities						<u>3,158,609</u>						<u>3,170,622</u>

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

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Second Quarter			Second Quarter			Cumulative Quarter ended			Cumulative Quarter ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
<b>Retail</b>												
Sunway Pyramid Shopping Mall	80,685	78,532	2.7%	62,513	56,650	10.3%	161,014	155,715	3.4%	126,681	118,773	6.7%
Sunway Carnival Shopping Mall	11,963	11,607	3.1%	6,952	6,966	-0.2%	23,257	23,472	-0.9%	13,764	15,134	-9.1%
SunCity Ipoh Hypermarket	1,100	1,065	3.3%	1,026	973	5.4%	2,200	2,186	0.6%	2,076	2,041	1.7%
Sunway Putra Mall	11,574	12,567	-7.9%	5,494	6,357	-13.6%	23,792	25,957	-8.3%	11,174	13,288	-15.9%
	105,322	103,771	1.5%	75,985	70,946	7.1%	210,263	207,330	1.4%	153,695	149,236	3.0%
<b>Hotel</b>												
Sunway Resort Hotel & Spa	3,708	11,882	-68.8%	3,292	11,460	-71.3%	7,735	23,349	-66.9%	6,955	22,538	-69.1%
Sunway Pyramid Hotel	4,328	3,646	18.7%	4,151	3,539	17.3%	8,870	8,157	8.7%	8,475	7,935	6.8%
Sunway Hotel Seberang Jaya	735	752	-2.3%	698	703	-0.7%	1,480	1,479	0.1%	1,396	1,384	0.9%
Sunway Putra Hotel	3,130	5,243	-40.3%	2,961	4,887	-39.4%	6,473	10,040	-35.5%	5,938	9,345	-36.5%
Sunway Hotel Georgetown	1,262	1,328	-5.0%	1,216	1,280	-5.0%	2,715	2,911	-6.7%	2,617	2,818	-7.1%
Sunway Clio Property <sup>1</sup>	4,473	-	N/A	3,618	-	N/A	12,930	-	N/A	11,075	-	N/A
	17,636	22,851	-22.8%	15,936	21,869	-27.1%	40,203	45,936	-12.5%	36,456	44,020	-17.2%
<b>Office</b>												
Menara Sunway	4,251	4,141	2.7%	2,753	2,509	9.7%	8,494	8,369	1.5%	5,625	5,293	6.3%
Sunway Tower	686	833	-17.6%	(348)	(292)	-19.2%	1,435	1,671	-14.1%	(255)	(482)	47.1%
Sunway Putra Tower	2,761	1,510	82.8%	1,975	644	> 100%	5,520	2,963	86.3%	3,579	1,249	> 100%
Wisma Sunway	1,684	1,399	20.4%	764	726	5.2%	3,006	2,912	3.2%	1,319	1,579	-16.5%
	9,382	7,883	19.0%	5,144	3,587	43.4%	18,455	15,915	16.0%	10,268	7,639	34.4%
<b>Services</b>												
Sunway Medical Centre	5,760	5,565	3.5%	5,760	5,565	3.5%	11,520	11,130	3.5%	11,520	11,130	3.5%
	5,760	5,565	3.5%	5,760	5,565	3.5%	11,520	11,130	3.5%	11,520	11,130	3.5%
<b>Industrial and Others</b>												
Sunway REIT Industrial - Shah Alam 1 <sup>2</sup>	1,400	1,400	0.0%	1,400	1,400	0.0%	2,800	2,328	20.3%	2,800	2,328	20.3%
	1,400	1,400	0.0%	1,400	1,400	0.0%	2,800	2,328	20.3%	2,800	2,328	20.3%
<b>TOTAL PORTFOLIO</b>	<b>139,500</b>	<b>141,470</b>	<b>-1.4%</b>	<b>104,225</b>	<b>103,367</b>	<b>0.8%</b>	<b>283,241</b>	<b>282,639</b>	<b>0.2%</b>	<b>214,739</b>	<b>214,353</b>	<b>0.2%</b>

<sup>1</sup> Acquired on 9 February 2018

<sup>2</sup> Acquired on 1 August 2017

N/A - Not applicable

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 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) Services - leasing of services related premises on long term leases
- (v) Industrial and others - leasing of industrial and other types of premises on long term leases

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

**a) Review of Current Quarter Results**

Retail segment

The retail segment recorded gross revenue of RM105.3 million for the current quarter ended 31 December 2018, an increase of 1.5% or RM1.6 million compared to the preceding year corresponding quarter (2Q2018), mainly contributed by Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall but partially offset by Sunway Putra Mall.

