

SUNWAY REAL ESTATE INVESTMENT TRUST
SECOND QUARTER ENDED 30 JUNE 2023
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Second Quarter ended			Cumulative Quarter ended		
		30.06.2023	30.06.2022	Change	30.06.2023	30.06.2022	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income		162,634	140,909	15.4%	341,522	285,621	19.6%
Other operating income		3,896	3,600	8.2%	7,811	12,858	-39.3%
Revenue		166,530	144,509	15.2%	349,333	298,479	17.0%
Quit rent, assessment and insurance		(4,364)	(4,283)	1.9%	(8,685)	(7,328)	18.5%
Other property operating expenses		(45,982)	(33,336)	37.9%	(86,158)	(65,341)	31.9%
Property operating expenses		(50,346)	(37,619)	33.8%	(94,843)	(72,669)	30.5%
Net property income		116,184	106,890	8.7%	254,490	225,810	12.7%
Interest income		1,233	1,042	18.3%	3,299	2,310	42.8%
Other income		265	24	> 100%	295	42	> 100%
Changes in fair value of investment properties							
- As per valuation report		-	-	N/A	-	18,268	-100.0%
Net investment income		117,682	107,956	9.0%	258,084	246,430	4.7%
Manager's fees	B8	(10,539)	(10,087)	4.5%	(21,665)	(20,450)	5.9%
Trustee's fees	B9	(194)	(194)	0.0%	(384)	(384)	0.0%
Other trust expenses		(746)	(401)	86.0%	(1,505)	(1,133)	32.8%
Finance costs		(34,011)	(22,766)	49.4%	(65,881)	(43,637)	51.0%
		(45,490)	(33,448)	36.0%	(89,435)	(65,604)	36.3%
Profit before tax	A10	72,192	74,508	-3.1%	168,649	180,826	-6.7%
Taxation	A11	-	-	N/A	-	-	N/A
Profit for the period		72,192	74,508	-3.1%	168,649	180,826	-6.7%
Profit for the period comprises the following:							
Realised							
- Unitholders		67,198	69,525	-3.3%	158,721	152,653	4.0%
- Perpetual note holders		4,959	4,959	0.0%	9,863	9,863	0.0%
		72,157	74,484	-3.1%	168,584	162,516	3.7%
Unrealised		35	24	45.8%	65	18,310	-99.6%
		72,192	74,508	-3.1%	168,649	180,826	-6.7%
Basic earnings per unit attributable to unitholders (sen):							
Realised		1.96	2.03	-3.4%	4.63	4.46	3.8%
Unrealised		-	-	N/A	-	0.53	-100.0%
		1.96	2.03	-3.4%	4.63	4.99	-7.2%
Distributable income per unit (sen)¹		1.96	2.03	-3.4%	4.63	4.46	3.8%
Distribution per unit (sen)	A12	4.62	4.22	9.5%	4.62	4.22	9.5%

N/A - Not applicable

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

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

SUNWAY REAL ESTATE INVESTMENT TRUST
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 FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Second Quarter ended			Cumulative Quarter ended		
	30.06.2023	30.06.2022	Change	30.06.2023	30.06.2022	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	72,192	74,508	-3.1%	168,649	180,826	-6.7%
Other comprehensive income:						
Cash flow hedge - fair value of derivative	11,548	(10,947)	> 100%	21,750	2,565	> 100%
Cash flow hedge reserve recycled to profit or loss	(11,655)	10,592	> -100%	(21,714)	(3,849)	> -100%
Total comprehensive income for the period	72,085	74,153	-2.8%	168,685	179,542	-6.0%

STATEMENT OF INCOME DISTRIBUTION

	Note	Second Quarter ended			Cumulative Quarter ended		
		30.06.2023	30.06.2022	Change	30.06.2023	30.06.2022	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income		162,634	140,909	15.4%	341,522	285,621	19.6%
Interest income		1,233	1,042	18.3%	3,299	2,310	42.8%
Other income ¹		4,126	3,600	14.6%	8,041	12,858	-37.5%
		167,993	145,551	15.4%	352,862	300,789	17.3%
Less: Expenses		(95,836)	(71,067)	34.9%	(184,278)	(138,273)	33.3%
Realised income for the period		72,157	74,484	-3.1%	168,584	162,516	3.7%
Less: Amount reserved for distribution to perpetual note holders		(4,959)	(4,959)	0.0%	(9,863)	(9,863)	0.0%
Realised income attributable to unitholders		67,198	69,525	-3.3%	158,721	152,653	4.0%
Add: Brought forward undistributed realised income		134,323	113,467	18.4%	42,800	30,339	41%
Total income available for distribution		201,521	182,992	10.1%	201,521	182,992	10.1%
Less: Proposed/Declared income distribution to unitholders		(158,226)	(144,527)	9.5%	(158,226)	(144,527)	9.5%
Balance undistributed realised income		43,295	38,465	12.6%	43,295	38,465	12.6%
Distribution per unit (sen)	A12	4.62	4.22	9.5%	4.62	4.22	9.5%

¹ Included other operating income.

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SECOND QUARTER ENDED 30 JUNE 2023
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Note	Current Quarter ended 30.06.2023	Immediate Preceding Quarter ended 31.03.2023	Change
		RM'000	RM'000	%
Rental and lease income		162,634	178,888	-9.1%
Other operating income		3,896	3,915	-0.5%
Revenue		166,530	182,803	-8.9%
Quit rent, assessment and insurance		(4,364)	(4,321)	1.0%
Other property operating expenses		(45,982)	(40,176)	14.5%
Property operating expenses		(50,346)	(44,497)	13.1%
Net property income		116,184	138,306	-16.0%
Interest income		1,233	2,066	-40.3%
Other income		265	30	> 100%
Net investment income		117,682	140,402	-16.2%
Manager's fees	B8	(10,539)	(11,126)	-5.3%
Trustee's fees	B9	(194)	(190)	2.1%
Other trust expenses		(746)	(759)	-1.7%
Finance costs		(34,011)	(31,870)	6.7%
		(45,490)	(43,945)	3.5%
Profit before tax	A10	72,192	96,457	-25.2%
Taxation	A11	-	-	N/A
Profit for the period		72,192	96,457	-25.2%
Profit for the period comprises the following:				
Realised				
- Unitholders		67,198	91,523	-26.6%
- Perpetual note holders		4,959	4,904	1.1%
		72,157	96,427	-25.2%
Unrealised		35	30	16.7%
		72,192	96,457	-25.2%
Basic earnings per unit attributable to unitholders (sen):				
Realised		1.96	2.67	-26.6%
Unrealised		-	-	N/A
		1.96	2.67	-26.6%
Distributable income per unit (sen)¹		1.96	2.67	-26.6%
Distribution per unit (sen)	A12	4.62	-	N/A

N/A - Not applicable

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

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

SUNWAY REAL ESTATE INVESTMENT TRUST
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FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