Sunway Pyramid Shopping Mall registered higher gross revenue by RM2.1 million or 2.7% for 2Q2019 mainly due to higher average gross rent per sq. ft., attributed to better turnover rent in the current quarter whilst gross revenue for Sunway Carnival Shopping Mall was higher by RM0.4 million due to better turnover rent.

Gross revenue for Sunway Putra Mall was lower in the current quarter by RM1.0 million compared to the preceding year corresponding quarter mainly due to lower average gross rent per sq. ft. attributable to attractive rental packages offered on a selective basis as a strategy to maintain occupancy of the mall.

Property operating expenses of the retail segment for 2Q2019 was RM29.3 million, a reduction of 10.6% or RM3.5 million mainly attributable to lower maintenance and advertising and promotion (A&P) expenses.

Correspondingly, net property income of the retail segment for 2Q2019 was RM76.0 million, higher by 7.1% or RM5.0 million compared to 2Q2018.

Hotel segment

The soft market condition within the hospitality market continued to be felt in 2Q2019 where revenue generated was lower 22.8% or RM5.2 million than 2Q2018 with overall hotel portfolio occupancy of 69% (2Q2018: 75%).

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM12.5 million in the current quarter. The new contribution from Sunway Clio Property in 2Q2019 was largely offset by lower rental from Sunway Resort Hotel & Spa due to disruption in income from the closure of the grand ballroom, meeting and function rooms for refurbishment, and higher room preventive maintenance expenses incurred in the current quarter. Meanwhile, Sunway Pyramid Hotel generated higher gross revenue by RM0.7 million or 18.7%.

Sunway Putra Hotel recorded gross revenue of RM3.1 million for 2Q2019, lower by RM2.1 million largely due to lower corporate group demand.

Net property income of the hotel segment for 2Q2019 was RM15.9 million, lower by RM5.9 million as compared to 2Q2018, for reasons similar to the above.

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

Note 2: The gross revenue and net property income of Sunway Clio Property 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 RM9.4 million for 2Q2019, an increase of 19.0% or RM1.5 million compared to 2Q2018, mainly contributed by improved performance from Sunway Putra Tower and 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, whilst Wisma Sunway recorded higher gross revenue by RM0.3 million or 20.4% with the expansion of an existing tenant requiring additional space. With the expansion, average occupancy of Wisma Sunway surged to 100% as at 31 December 2018.

The lower gross revenue for Sunway Tower by RM0.1 million for 2Q2019 was due to non-renewal of tenants. Gross revenue for Menara Sunway improved by RM0.1 million in the current quarter.

Net property income of the office segment in 2Q2019 was RM5.1 million, higher by RM1.6 million compared to the preceding year corresponding quarter.

#### Services

Sunway Medical Centre contributed RM5.8 million to gross revenue and net property income for 2Q2019, an increase of 3.5% compared to 1Q2018 due to rental reversion in accordance with the master lease agreement.

#### Industrial and Others

Contribution from Sunway REIT Industrial - Shah Alam 1 of RM1.4 million in the current quarter remained unchanged compared to the preceding year corresponding quarter.

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

#### Profit before tax

Interest income for 2Q2019 was lower by RM0.1 million compared to 2Q2018 mainly due to lower investment in money market instrument compared to the preceding year corresponding quarter.

Other income in the current quarter was lower than the preceding year corresponding quarter by RM1.0 million primarily attributable to lower fair value gain from interest rate swap.

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

Finance costs for 2Q2019 was RM29.3 million, higher by 16.8% or RM4.2 million compared to 2Q2018 due to a higher principal loan amount mainly to fund investing activities, as described in Note B1c), and higher average cost of debt following the increase in overnight policy rate by 25bps on 25 January 2018.

Net profit for 2Q2019 was RM66.4 million (2Q2018: RM71.0 million) mainly comprising realised profit of RM66.4 million (2Q2018: realised profit of RM70.0 million and unrealised profit of RM1.0 million).

The realised profit was lower by RM3.6 million in the current quarter compared to 2Q2018 mainly due to higher finance costs.

The unrealised profit in 2Q2019 was lower by RM0.9 million compared to the preceding year corresponding quarter mainly attributable to lower fair value gain from interest rate swap.

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

#### Retail segment

The retail segment recorded gross revenue of RM210.3 million for the cumulative current quarter ended 31 December 2018, an increase of 1.4% or RM2.9 million compared to the preceding year cumulative corresponding quarter (YTD 2Q2018), mainly contributed by Sunway Pyramid but partially offset by Sunway Putra Mall, due to reasons as mentioned in A8a) above.