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

	Current Quarter ended 30.06.2023	Immediate Preceding Quarter ended 31.03.2023	Change
	RM'000	RM'000	%
Profit for the period	72,192	96,457	-25.2%
Other comprehensive income:			
Cash flow hedge - fair value of derivative	11,548	10,203	13.2%
Cash flow hedge reserve recycled to profit or loss	(11,655)	(10,059)	15.9%
Total comprehensive income for the period	72,085	96,601	-25.4%

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended 30.06.2023	Immediate Preceding Quarter ended 31.03.2023	Change
	RM'000	RM'000	%
Rental and lease income	162,634	178,888	-9.1%
Interest income	1,233	2,066	-40.3%
Other income ¹	4,126	3,915	5.4%
	167,993	184,869	-9.1%
Less: Expenses	(95,836)	(88,442)	8.4%
Realised income for the period	72,157	96,427	-25.2%
Less: Amount reserved for distribution to perpetual note holders	(4,959)	(4,904)	1.1%
Realised income attributable to unitholders	67,198	91,523	-26.6%
Add: Brought forward undistributed realised income	134,323	42,800	> 100%
Total income available for distribution	201,521	134,323	50.0%
Less: Proposed/Declared income distribution to unitholders	(158,226)	-	N/A
Balance undistributed realised income	43,295	134,323	-67.8%
Distribution per unit (sen)	4.62	-	N/A

N/A - Not applicable

¹ Included other operating income.

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SECOND QUARTER ENDED 30 JUNE 2023
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As At 30.06.2023 (Unaudited)	As At 31.12.2022 (Audited)
		RM'000	RM'000
Assets			
Non-current assets			
Investment properties	A13	8,686,934	8,622,501
Investment properties - accrued lease income	A13	48,499	48,499
Plant and equipment		17,966	15,781
Right-of-use asset		757	795
		<u>8,754,156</u>	<u>8,687,576</u>
Current assets			
Trade receivables	A14	28,987	25,156
Other receivables		75,396	19,401
Derivatives	B15	18,954	-
Cash and bank balances		141,739	251,238
		<u>265,076</u>	<u>295,795</u>
Non-current asset held for sale	B10	430,000	430,000
Total assets		9,449,232	9,413,371
Equity and liabilities			
Equity			
Unitholders' capital		3,433,864	3,433,864
Undistributed income		1,741,979	1,754,397
Total unitholders' funds		5,175,843	5,188,261
Perpetual note holders' funds		339,717	339,717
Total equity		<u>5,515,560</u>	<u>5,527,978</u>
Non-current liabilities			
Borrowings	A15	2,000,000	1,900,000
Long term liabilities		90,028	84,964
Deferred tax liability		11,631	11,631
Lease liability		822	822
		<u>2,102,481</u>	<u>1,997,417</u>
Current liabilities			
Borrowings	A15	1,598,809	1,636,777
Trade payables		2,645	16,746
Other payables		218,937	218,027
Derivatives	B15	-	5,610
Deferred tax liability		10,777	10,777
Lease liability		23	39
		<u>1,831,191</u>	<u>1,887,976</u>
Total liabilities		<u>3,933,672</u>	<u>3,885,393</u>
Total equity and liabilities		9,449,232	9,413,371
Units in circulation ('000 units)		3,424,808	3,424,808
Net Asset Value ("NAV") attributable to unitholders (RM'000):			
Before income distribution		5,175,843	5,188,261
After income distribution ¹		5,017,617	5,017,021
NAV per unit attributable to unitholders (RM):			
Before income distribution		1.5113	1.5149
After income distribution ¹		1.4651	1.4649

¹ After proposed income distribution of 4.62 sen per unit for semi-annual period ended 30 June 2023 (31 December 2022: final income distribution of 5.00 sen per unit).

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Undistributed Income	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2023	3,433,864	1,754,397	5,188,261	339,717	5,527,978
Total comprehensive income					
Profit for the period	-	168,649	168,649	-	168,649
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	21,750	21,750	-	21,750
- Cash flow hedge reserve recycled to profit or loss	-	(21,714)	(21,714)	-	(21,714)
Total comprehensive income, representing the increase in net assets resulting from operations	-	168,685	168,685	-	168,685
Unitholders' transactions					
Distribution to unitholders:					
- Income distribution proposed in prior year but paid in current year	-	(171,240)	(171,240)	-	(171,240)
Decrease in net assets resulting from unitholders' transactions	-	(171,240)	(171,240)	-	(171,240)
Perpetual note holders' transactions					
Amount reserved for distribution to perpetual note holders	-	(9,863)	(9,863)	-	(9,863)
Decrease in net assets resulting from perpetual note holders' transactions	-	(9,863)	(9,863)	-	(9,863)
As at 30 June 2023 (Unaudited)	3,433,864	1,741,979	5,175,843	339,717	5,515,560

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

SUNWAY REAL ESTATE INVESTMENT TRUST
 SECOND QUARTER ENDED 30 JUNE 2023
 FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

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

	Unitholders' Capital	Undistributed Income	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2022	3,433,864	1,691,629	5,125,493	339,717	5,465,210
Total comprehensive income					
Profit for the year	-	323,558	323,558	-	323,558
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	(4,069)	(4,069)	-	(4,069)
- Cash flow hedge reserve recycled to profit or loss	-	3,591	3,591	-	3,591
Total comprehensive income, representing the increase in net assets resulting from operations	-	323,080	323,080	-	323,080
Unitholders' transactions					
Distribution to unitholders:					
- Income distribution declared and paid in current year	-	(144,527)	(144,527)	-	(144,527)
- Income distribution proposed in prior period but paid in current year	-	(95,895)	(95,895)	-	(95,895)
Decrease in net assets resulting from unitholders' transactions	-	(240,422)	(240,422)	-	(240,422)
Perpetual note holders' transactions					
Amount reserved for distribution to perpetual note holders	-	(19,890)	(19,890)	-	(19,890)
Decrease in net assets resulting from perpetual note holders' transactions	-	(19,890)	(19,890)	-	(19,890)
As at 31 December 2022 (Audited)	3,433,864	1,754,397	5,188,261	339,717	5,527,978