Property operating expenses of the retail segment for YTD 2Q2019 was RM56.6 million, lower by 2.6% or RM1.5 million, for reasons as mentioned in Note A8a).

Net property income of the retail segment for YTD 2Q2019 was RM153.7 million, an increase of 3.0% or RM4.5 million compared to YTD 2Q2018.

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

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

#### Hotel segment

The hotel segment recorded YTD 2Q2019 gross revenue of RM40.2 million, lower by 12.5% or RM5.7 million, mainly contributed by Sunway Resort Hotel & Spa and Sunway Putra Hotel but mitigated by new contribution of income from Sunway Clio Property.

The cluster hotels in Sunway City (Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property) contributed gross revenue of RM29.5 million for YTD 2Q2019, compared to RM31.5 million for YTD 2Q2018 mainly for reasons as mentioned in Note A8a).

Gross revenue for Sunway Putra Hotel was lower by RM3.6 million primarily due to higher average occupancy rate on the back of one-off contribution from the SEA Games and ASEAN PARA Games in 1Q2018 and the lackluster demand due to the continued soft market condition for YTD 2Q2019.

Sunway Hotel Seberang Jaya maintained gross revenue with RM1.5 million whilst Sunway Hotel Georgetown reported marginally lower gross revenue by RM0.2 million for the same period.

Net property income of the hotel segment for YTD 2Q2019 was RM36.5 million, lower by 17.2% or RM7.6 million, in line with lower gross revenue.

#### Office segment

The office segment recorded gross revenue of RM18.5 million for YTD 2Q2019, an increase of 16.0% or RM2.5 million compared to YTD 2Q2018, mainly contributed by improved performance from Sunway Putra Tower and Wisma Sunway, with commencement of new tenants and expansion from existing tenant, respectively.

Property operating expenses of the office segment for YTD 2Q2019 was RM8.2 million, marginally lower by 1.1% compared to YTD 2Q2018, mainly attributable to vacancy allowance for assessment received by Sunway Putra Tower and Sunway Tower.

Correspondingly, net property income of the office segment for YTD 2Q2019 was RM10.3 million, higher by 34.4% or RM2.6 million.

#### Services

Gross revenue and net property income Sunway Medical Centre increased by 3.5% or RM0.4 million for YTD 2Q2019 compared to the preceding year corresponding cumulative quarter due to reasons mentioned in Note A8a).

#### Industrial and Others

Sunway REIT Industrial - Shah Alam 1 contributed RM2.8 million to gross revenue and net property income for YTD 2Q2019, an increase of 20.3% compared to YTD 2Q2018 where gross revenue was recorded only upon completion of acquisition effective from August 2017.

#### Profit before tax

Interest income for YTD 2Q2019 was higher by RM0.9 million compared to YTD 2Q2018 mainly due to higher investment in money market instrument.

Other income was higher by RM1.4 million in the preceding year corresponding cumulative quarter mainly due to the reason as explained in Note A8a).

Other trust expenses for YTD 2Q2019 was RM1.9 million, an increase of RM0.7 million, mainly due to allocation of legal fees for Sunway Putra's litigation cases and for debt facilities.

Finance costs for YTD 2Q2019 was RM58.9 million, higher by 19.7% or RM9.7 million compared to YTD 2Q2018 mainly due to the reasons mentioned in Note A8a).

Net profit for YTD 2Q2019 was RM139.5 million (YTD 2Q2018: RM150.2 million) mainly comprising realised profit of RM139.4 million (YTD 2Q2018: realised profit of RM148.8 million and unrealised profit of RM1.4 million).

Realised profit and unrealised profit for YTD 2Q2019 were lower by RM9.4 million and RM1.4 million respectively compared to YTD 2Q2018, mainly attributable to the reasons as explained 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:

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,465)	(1,591)	(3,659)	(2,726)
Net changes in fair value of long term liabilities	(21)	(17)	(41)	(35)
Unrealised foreign exchange gain - hedged item	(535)	(17,450)	(2,235)	(24,650)
Cash flow hedge reserve recycled to profit or loss	535	17,450	2,235	24,650
Net changes in fair value of derivative financial instrument	2	(935)	(3)	(1,410)
(Reversal)/Allowance of impairment on trade receivables	(61)	550	438	1,010
Depreciation of plant and equipment	542	435	998	839

#### 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 ending 30 June 2019.

##### 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 31 December 2018, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM66.264 million or 2.25 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.80 sen per unit and 0.45 sen per unit respectively.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 1 March 2019 and 14 March 2019 respectively.