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SECOND QUARTER ENDED 30 JUNE 2023
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.06.2023	30.06.2022
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	363,540	307,169
Refundable security deposits (to)/from customers	(2,032)	5,736
Cash paid for operating expenses	(140,742)	(99,901)
Net cash from operating activities	<u>220,766</u>	<u>213,004</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(3,848)	(2,141)
Deposit for acquisition of investment properties	(45,760)	(6,005)
Balance payment for acquisition of investment properties	-	(30,690)
Incidental costs on acquisition of investment properties	-	(2,632)
Subsequent expenditure of investment properties	(77,489)	(159,740)
Investment in short term money market instrument	-	(330,000)
Redemption of short term money market instrument	-	300,000
Net cash flows to licensed financial institutions with maturity of over 3 months	(85,000)	-
Interest received	3,947	2,777
Net cash used in investing activities	<u>(208,150)</u>	<u>(228,431)</u>
Cash flows from financing activities		
Proceeds from issuance of commercial papers	130,000	190,000
Proceeds from issuance of unrated medium term notes	300,000	700,000
Drawdown of revolving loan - USD	200,267	292,552
Drawdown of revolving loan	100,000	90,000
Repayment of commercial papers	(100,000)	(90,000)
Repayment of unrated medium term notes	(300,000)	(800,000)
Repayment of revolving loan - USD	(292,552)	(384,893)
Interest paid	(63,672)	(44,317)
Distribution paid to unitholders	(171,240)	(95,895)
Distribution paid to perpetual note holders	(9,918)	(9,918)
Net cash used in financing activities	<u>(207,115)</u>	<u>(152,471)</u>
Net decrease in cash and cash equivalents	(194,499)	(167,898)
Cash and cash equivalents at beginning of year	251,238	290,543
Cash and cash equivalents at end of period	56,739	122,645
Cash and bank balances	141,739	122,645
Deposits with licensed financial institutions with maturity of over 3 months	(85,000)	-
Cash and cash equivalents	<u>56,739</u>	<u>122,645</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	26,739	43,645
Deposits placed with licensed financial institutions	115,000	79,000
Cash and bank balances	<u>141,739</u>	<u>122,645</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
SECOND QUARTER ENDED 30 JUNE 2023
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)**

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

A1. Corporate Information

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

A2. Significant Accounting Policies and Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the financial period ended 30 June 2023 have been prepared in accordance with MFRS 134: Interim Financial Reporting, paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts (the "REIT Guidelines"). These unaudited condensed consolidated financial statements of the Group also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated financial statements of the Group should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements. The audited financial statements of the Group for the financial year ended 31 December 2022 were prepared under MFRS and are available upon request from the Manager's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

The accounting policies adopted by the Group in this unaudited condensed consolidated financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following MFRS and amendments to MFRSs that are effective for annual periods beginning on or after 1 January 2023:

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Initial Application of MFRS 17 and MFRS 9 - Comparative Information*
- Amendments to MFRS 101 *Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Definition of Accounting Estimates*
- Amendments to MFRS 112 *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
- Amendments to MFRS 112 *International Tax Reform – Pillar Two Model Rules*

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

A3. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statements for the preceding financial year ended 31 December 2022.

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 2023.

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 ended 30 June 2023, except as disclosed in Note A15.

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

There was no change to Sunway REIT's fund size of 3,424.8 million units for the current quarter ended 30 June 2023.

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A8. Segmental Reporting

Segmental revenue and results for the second quarter ended 30 June 2023 and 30 June 2022 are as follows:

Business segments	Second Quarter ended 30.06.2023						Second Quarter ended 30.06.2022					
	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
Revenue and results												
Gross revenue	110,903	17,457	20,502	15,974	1,694	166,530	101,350	5,980	19,723	15,763	1,693	144,509
Net property income	69,462	16,502	12,897	15,974	1,349	116,184	71,637	5,048	12,749	15,763	1,693	106,890
Interest income						1,233						1,042
Other income						265						24
Trust and other expenses						(11,479)						(10,682)
Finance costs						(34,011)						(22,766)
Profit before tax						72,192						74,508
Taxation						-						-
Profit for the period						72,192						74,508

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A8. Segmental Reporting (Cont'd)

Segmental revenue and results for the cumulative quarter ended 30 June 2023 and 30 June 2022 are as follows:

Business segments	Cumulative Quarter ended 30.06.2023						Cumulative Quarter ended 30.06.2022					
	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
Revenue and results												
Gross revenue	237,167	35,930	40,899	31,949	3,388	349,333	199,794	24,501	39,201	31,596	3,387	298,479
Net property income	159,419	34,040	26,374	31,949	2,708	254,490	141,919	22,491	26,417	31,596	3,387	225,810
Interest income						3,299						2,310
Other income						295						42
Changes in fair value of investment properties						-						18,268
Trust and other expenses						(23,554)						(21,967)
Finance costs						(65,881)						(43,637)
Profit before tax						168,649						180,826
Taxation						-						-
Profit for the period						168,649						180,826

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A8. Segmental Reporting (Cont'd)

Segmental assets and liabilities as at 30 June 2023 and 31 December 2022 are as follows:

Business segments	As at 30.06.2023						As at 31.12.2022					
	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
Assets												
Segment assets	5,255,735	1,851,717	960,800	1,007,203	161,597	9,237,052	5,219,106	1,816,023	954,329	1,007,203	161,000	9,157,661
Unallocated assets						212,180						255,710
Total assets						9,449,232						9,413,371
Liabilities												
Segment liabilities	210,932	9,758	26,146	30,100	376	277,312	207,315	11,241	26,894	30,100	-	275,550
Unallocated liabilities						3,656,360						3,609,843
Total liabilities						3,933,672						3,885,393

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A8. Segmental Reporting (Cont'd)