### A13. Investment properties

	<b>As at 31.12.2018 RM'000</b>	<b>As at 30.06.2018 RM'000</b>
Investment properties	7,295,701	7,253,000
Investment property under construction	51,174	27,225
	<u>7,346,875</u>	<u>7,280,225</u>

Investment property under construction relates to the property development activities for the expansion of Sunway Carnival Shopping Mall which includes the land cost of RM17.2 million and the property development costs incurred to-date of RM34.0 million. Piling works were completed in the current quarter and the other structural works are on-going.

### 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. There was no valuation performed during the quarter under review.

### A15. Trade receivables

	<b>As at 31.12.2018 RM'000</b>	<b>As at 30.06.2018 RM'000</b>
Third parties	16,467	15,785
Amount due from parties related to the Manager	5,709	7,909
	<u>22,176</u>	<u>23,694</u>
Less: Allowance for impairment	(1,904)	(2,271)
Total trade receivables	<u>20,272</u>	<u>21,423</u>

Trade receivables, before allowance for impairment, was lower by RM1.5 million as at 31 December 2018 mainly attributable to lower lease rental from Sunway Resort Hotel & Spa, as explained in Note A8a), but partially offset by timing of receipts for the retail segment.

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

	<b>As at 31.12.2018 RM'000</b>	<b>As at 30.06.2018 RM'000</b>
Neither past due nor impaired	9,543	6,625
Past due but not impaired		
1 to 30 days	3,239	5,699
31 to 60 days	3,223	3,654
61 to 90 days	1,573	1,668
91 to 120 days	759	145
More than 120 days	1,935	3,632
	<u>10,729</u>	<u>14,798</u>
Impaired	1,904	2,271
	<u>22,176</u>	<u>23,694</u>

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

	<b>As at 31.12.2018 RM'000</b>	<b>As at 30.06.2018 RM'000</b>
At beginning of financial year	2,271	1,485
Charge for the period/year	438	900
Written off	(32)	(114)
At end of financial period/year	<u>2,677</u>	<u>2,271</u>

## A16. Borrowings and Debt Securities

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
<u>Short term borrowings</u>		
Secured		
- Revolving loan (USD100 million)	394,565	-
- Term loan (USD100 million)	-	404,750
- Unrated medium term notes	1,000,000	1,000,000
	<u>1,394,565</u>	<u>1,404,750</u>
Unsecured		
- Revolving loan	1,500,000	1,100,000
Total short term borrowings	<u>2,894,565</u>	<u>2,504,750</u>
<u>Long term borrowings</u>		
Secured		
- Unrated medium term notes	-	300,000
Total long term borrowings	<u>-</u>	<u>300,000</u>
Total borrowings	<u>2,894,565</u>	<u>2,804,750</u>

In December 2018, the USD100 million revolving loan was renewed for another year upon its maturity, with the option for drawdown in multicurrency, and this loan was hedged with a 6-month AUD CCS contract (AUD135 million approximate USD100 million and equivalent to RM411.1 million).

The above revolving loan was translated at an exchange rate of 2.9227 as at 31 December 2018 (31.12.2017 : USD100 million term loan at an exchange rate of 4.0475).

Hence, the unrealised foreign exchange gain arising from this translation amounted to RM16.5 million (31.12.2017: cumulative unrealised foreign exchange gain of RM17.3 million). The unrealised foreign exchange gain reflected in the statement of comprehensive income for 2Q2019 and YTD 2Q2019 were RM11.4 million (2Q2018: RM17.5 million) and RM2.2 million (YTD 2Q2018: RM24.7 million) respectively.

Total borrowings stood at RM2.9 billion as at 31 December 2018, all due within 1 year and disclosed as short-term, with the drawdown of RM400.0 million revolving loan mainly for repayment of the RM300 million unrated medium term notes.

The increase in total borrowings by approximately RM100 million from RM2.8 billion as at 31 December 2017 was mainly for the purpose of funding investing activities.

The weighted average interest rate of borrowings as at 31 December 2018 was 4.03% (31.12.2017: 3.93%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 53:47 (31.12.2017 - 66:34).