Properties	Gross Revenue				Net Property Income				Gross Revenue			Net Property Income		
	Second Quarter ended				Second Quarter ended				Cumulative Quarter ended			Cumulative Quarter ended		
	30.06.2023	30.06.2022	Change	31.03.2023	30.06.2023	30.06.2022	Change	31.03.2023	30.06.2023	30.06.2022	Change	30.06.2023	30.06.2022	Change
	RM'000	RM'000	%	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%	RM'000	RM'000	%
Retail														
Sunway Pyramid Mall	83,926	78,507	6.9%	94,349	57,554	61,973	-7.1%	73,730	178,275	156,078	14.2%	131,284	122,035	7.6%
Sunway Carnival Mall ¹	13,166	9,317	41.3%	18,405	5,725	2,678	> 100%	10,100	31,571	18,735	68.5%	15,825	7,349	> 100%
SunCity Ipoh Hypermarket	781	770	1.4%	770	769	750	2.5%	758	1,551	1,703	-8.9%	1,527	1,649	-7.4%
Sunway Putra Mall	12,973	12,707	2.1%	12,677	5,567	6,540	-14.9%	5,492	25,650	23,229	10.4%	11,059	11,190	-1.2%
Sunway Pier ²	57	49	16.3%	63	(153)	(304)	-49.7%	(123)	120	49	> 100%	(276)	(304)	-9.2%
Total Retail	110,903	101,350	9.4%	126,264	69,462	71,637	-3.0%	89,957	237,167	199,794	18.7%	159,419	141,919	12.3%
Hotel														
Sunway Resort Hotel ³	3,726	60	> 100%	2,451	3,511	(241)	> 100%	2,193	6,177	601	> 100%	5,704	294	> 100%
Sunway Pyramid Hotel	6,703	341	> 100%	8,360	6,482	175	> 100%	8,197	15,063	628	> 100%	14,679	312	> 100%
Sunway Hotel Seberang Jaya	557	475	17.3%	680	498	424	17.5%	633	1,237	584	> 100%	1,131	488	> 100%
Sunway Putra Hotel	1,835	1,577	16.4%	3,006	1,495	1,236	21.0%	2,668	4,841	2,692	79.8%	4,163	2,012	> 100%
Sunway Hotel Georgetown	1,678	1,202	39.6%	1,571	1,621	1,149	41.1%	1,516	3,249	3,922	-17.2%	3,137	3,817	-17.8%
Sunway Lagoon Hotel ⁴	2,958	2,325	27.2%	2,405	2,895	2,305	25.6%	2,331	5,363	16,074	-66.6%	5,226	15,568	-66.4%
Total Hotel	17,457	5,980	> 100%	18,473	16,502	5,048	> 100%	17,538	35,930	24,501	46.6%	34,040	22,491	51.3%
Office														
Menara Sunway	4,286	4,311	-0.6%	4,339	2,467	2,805	-12.0%	2,789	8,625	8,744	-1.4%	5,256	5,523	-4.8%
Sunway Tower	1,104	838	31.7%	1,088	(218)	(186)	17.2%	117	2,192	1,645	33.3%	(101)	633	-116.0%
Sunway Putra Tower	3,104	3,255	-4.6%	3,000	1,840	2,079	-11.5%	1,865	6,104	6,420	-4.9%	3,705	4,163	-11.0%
Wisma Sunway	1,740	1,738	0.1%	1,751	968	965	0.3%	1,079	3,491	3,473	0.5%	2,047	1,923	6.4%
Sunway Pinnacle	10,268	9,581	7.2%	10,219	7,840	7,086	10.6%	7,627	20,487	18,919	8.3%	15,467	14,175	9.1%
Total Office	20,502	19,723	3.9%	20,397	12,897	12,749	1.2%	13,477	40,899	39,201	4.3%	26,374	26,417	-0.2%
Services														
Sunway Medical Centre (Tower A & B)	6,609	6,609	0.0%	6,610	6,609	6,609	0.0%	6,610	13,219	13,219	0.0%	13,219	13,219	0.0%
Sunway university & college campus	9,365	9,154	2.3%	9,365	9,365	9,154	2.3%	9,365	18,730	18,377	1.9%	18,730	18,377	1.9%
Total Services	15,974	15,763	1.3%	15,975	15,974	15,763	1.3%	15,975	31,949	31,596	1.1%	31,949	31,596	1.1%
Industrial & Others														
Sunway REIT Industrial - Shah Alam 1	1,694	1,693	0.1%	1,694	1,694	1,693	0.1%	1,643	3,388	3,387	0.0%	3,337	3,387	-1.5%
Sunway REIT Industrial - Petaling Jaya 1 ⁵	-	N/A	N/A	-	(345)	N/A	N/A	(284)	-	N/A	N/A	(629)	N/A	N/A
Total Industrial & Others	1,694	1,693	0.1%	1,694	1,349	1,693	-20.3%	1,359	3,388	3,387	0.0%	2,708	3,387	-20.0%
Total Revenue / NPI	166,530	144,509	15.2%	182,803	116,184	106,890	8.7%	138,306	349,333	298,479	17.0%	254,490	225,810	12.7%

N/A - Not applicable

¹ New wing of Sunway Carnival Mall was opened on 24 June 2022.

² Acquired on 17 January 2022 and currently in the planning stage for the redevelopment into a retail-centric tourist attraction.

³ Closed for refurbishment from July 2020 and reopened progressively since 1 May 2022.

⁴ Formerly known as Sunway Clio Property.

⁵ Acquired on 10 November 2022.

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A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

- (i) Retail - renting of retail premises to tenants
- (ii) Hotel - leasing of hotel premises to hotel operators
- (iii) Office - renting of office premises to tenants
- (iv) Services - leasing of services related premises on long term leases
- (v) Industrial & 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 audited financial statements.

a) Review of Second Quarter Results

Retail segment

The revenue of Retail segment for second quarter ended 30 June 2023 (Q2 2023) was higher by RM9.5 million or 9% compared to Q2 2022 contributed by overall improved performance across the retail properties. The improvement was primarily contributed by Sunway Pyramid Mall by RM5.4 million and Sunway Carnival Mall by RM3.9 million. Sunway Carnival Mall opened its new wing on 24 June 2022, hence the results for Q2 2022 did not include the impact of a full operating mall.

NPI of the Retail Segment for Q2 2023 decreased by RM2.2 million or 3%, primarily attributed to the impact of higher utility cost although it was partially cushioned by the successful allocation of 30% Green Electricity Tariff Programme for two of the malls.

Hotel segment

The revenue of Hotel segment for Q2 2023 improved by RM11.5 million or nearly three-fold underpinned by the overall improved average occupancy rate of the Hotel segment and the full-quarter contribution from Sunway Resort Hotel which reopened in phases since May 2022.

Correspondingly, NPI of the Hotel segment for Q2 2023 increased by RM11.5 million.

Office segment

The revenue of Office segment for Q2 2023 improved marginally by RM0.8 million or 4% compared to Q2 2022 supported by positive rental reversion and stable average occupancy rate of the Office segment.

NPI of the Office segment for Q2 2023 recorded a marginal improvement of RM0.2 million or 1%, in spite of the improved revenue, mainly due to the impact of higher utility cost.

Services segment

The revenue and NPI of Services segment for Q2 2023 increased marginally by RM0.2 million or 1% mainly attributed to the annual rental reversion of Sunway university & college campus in accordance with the master lease agreement. The lessee of Sunway Medical Centre (Tower A & B) continued to pay the same lease rental in Q2 2023 pending completion of the sale and purchase agreement.

Industrial & Others segment

The revenue of Industrial & Others segment for Q2 2023 maintained at RM1.7 million contributed by the rental income of Sunway REIT Industrial - Shah Alam 1 in accordance with the master lease agreement where the rent review will be conducted every three years, with the last review on 1 January 2022.

However, NPI of the Industrial & Others segment for Q2 2023 dropped by RM0.3 million or 20% mainly due to the operating expenses of Sunway REIT Industrial – Petaling Jaya 1 which is currently vacant. A tenant has been secured to commence in January 2024, after planned fit-out works in 2023.

A8. Segmental Reporting (Cont'd)

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

Overall

	Q2 2023 RM'000	Q2 2022 RM'000	Change RM'000	%
Revenue	166,530	144,509	22,021	15.2%
NPI	116,184	106,890	9,294	8.7%
Profit for the period, comprise of:				
Realised				
- Unitholders	67,198	69,525	(2,327)	-3.3%
- Perpetual note holders	4,959	4,959	-	0.0%
	<u>72,157</u>	<u>74,484</u>	<u>(2,327)</u>	<u>-3.1%</u>
Unrealised	35	24	11	45.8%
	<u>72,192</u>	<u>74,508</u>	<u>(2,316)</u>	<u>-3.1%</u>

Sunway REIT registered a realised profit attributable to unitholders of RM67.2 million for Q2 2023, lower by RM2.3 million or 3% compared to Q2 2022, mainly due to higher finance costs by RM11.2 million resulting from full impact of 100 bps overnight policy rate ("OPR") hikes in 2022 coupled with another 25 bps OPR hike in May 2023, which was partially offset by improvement of NPI by RM9.3 million.

b) Review of Cumulative Quarter Results

Retail segment

The revenue of Retail segment jumped by 19% or RM37.4 million, bringing it to RM237.2 million for the cumulative period ended 30 June 2023 (YTD Q2 2023), contributed by the improved performance of all retail properties, except for SunCity Ipoh Hypermarket due to recognition of turnover rent in Q1 2022.