### 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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 31 December 2018</b>				
<b>Financial assets</b>				
Investment properties	-	-	7,346,875	7,346,875
<b>Financial liability</b>				
Derivatives	-	(16,325)	-	(16,325)
<b>At 31 December 2017</b>				
<b>Financial assets</b>				
Investment properties	-	-	6,796,012	6,796,012
<b>Financial liability</b>				
Derivatives	-	(17,454)	-	(17,454)

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

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

#### Proposed acquisition of a purpose-built campus

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

The Proposed Acquisition entails the acquisition of 3 parcels of leasehold land held under H.S.(D) 118326 Lot No. PT 1905 ("Land 1"), H.S.(D) 118325 Lot No. PT 1904 ("Land 2") and H.S. (D) 118332 Lot No. PT 28 ("Land 3"), all in the Town of Sunway, District of Petaling, State of Selangor ("Lands") together with buildings (including all fixtures and fittings, services infrastructure and systems located or used in the buildings) which comprise a 5-storey academic block along with a lower ground level ("South Building"), a 6-storey academic block along with a lower ground level ("North Building"), a 13-storey academic block together with a 2-storey basement car park ("New University Block"), 4 blocks of 5-storey walk up hostel apartment ("Hostel") (collectively known as "Buildings"), and sports facilities which comprise a football field, basketball court, netball court and tennis court. The Lands, Buildings and sports facilities are collectively known as "Subject Lands and Buildings".

**A18. Material Events (Cont'd)**

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

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

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

There were no material events subsequent to the quarter ended 31 December 2018.

**A20. Capital Commitments**

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 31 December 2018 were as follows:

	<b>As at 31.12.2018 RM'000</b>
Approved and contracted for	313,275
Approved but not contracted for	221,100
	<u>534,375</u>

The capital commitment approved and contracted for mainly relates to the on-going expansion of Sunway Carnival Shopping Mall and Sunway Resort Hotel & Spa's refurbishment activities for the grand ballroom, meeting and function room facilities which were completed in the current quarter.

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

**A21. Contingent Liabilities and Assets**

There were no contingent liabilities or contingent assets as at 31 December 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 31 December 2018 and 31 December 2017 as well as the balances with the parties related to the Manager as at 31 December 2018 and 30 June 2018:

	<b>Second Quarter ended</b>		<b>Cumulative Quarter ended</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(32,856)	(41,710)	(65,732)	(81,398)
- Purchases	52,047	13,147	87,546	29,037
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(138)	(141)	(277)	(278)
- Purchases	709	-	792	-

**A22. Transactions with Parties Related to the Manager (Cont'd)**Other transactions with partiesrelated to the Manager

(a) Sunway Berhad Group				
- (Redemption)/Subscription of commercial paper	(120,000)	(27,000)	-	85,000
- Deposit for acquisition of investment property	55,000	-	55,000	34,000

Subscription to the 1-month commercial paper during the previous quarter, with nominal value of RM120 million, issued by Sunway Berhad, a substantial unitholder of SunREIT, was fully redeemed in 2Q2019. 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 deposit for acquisition of investment property for the period ended 31 December 2018 and 31 December 2017 relates to the proposed acquisition of a purpose-built campus, as mentioned in Note A18, and Sunway Clio Property respectively, and is based on 10% of the purchase consideration.

	<b>As at 31.12.2018 RM'000</b>	<b>As at 30.06.2018 RM'000</b>
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	6,820	10,286
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	22,557	24,494

**Part B - Additional Information Pursuant to Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad****B1. Review of Performance****a) Statement of Comprehensive Income**

Explanatory comments are provided in Note A8.

**b) Statement of Financial Position**

Investment properties increased by RM66.7 million as at 31 December 2018 primarily attributable to the refurbishment of grand ballroom, meeting and function rooms of Sunway Resort Hotel & Spa, which were completed in the current quarter, and the on-going works for the expansion of Sunway Carnival Shopping Mall.

The decrease in trade receivables by RM1.2 million from the last financial year-end to 31 December 2018 is explained in Note A15.

Other receivables as at 31 December 2018 was RM73.0 million, higher by RM62.3 million compared to 30 June 2018, mainly due to the RM55.0 million deposit paid for the proposed acquisition of a purpose-built campus (as disclosed in Note A18), provision for partial income support of RM4.4 million for Sunway Clio Property and goods and service tax ("GST") refundable of RM3.3 million.

Total borrowings was lower by RM7.9 million as at 31 December 2018 mainly due to movement in unrealised foreign exchange relating to the USD100 million revolving loan.

The movements in derivatives is explained in Note B15.

Total net asset value as at 31 December 2018 was RM4,356.7 million, higher by RM3.4 million in the undistributed income as compared to the last financial year, which comprised unrealised income of RM0.4 million and net realised income of RM3.1 million. The net realised income was mainly due to the higher realised profit for YTD 2Q2019 of RM139.4 million less the timing difference of income distribution paid in the current period of RM136.3 million, which were only distributed out of realised income for YTD 2Q2019.

Correspondingly, net asset value per unit as at 31 December 2018, before proposed/declared income distribution for the current quarter, stood at RM1.4793 compared to RM1.4781 as at 30 June 2018.

**B1. Review of Performance (Cont'd)****c) Statement of Cash Flows**

Net cash from operating activities for YTD 2Q2019 was RM163.1 million, lower by RM14.2 million compared to YTD 2Q2018, mainly due to lower receipt of hotel lease rental arising from the disruption in income attributable to the refurbishment of grand ballroom, meeting and function rooms of Sunway Resort Hotel & Spa.

During the current period, net cash from investing activities mainly related to the net redemption in money market instrument but partially offset by payment of deposit for the proposed acquisition of a purpose-built campus, refurbishment of Sunway Resort Hotel & Spa's grand ballroom, meeting and function rooms and expansion of Sunway Carnival Shopping Mall. In the preceding year corresponding period, net cash used for investing activities was RM209.4 million mainly related to the acquisition of Sunway REIT Industrial - Shah Alam 1 and Sunway Clio Property as well as investment in money market instrument.

Net cash used in financing activities of RM168.9 million for YTD 2Q2019 was mainly attributed to income distribution and interest paid of RM136.4 million and RM51.8 million respectively, partially offset by net drawdown of debts amounting to RM19.2 million for capital expenditure.

The cash and cash equivalents balance as at 31 December 2018 and 31 December 2017 stood at RM62.9 million and RM361.2 million respectively. The higher balance in the preceding year corresponding period was mainly due to borrowings drawdown in 2Q2018 for the balance payment of Sunway Clio Property's acquisition.

**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 RM46.4 million for 2Q2019 and RM66.7 million for YTD 2Q2019 respectively, mainly for the expansion of Sunway Carnival Shopping Mall (approximately RM17.1 million for 2Q2019 and RM23.9 million for YTD 2Q2019 respectively, details as disclosed in Note A13) and Sunway Resort Hotel & Spa's refurbishment activities for the grand ballroom, meeting and function room facilities (approximately RM22.4 million for 2Q2019 and RM32.9 million for YTD 2Q2019 respectively).

**B3. Material Changes in Quarterly Results**

	<b>Current Quarter Ended 31.12.2018 RM'000</b>	<b>Immediate Preceding Quarter Ended 30.09.2018 RM'000</b>	<b>Change %</b>
Realised profit	66,426	72,984	-9.0%
Unrealised profit	19	25	-24.0%
Profit for the quarter	66,445	73,009	-9.0%

Realised profit for 2Q2019 was RM66.4 million, a decrease of RM6.6 million compared to the immediate preceding quarter (1Q2019) of RM73.0 million, mainly attributable to lower contribution from the retail and hotel segment by RM1.7 million and RM4.6 million respectively.

The contribution from the retail segment was higher in the immediate preceding quarter mainly due to the tax holiday period and over-provision of operating expenses. For the hotel segment, the higher contribution in 1Q2019 was mainly due to RM4.4 million provision for partial income support relating to Sunway Clio Property but partially offset by the disruption in income for Sunway Resort Hotel & Spa due to closure of the grand ballroom, meeting and function rooms for refurbishment, which was completed in the current quarter.

Unrealised profit for 2Q2019 was mainly contributed by changes in fair value of long term liabilities, similar to the immediate preceding quarter.

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

The pace of growth in global economies have shed some of its momentum in 2H CY2018 as the impact of major central banks' monetary tightening policy and intensifying US-China trade tensions began to set in. Global growth in CY2018 is expected to ease marginally to 3.7%, from 3.8% in CY2017. The global growth is projected to ease further to 3.5% in CY2019 and 3.6% in CY2020 as the trade tensions persist in a monetary tightened environment.

The domestic economy sustained its growth at 4.4% y-o-y in the third quarter of 2018 (2Q 2018: 4.5% y-o-y), supported by continued expansion in domestic demand with private sector expenditure remained as the key growth driver. Private consumption was boosted in July and August 2018, following the zerorization of the Goods and Services Tax (GST) rate, particularly on durable goods. Bank Negara Malaysia (BNM) projects the economy to grow at the pace of 5.0% y-o-y in CY2018 and 4.9% y-o-y in 2019. Economists consensus<sup>1</sup> projected the domestic economy to growth at a slower pace of 4.7% than official forecast in CY2018. In addition to the expected moderation of the global economy, the Malaysian economy is undergoing a period of uncertainties, transitioning from post-GE14 to policy shift and fiscal reforms with heightened risk arising from soft commodity prices.