NPI of the Retail segment for YTD Q2 2023 similarly increased by 12% or RM17.5 million, to RM159.4 million, in line with the improved revenue which was partially offset by higher utility cost and reduced reversal of impairment on trade receivables.

Hotel segment

The Hotel segment recorded sharp increase in revenue by 47% or RM11.4 million, to RM35.9 million for YTD Q2 2023, contributed by the re-opening of Sunway Resort Hotel in May 2022 and the transition to endemic phase since 1 April 2022 which saw improvement in domestic leisure, business travel and MICE activities that translated to increased average occupancy rate for the Hotel segment to 60% for YTD Q2 2023, from 48% in the same period last year. The improvement in revenue has been able to offset the guaranteed NPI for Sunway Lagoon Hotel in 1Q2022 which has since ended.

NPI of the Hotel segment has correspondingly leaped by 51% or RM11.5 million, to RM34.0 million for YTD Q2 2023, in line with the increase in revenue.

Office segment

The Office segment registered revenue of RM40.9 million for YTD Q2 2023, an increase of 4% or RM1.7 million, backed by positive rental reversion and stable average occupancy rate of the Office segment.

NPI of the Office segment remained largely unchanged at RM26.4 million for YTD Q2 2023.

Services segment

The Services segment contributed revenue and NPI of RM31.9 million for YTD Q2 2023, representing a marginal increase of 1% or RM0.4 million compared to corresponding period last year, mainly due to the contractual annual rental uplifts for Sunway university & college campus.

Industrial & Others segment

The Industrial & Others segment recorded revenue of RM3.4 million for YTD Q2 2023, the same as the corresponding period last year. However, NPI was lower by 20% of RM0.7 million due to the operating expenses of Sunway REIT Industrial – Petaling Jaya 1.

A8. Segmental Reporting (Cont'd)

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

Overall

	YTD Q2 2023 RM'000	YTD Q2 2022 RM'000	Change RM'000	%
Revenue	349,333	298,479	50,854	17.0%
NPI	254,490	225,810	28,680	12.7%
Profit for the period, comprise of:				
Realised				
- Unitholders	158,721	152,653	6,068	4.0%
- Perpetual note holders	9,863	9,863	-	0.0%
	<u>168,584</u>	<u>162,516</u>	<u>6,068</u>	<u>3.7%</u>
Unrealised	65	18,310	(18,245)	-99.6%
	<u>168,649</u>	<u>180,826</u>	<u>(12,177)</u>	<u>-6.7%</u>

Realised profit attributable to unitholders of Sunway REIT for YTD Q2 2023 was RM158.7 million, increased by RM6.1 million compared to YTD Q2 2022, due to higher NPI of RM28.7 million mainly from Retail and Hotel segments as mentioned above which was partially reduced by the higher finance costs of RM22.2 million resulting from the OPR hikes in 2022 and 2023. That said, the average cost of debt of Sunway REIT for YTD Q2 2023 of 3.69% was one of the lowest among the MREITs.

The unrealised profit for last year was largely due to valuation gain for Sunway Pier upon completion of its acquisition in January 2022.

A9. Seasonality of Operations

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

A10. Profit Before Tax

Included in the profit before tax are the following items:

Note	Second Quarter ended		Cumulative Quarter ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Net changes in fair value of long term liabilities	(35)	(24)	(65)	(42)
Unrealised foreign exchange loss / (gain) (hedged item)	11,655	(10,592)	21,714	3,849
Cash flow hedge reserve recycled to profit or loss	(11,655)	10,592	(21,714)	(3,849)
Reversal of impairment on trade receivables	A14 (661)	(4,078)	(1,904)	(6,186)
Depreciation of plant and equipment	988	651	1,866	1,266
Loss on disposal of plant and equipment	48	-	50	7
Write off of plant and equipment	-	3	81	17

A11. Taxation

Taxation of the REIT

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

Sunway REIT should not incur any tax expense in the current financial year as it will distribute at least 90% of its distributable income which translates to more than 90% of its total taxable income.

A11. Taxation (Cont'd)

Taxation of the Unitholders

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

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

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

A12. Income Distribution

In accordance to the Deed, the Manager will make regular distributions of all (or such lower percentage as determined by the Manager) of the distributable income of Sunway REIT.

The Manager intends to distribute 100% of the distributable income to the unitholders of Sunway REIT in each financial year on a semi-annual basis, for each six-month period ending 30 June and 31 December, unless varied by the Manager.

Distribution reinvestment scheme ("DRS") of Sunway REIT was established following the approval of the unitholders at the Eighth Annual General Meeting ("AGM") on 2 October 2020 and the renewal of DRS authority granted to the Board has been approved by unitholders at the Tenth AGM on 27 April 2023. The Manager may, at its absolute discretion, determine whether to pay a particular income distribution declared in cash or to offer the unitholders of Sunway REIT the option to reinvest all or part of their cash income distribution in new units of Sunway REIT.

For the current financial year, the Manager has proposed the following distribution of Sunway REIT:

- i) For the semi-annual period from 1 January 2023 to 30 June 2023, interim income distribution amounting to RM158.2 million or 4.62 sen per unit, comprising taxable and non-taxable / tax-exempt amount of 3.44 sen per unit and 1.18 sen per unit respectively, payable in cash on 15 September 2023.

Final income distribution for the current financial year will be based on the distributable income for the semi-annual period ending 31 December 2023.

A13. Investment Properties

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Investment properties	8,686,934	8,622,501
Investment property - accrued lease income	48,499	48,499
	<u>8,735,433</u>	<u>8,671,000</u>

Investment properties - accrued lease income is in relation to the 30-year non-cancellable lease agreements for Sunway university & college campus, commencing on 15 April 2019 and expiring on 30 November 2048, with in-built incremental lease rental of 2.3% every year. The lease income has been recognised on a straight-line based over the lease period of 30 years pursuant to MFRS 16 Leases, with a total accrued lease income of RM48.5 million as at 30 June 2023.

A14. Trade Receivables

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Third parties	22,566	25,761
Amount due from parties related to the Manager	11,496	7,036
	<hr/> 34,062	<hr/> 32,797
Less: Allowance for impairment	(5,075)	(7,641)
Total trade receivables	<hr/> 28,987	<hr/> 25,156

Trade receivables was higher by RM3.8 million mainly due to higher rental from Hotel segment as explained in Note A8a), in spite of improved collection days.

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

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Current	11,895	10,041
1 to 30 days	5,904	6,662
31 to 60 days	3,126	2,473
61 to 90 days	2,299	1,827
91 to 120 days	2,970	1,441
More than 120 days	7,868	10,353
	<hr/> 22,167	<hr/> 22,756
Less: Impaired	(5,075)	(7,641)
	<hr/> 28,987	<hr/> 25,156

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:

	Note	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
At beginning of financial period / year		7,641	25,719
Reversal for the financial period / year	A10	(1,904)	(16,406)
Written off		(662)	(1,672)
At end of financial period / year		<hr/> 5,075	<hr/> 7,641

A15. Borrowings and Debt Securities

	As at 30.06.2023 RM'000	As at 30.06.2022 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial paper	30,000	100,000
- Revolving loan (USD)	219,255	294,453
- Unrated medium term notes	1,350,000	1,300,000
	<hr/> 1,599,255	<hr/> 1,694,453
Less: Discount on commercial paper	(246)	(97)
Less: Unamortised transaction costs	(200)	(273)
Total short term borrowings	<hr/> 1,598,809	<hr/> 1,694,083
<u>Long term borrowings</u>		
Secured - Unrated medium term notes	10,000	10,000
Unsecured - Revolving loan (RM)	1,990,000	1,690,000
Total long term borrowings	<hr/> 2,000,000	<hr/> 1,700,000
Total borrowings	<hr/> 3,598,809	<hr/> 3,394,083

A15. Borrowings and Debt Securities (Cont'd)

Borrowings of Sunway REIT is denominated in Ringgit Malaysia ("RM"), except for the revolving loan (USD) which is denominated in United States Dollar ("USD").

The revolving loan (USD) was drawn in USD47.0 million (equivalent to RM200.3 million) to refinance an unrated medium term note due in March 2023. The revolving loan (USD) is fully hedged with 1-year USD-MYR cross currency swap ("CCS") contract until March 2024 (30 June 2022: 1-year AUD-MYR CCS contracts until February 2023) to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period.

The unamortised transaction costs of RM0.2 million as at 30 June 2023 relates to upfront expenses incurred for establishment of the 7-year CP Programme of up to RM3.0 billion commencing from April 2019.

The revolving loan (RM) is classified as long term borrowings based on the tenor/repayment terms of 7 years due in March 2026.

Total borrowings of Sunway REIT as at 30 June 2023 increased by RM204.7 million compared to 30 June 2022, primarily to fund the capital expenditure and acquisition of investment properties during the period.

The weighted average interest rate of borrowings as at 30 June 2023 was 3.69% (30 June 2022: 2.71%) and the proportion of debt based on fixed interest rate and floating interest rate was 37 : 63 (30 June 2022: 32 : 68).

A16. Fair Value Hierarchy

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2023				
<u>Financial assets</u>				
Investment properties	-	-	8,671,000	8,671,000
Non-current asset held for sale	-	-	430,000	430,000
Derivatives	-	18,954	-	18,954
At 31 December 2022				
<u>Financial assets</u>				
Investment properties	-	-	8,671,000	8,671,000
Non-current asset held for sale	-	-	430,000	430,000
<u>Financial liability</u>				
Derivatives	-	5,610	-	5,610

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

A17. Material Event since the last Annual Reporting

Proposed acquisition of hypermarkets / retail complexes for cash consideration of RM520.0 million

On 16 March 2023, Sunway REIT entered into a conditional sale and purchase agreement with Kwasa Properties Sdn. Bhd., a wholly-owned subsidiary of the Employees Provident Fund, to acquire a portfolio of six freehold hypermarkets / retail complexes that are strategically located in Klang Valley and Johor for a total cash consideration of RM520.0 million ("Proposed Acquisition").

Approval of the unitholders of Sunway REIT for the Proposed Acquisition has been obtained during the Unitholders' Meeting on 15 June 2023 and approval from the state authority for amendment of restriction in interest for the Plentong Land 2 has been obtained on 23 May 2023.

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed in Q4 2023.

A18. Material Event Subsequent to the end of the Current Quarter

There was no material event subsequent to the current quarter ended 30 June 2023.

A19. Capital Commitments

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

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Approved and contracted for	907,098	178,714
Approved but not contracted for	289,608	333,427
	<u>1,196,706</u>	<u>512,141</u>

The increase in the amount approved and contracted for was mainly the balance purchase consideration of RM468.0 million for the Proposed Acquisition stated in Note A17, which is payable within three months from the unconditional date of the sale and purchase agreement and the Phase 2 refurbishment of Sunway Carnival Mall, which is targeted for phased completion between early 2024 to end 2025.

The balance of the capital commitments was largely in relation to the balance contract sum payable for Phase 1 expansion of Sunway Carnival Mall and refurbishment of Sunway Resort Hotel, and planned refurbishment of AEON space in Sunway Pyramid Mall.

A20. Contingent Liability and Asset

There was no contingent asset as at 30 June 2023. The contingent liability as at 30 June 2023 was in respect to the material litigation as disclosed in Note B11.

A21. Transactions with Parties Related to the Manager

The following table provides information on the transactions which have been entered into with parties related to the Manager during the financial period ended 30 June 2023:

	Second Quarter ended		Cumulative Quarter ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
a) Sunway Berhad Group				
- Sales	(38,699)	(24,543)	(77,748)	(64,393)
- Purchases	39,128	79,501	83,945	166,388
- Net investment in money market	-	30,000	-	30,000
Structured entities controlled by Sunway Berhad Group				
- Distribution to perpetual note holders	4,959	4,959	9,863	9,863
b) Sunway Technology Sdn. Bhd. Group				
- Sales	(602)	(754)	(1,288)	(1,448)
- Purchases	207	462	460	619

The distribution to perpetual note holders relates to the amount reserved and/or paid for semi-annual distribution to the subscribers of the perpetual note, which are wholesale funds regarded as structured entities controlled by Sunway Berhad.

A21. Transactions with Parties Related to the Manager (Cont'd)

The following table provides information on the balances with the parties related to the Manager as at 30 June 2023 and 31 December 2022:

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
<u>Amount owed by parties related to the Manager:</u>		
a) Sunway Berhad Group	12,687	7,294
b) Sunway Technology Sdn. Bhd. Group	-	6
	<hr/>	<hr/>
<u>Amount owed to parties related to the Manager:</u>		
a) Sunway Berhad Group	16,949	26,628
	<hr/>	<hr/>

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

B1. Review of Performance

a) Statement of Profit or Loss and Other Comprehensive Income

Explanatory comments are provided in Notes A8a) and A8b) above.

b) Statement of Financial Position

Investment properties increased by RM64.4 million primarily attributable to capital expenditure for Sunway Carnival Mall and Sunway Resort Hotel.