Headline inflation inched marginally by 0.2% y-o-y in November 2018 on lower fuel prices, bringing YTD 11M CY2018 inflation to 1.0% y-o-y, which is below official estimates of between 1.5% - 2.5%. BNM projects inflationary pressure to notch up to between 2.5% to 3.5% taking into account of implementation of new measures by the Government such as imposition of sugar tax, floatation of fuel and diesel price as well as broadening of Services Tax coverage. Economists consensus<sup>1</sup> projects inflation to averaged at 2.0% for CY2019.

On 24 January 2019, the Monetary Policy Committee (MPC) maintained the Overnight Policy Rate (OPR) unchanged at 3.25%. 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. Interest rate is expected to remain stable in CY2019 with downward bias in 2H CY2019 should the economy moderates further coupled with expectation of monetary tightening in the United States to end by middle of CY2019.

The Manager maintains a cautious outlook for the remaining FY2019 taking guidance from its 1H FY2019 financial performance on the back of the following factors:

- i) Flattish growth in the retail segment contributed by higher income from Sunway Pyramid but offset against softer performance in other malls.
- ii) Income contribution from the hotel segment affected primarily due to soft market environment impacting the overall hospitality industry and coupled with income disruption in 1Q FY2019 for the MICE and corporate segments due to the refurbishment activities at Sunway Resort Hotel & Spa.
- iii) Gradual improvement in the office segment performance, mainly attributable to continued improvement at Sunway Putra Tower and Wisma Sunway.

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

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

##### Review of retail market

The Retail Group Malaysia (RGM) has raised its 2018 retail sales growth rate forecast for Malaysia's retail industry from 4.1% to 4.4%, after taking into consideration of the encouraging growth of 6.7% y-o-y in 3Q CY2018 and an upward revision of 4.7% y-o-y growth in 4Q CY2018, from 4.3% y-o-y estimated back in September 2018. The RGM projects the retail sales to grow by 4.5% y-o-y in CY2019, supported by increment in minimum wage.

The supply of retail malls in the Klang Valley continued to increase with the completion of 4 retail malls totaling 1.3 million sq.ft. for YTD 3Q CY2018. Based on planned retail supply, an additional 11.3 million sq.ft of retail space is expected to enter the market by CY2020. The retail sector will continue to be shaped by emerging trends such as e-commerce and evolving lifestyles and spending preferences. The industry landscape is expected to remain challenging on the back of oversupply situation and in the absence of entry of major global brands.

The Manager expects the retail segment to register a flattish growth in FY2019, contributed by higher income from Sunway Pyramid but offset against softer performance in other malls.

##### Review of hotel market

Tourist arrivals to Malaysia showed an improvement in 3Q CY2018 of 2.8% y-o-y and 7.2% q-o-q to 6.66 million. Despite the improvement, YTD 9M CY2018 tourist arrivals eased marginally by 0.3% y-o-y to 19.39 million, mainly dragged by Singapore (-15.6% y-o-y) and Brunei (-18.6% y-o-y). On a positive note, tourist arrivals from China and Indonesia jumped 34.2% y-o-y and 17.6% y-o-y respectively. Extrapolating the YTD 9M CY2018 tourist arrivals, the target of 26.4 million appeared to be realistic and potentially achievable.

In the Klang Valley, hotel supply stood at 57,881 rooms over 202 hotels as at 3Q CY2018. During the year, new supply totaling 5,003 rooms were added into the market. In CY2019, it is estimated another 11 hotels offering 3,154 rooms are expected to be completed in the Klang Valley.

The outlook for the hotel sector remained mixed on the back of expected moderation in the domestic economy, business confidence and consumer sentiment. However, Government's move in promoting Malaysia as vindicated in the Budget 2019 bodes well for the longer term prospect of the tourism industry. In addition, the diversity of Malaysia's tourism encompassing leisure, business, medical and MICE coupled with new flights into Malaysia will further support the tourism industry.

The Manager expects the hotel segment to remain challenging on the back of softening macro-economic environment coupled with gradual resumption of income from the earlier 1H FY2019 income disruption in 1Q FY2019 for the MICE and corporate segments due to the refurbishment activities at Sunway Resort Hotel & Spa.

##### Review of office market

The cumulative supply of office in the Klang Valley stood at 109.7 million sq.ft. as at 3Q CY2018 with 4 new completions thus far in 2018 adding 1.6 million of new supply. It is estimated that a total of 15.7 million sq.ft. are expected to enter the market by the end of CY2021 of which 82% are located in Kuala Lumpur.