Right-of-use asset and lease liability were pursuant to a 12-year land lease (ending July 2033) from State Government of Penang for car park purposes and recognised in accordance to MFRS 16 Leases .

Other receivables was higher by RM56.0 million largely due to the deposit paid for the Proposed Acquisition as disclosed in Note A17.

Derivatives was in relation to 1-year USD-MYR CCS contract for the revolving loan (USD). Further details and movement of the derivatives are explained in Notes A15 and B15.

Cash and bank balances reduced by RM109.5 million mainly to fund the deposit for the Proposed Acquisition and capital expenditure on investment properties, as well as repayment of a medium term note due in May 2023.

Perpetual note holders' funds represent proceed from an issuance of perpetual note of RM340.0 million by SUNREIT Perpetual Bond Berhad in April 2019, net of transaction costs incurred for establishment of the Perpetual Note Programme of RM0.3 million. The perpetual note was subscribed by wholesale funds, which are regarded as structured entities controlled by Sunway Berhad Group. The distribution to the perpetual note holders is a related party transaction as disclosed in Note A21 .

Total net asset value as at 30 June 2023 was RM5.5 billion, comprised unitholders' funds of RM5.2 billion and perpetual note holders' funds of RM0.3 billion. The decrease in unitholders' funds of RM12.4 million mainly due to the distribution to unitholders of RM171.2 million and amount reserved for distribution to perpetual note holders of RM9.9 million, partially offset by the total comprehensive income for the financial period of RM168.7 million. There was no movement in the perpetual note holders' funds during the financial period.

Net asset value per unit, after income distribution, maintained at approximately RM1.47 as at 30 June 2023 and as at 31 December 2022.

B1. Review of Performance (Cont'd)

c) Statement of Cash Flows

Net cash from operating activities for Q2 2023 of RM220.8 million was contributed by the collection from tenants and lessees, partially used for the refund of deposits to tenants and payment of operating expenses.

Net cash used in investing activities for Q2 2023 of RM208.2 million was mainly to fund the placements with licensed financial institution, progress payments for refurbishment of Sunway Resort Hotel and expansion of Sunway Carnival Mall, and the deposit for the Proposed Acquisition.

Net cash used in financing activities for Q2 2023 of RM207.1 million was mainly for income distribution to unitholders in February 2023 amounting to RM171.2 million and interest paid of RM63.7 million, partially offset by the net drawdown of borrowings of RM37.7 million.

Cash and bank balances as at 30 June 2023 and 30 June 2022 stood at RM141.7 million and RM122.6 million respectively. The higher cash and bank balances was mainly contributed by higher net cash from operating activities coupled with lower net cash used in investing activities.

B2. Maintenance Costs and Major Capital Expenditure

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

Sunway REIT incurred capital expenditure of RM64.4 million for YTD Q2 2023, mainly for new wing of Sunway Carnival Mall and refurbishment of Sunway Resort Hotel.

B3. Material Changes in Quarterly Results

	Current Quarter ended 30.06.2023 RM'000	Immediate Preceding Quarter ended 31.03.2023 RM'000	Change %
Realised profit	72,157	96,427	-25.2%
Unrealised profit	35	30	16.7%
Profit for the quarter	<u>72,192</u>	<u>96,457</u>	<u>-25.2%</u>

Realised profit for current quarter decreased by RM24.3 million or 25.2% compared to immediate preceding quarter (Q1 2023) mainly due to lower NPI by RM22.1 million in current quarter attributable to better performance of the Retail segment in Q1 2023 from year-end and new year festivity celebrations and higher property operating expenses in current quarter. In addition, finance costs was higher by RM2.1 million in current quarter following another OPR hike of 25 bps in May 2023.

B4. Commentary on Prospects

Indicator	2023 (F)	Q2 2023	Q1 2023	2022	2021
Gross Domestic Product (GDP) (y-o-y)	4.5%	*	5.6% ¹	8.7% ¹	3.1% ¹
Consumer Price Index (y-o-y)	2.8% to 3.8% ⁴	2.8% ²	3.6% ²	3.3% ²	2.5% ²
Overnight Policy Rate (OPR)	3.0% to 3.25% ³	3.0%	2.75%	2.75%	1.75%

¹ GDP growth (Source: Bank Negara Malaysia)

² Source: Department of Statistics Malaysia

³ OPR forecast (Source: Bloomberg's economists consensus forecast)

⁴ Federal Budget 2023, Ministry of Finance

* To be announced

B4. Commentary on Prospects (Cont'd)

The Manager is cautiously optimistic about the outlook for FY 2023 underpinned by stable Gross Domestic Product (GDP) growth projection of 4% to 5%. The outlook is further supported by the expectation of sustained growth momentum of the Retail segment, further recovery in the Hotel segment, full year income contribution from new wing of Sunway Carnival Mall (Phase 1) and Sunway Resort Hotel upon full completion of refurbishment (full room inventory was handed over in July 2023).

Nevertheless, the full impact of 100bps Overnight Policy Rate (OPR) hikes in FY 2022 will be seen in FY 2023 including the OPR hike of 25bps announced on 3 May 2023. The outlook for interest rates moving forward remains uncertain due to volatilities in the global economic prospects. Although there was no OPR hike announced in the Monetary Policy Meeting on 6 July 2023, in view of the quasi tightening, Kuala Lumpur Interbank Offered Rate (KLIBOR) has increased resulting in a higher cost of funds for businesses. The Manager strives to improve NPI moving forward to offset the impact of higher interest cost and proactively optimising its capital management strategy to minimise the impact of interest rate fluctuations.

Review of retail market

The outlook for Retail segment remains positive, underpinned by sustained strong improvement in retail footfall and retail sales in Q1 2023 as all three malls recorded the highest tenant sales in January 2023 following Chinese New Year festivity shopping. Sunway Pyramid will also undergo reconfiguration in an anchor tenant area (approximately 11% of NLA) commencing Q4 2023. The reconfiguration is expected to take 1 year to complete. Sunway Carnival Mall is undergoing refurbishment for its existing wing (Phase 2) following the strong performance of the new wing which was completed in June 2022. The Phase 2 refurbishment is targeted to complete in phases between early 2024 to end 2025 and we expect an uplift in NPI upon the full completion.

Review of hotel market

The Manager expects the occupancy rates for the Hotel segment to further improve in 2H2023, predominantly supported by the domestic leisure, corporate, MICE businesses and gradual improvement in international tourist arrivals. The highly anticipated influx of Chinese tourists following the reopening of China borders on 8 January 2023 was slower than anticipated. However, international tourist arrivals from the Middle East and South East Asia has complemented the shortfall in Chinese arrivals. The Manager expects the momentum to build up in 2H2023. The Federal Budget 2023 announced that Malaysia is targeting tourist arrivals of 15.6 million (2022: approx. 10.1 million). According to Malaysia Airport Holdings Berhad (MAHB), international passenger movements were at 78.4% of 2019 and they expect the positive momentum to continue in 2023 and 2024.

Review of office market

The Office segment is expected to continue to remain in a state of oversupply on the back of continuous incoming supply. Against the backdrop of supply outstripping demand, it is projected that rental rates and occupancy rates for the Office segment will remain challenging. However, the Manager believes that reinvention of office buildings via asset enhancement initiatives (AEI) and leveraging co-working trends that offer better flexibility will attract more tenants.

Overall, the contribution of the Office segment within Sunway REIT's asset portfolio is expected to remain stable in FY 2023.

B5. Investment Objectives

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

The Manager will continue to distribute the income of Sunway REIT on a semi-annual basis and will endeavour to grow the net asset value of Sunway REIT over a longer period of time. There was no change in the investment objectives during the year under review.

B6. Performance Benchmark

Performance indicators	Period ended 30.06.2023	Year ended 31.12.2022
a) Management expense ratio *	0.89%	0.88%
b) Total return *	12.8%	9.8%
c) Average annual total return (5 years) *	2.9%	1.3%
d) Distribution yield *	6.0%	6.3%
e) NAV per unit (after income distribution) (RM)	1.4651	1.4649

* The performance indicators for the period ended 30 June 2023 was based on annualised results.

- a) The ratio of annualised trust expenses in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus annualised distribution yield for the financial year.
- c) Average annual total return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Annualised distributable income of 9.34 sen per unit (based on distributable income for YTD Q2 2023 of 4.63 sen per unit) divided by the closing unit price as at 30 June 2023 of RM1.56 (31 December 2022: DPU of 9.22 sen divided by the closing unit price as at 31 December 2022 of RM1.46).
- e) NAV of Sunway REIT as determined by deducting the value of total liabilities from the total assets as at period-end and after proposed interim income distribution of 4.62 sen per unit (31 December 2022: final income distribution of 5.00 sen per unit), 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 Fees

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 Real Estate or a Special Purpose Vehicle acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest of Sunway REIT in the Real Estate or Special Purpose Vehicle purchased); and
- d) Divestment fee of 0.5% of the sale price of any future Real Estate or a Special Purpose Vehicle sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the Real Estate or Special Purpose Vehicle sold).

The base fee and performance fee 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 FY 2017.

The Manager's fees (base and performance) have increased by RM0.5 million or 4.5% largely attributed to the increase in NPI.

B9. Trustee's Fees

Pursuant to the Deed constituting Sunway REIT, the fee payable to the Trustee is up to 0.015% per annum of the net asset value of Sunway REIT, subject to a maximum of RM700,000 per annum and is calculated on a monthly accrual basis based on a year of 12 months.

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

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

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

The trustees' fees for current quarter remained the same with same quarter last year at RM0.2 million.

B10. Status of Corporate Proposals

Other than the Proposed Acquisition as disclosed in Note A17, below is the corporate proposal that has been announced but not completed as at the date of this report:

Proposed disposal of Sunway Medical Centre (Tower A & B) for cash consideration of RM430.0 million

On 29 December 2022, Sunway REIT entered into a conditional sale and purchase agreement with Sunway Medical Centre Sdn. Bhd., a party controlled by Sunway Berhad, to dispose 2 parcels of leasehold lands held under PN 12549 Lot 38160, Bandar Sunway, Daerah Petaling, Negeri Selangor and PN 12550 Lot 45, Bandar Sunway, Daerah Petaling, Negeri Selangor together with a 7-storey medical centre with a lower ground floor car park, an elevated car park and a convention centre known as "Sunway Medical Centre (Tower A & B)", located at No. 5, Jalan Lagoon Selatan, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, for a total cash consideration of RM430.0 million ("Proposed Disposal"). The investment property had been classified as non-current asset held for sale.

The sale and purchase agreement for the Proposed Disposal has become unconditional in accordance with its terms and conditions on 6 July 2023. The Proposed Disposal is expected to be completed by 31 August 2023.

B11. Material Litigation

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

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

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

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

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

B11. Material Litigation (Cont'd)

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

On 31 March 2021, the Federal Court allowed Metroplex's appeal by setting aside the Court of Appeal's Decision, restoring the High Court's Decision and ordered the assessment of damages against the Defendants to proceed before the High Court. In Metroplex's claim, Metroplex is claiming for the Chattels and Movable Items amounting to approximately RM402 million. The Defendants are strenuously objecting to the amount claimed as being overly excessive and have appointed subject matter experts to dispute the quantum of claim.

During the case management hearing on 24 June 2022, the original trial dates of 3 to 6 October 2022 for the assessment of damages have been vacated. The trial for the said assessment held on 4, 5, 6, 12 and 13 January 2023 has been concluded. Upon conclusion of the trial, the High Court judge directed the Defendants and Metroplex to appear before the High Court for oral submission on 9 and 15 May 2023. At this stage, the financial impact cannot be determined pending the decision of the High Court, which is scheduled to be delivered on 4 September 2023.

B12. Soft Commission

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

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

	Current Quarter ended 30.06.2023	Immediate Preceding Quarter ended 31.03.2023	Change %
Number of units in issue (units)	3,424,807,700	3,424,807,700	0.0%
Realised net income (RM'000)	72,157	96,427	-25.2%
Realised earnings per unit (EPU) (sen)	1.96	2.67	-26.6%
Income distribution (RM'000) ¹	158,226	-	N/A
Distribution per unit (DPU) (sen) ¹	4.62	-	N/A
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ²	5,017,617	5,017,195	*
NAV per unit (After income distribution) (RM) ²	1.4651	1.4650	*
Market price per unit (RM)	1.56	1.60	-2.5%

* Less than 0.1%

¹ Income distribution of Sunway REIT is on a semi-annual basis, for each six-month period ending 30 June and 31 December.

² After proposed interim income distribution of 4.62 sen per unit for semi-annual period ended 30 June 2023 (31 March 2023: distributable income of 2.67 sen per unit for 1Q2023 was assumed for income distribution).

B14. Income Distribution

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

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract / Notional Value		Fair Value at Reporting Date Derivative Asset / (Liability)	
	As at 30.06.2023	As at 31.12.2022	As at 30.06.2023	As at 31.12.2022
	RM'000	RM'000	RM'000	RM'000
Cross currency swap (CCS) - Less than 1 year	200,267	292,552	18,954	(5,610)

Sunway REIT entered into CCS contract to manage its exposure in foreign currency risk arising from borrowings in USD as disclosed Note A15 above. 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.

B16. Risks and Policies of Derivatives

The derivatives of the Group comprises CCS 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 audited financial statements for the financial year ended 31 December 2022.

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 2023 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 17 August 2023.

BY ORDER OF THE BOARD
Sunway REIT Management Sdn. Bhd.
(As Manager for Sunway Real Estate Investment Trust)

Tan Kim Aun
Lee Chun Shian
Company Secretaries

Bandar Sunway
Date: 17 August 2023