The excess supply continues to place pressure on occupancy and rental rates. Shackled by the oversupply situation, owners of office buildings need to adjust their tenancy mix in line with new trends such as co-working and mixed-used. In addition, older office buildings may require technological upgrading to MSC and green building status to meet the requirement of tenants. In some instances, owners may even need to consider redevelopment opportunities to convert to different usage in order to generate a decent property yield.

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	Period ended 31.12.2018	Year ended 30.06.2018
a) Management expense ratio *	0.93%	0.89%
b) Total return *	3.1%	4.8%
c) Average annual total return (5 years) *	9.2%	8.5%
d) Distribution yield *	5.4%	5.4%
e) NAV per unit (after income distribution)(RM)	1.4568	1.4566

\* The performance indicators for the period ended 31 December 2018 was based on annualised results.

- 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 annualised 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 annualised DPU of 9.38 sen divided by its closing price as at 31 December 2018 of RM1.73 (30 June 2018 - DPU: 9.57 sen; Closing price: RM1.77).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

**B7. Strategies and Policies**

The Manager's strategies can be broadly categorised as:

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

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

**B8. Manager's Fee**

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

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

**B8. Manager's Fee (Cont'd)**

Total Manager's fee for the current and cumulative quarter ended 31 December 2018 was RM8.8 million and RM17.9 million respectively compared to the preceding year corresponding quarter and cumulative quarter of RM8.6 million and RM18.2 million respectively (total base and performance fee of RM17.3 million and acquisition fee of RM0.9 million for Sunway REIT Industrial - Shah Alam 1 and this fee was capitalised as part of the acquisition costs).

**B9. Trustee's Fee**

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

The total Trustee's fee for the current and cumulative quarter ended 31 December 2018 was RM0.2 million and RM0.3 million respectively as compared to RM0.3 million and RM0.6 million for the preceding year corresponding quarter and cumulative quarter ended 31 December 2017 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 except for the Proposed Acquisition as disclosed in Note A18.

**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.

On 30 January 2019, MHSB's solicitors informed the learned Registrar that the Court of Appeal has reversed the High Court decision on 22 January 2019 and that they are awaiting instructions to file an application for leave to appeal to the Federal Court and to stay the Court of Appeal decision. The matter is fixed for further case management on 22 February 2019.

2. Sunway Putra (formerly known as Putra Place) - Appeal to the Court of Appeal against the decision of 3 November 2017 above (Mahkamah Rayuan Civil 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.

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

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

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 31.12.2018	Immediate preceding quarter ended 30.09.2018	% change
Number of units in issue (units)	2,945,078,000	2,945,078,000	0.0%
Realised net income (RM'000)	66,426	72,984	-9.0%
Realised earnings per unit (EPU) (sen)	2.25	2.48	-9.3%
Income distribution(RM'000)	66,264	73,038	-9.3%
Distribution per unit (DPU)(sen)	2.25	2.48	-9.3%
Net Asset Value (NAV) (After income distribution) (RM'000)	4,290,387	4,289,959	0.0% *
NAV per unit (After income distribution) (RM)	1.4568	1.4567	0.0% *
Market price per unit (RM)	1.73	1.69	2.4%

\* Denotes < 0.01%

**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 31.12.2018	As at 30.06.2018	As at 31.12.2018	As at 30.06.2018
	RM'000	RM'000	RM'000	RM'000
a) <b>Interest rate swap</b> - Less than 1 year	150,000	150,000	(25)	(28)
b) <b>Cross currency swap</b> - Less than 1 year	411,100	392,900	(16,300)	10,766
	561,100	542,900	(16,325)	10,738

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 2Q2019 and YTD 2Q2019 amounted to a loss of approximately RM2,000 (2Q2018: RM0.9 million) and a gain of approximately RM3,000 (YTD 2Q2018: RM1.4 million) respectively. This brings the cumulative total fair value loss of the IRS to RM0.03 million as at 31 December 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

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

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

The fair value of the CCS recognised in the statement of comprehensive income for 2Q2019 and YTD 2Q2019 were a loss of RM11.1 million (2Q2018: RM17.3 million) and RM1.9 million (YTD 2Q2018: RM25.0 million) respectively. The amount recognised in the current quarter mainly comprises the net fair value gain of the CCS which matured in December 2018 of RM14.3 million and the fair value loss of the new CCS of RM16.3 million, which has been reflected as a derivative liability 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.

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 2018 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 31 December 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 14 February 2019.

**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: 14 February 2019**