

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3-Month Period ended			18-Month
	31.12.2021	31.12.2020	Change	Period ended 31.12.2021
	RM'000	RM'000	%	RM'000
Rental and lease income				
- Realised	130,930	88,055	48.7%	629,028
- Unrealised (in relation to unbilled lease income receivable) ¹	19,584	-	N/A	19,584
Other operating income	7,283	7,715	-5.6%	26,946
Gross revenue	157,797	95,770	64.8%	675,558
Quit rent, assessment and insurance	(3,840)	(3,838)	0.1%	(23,202)
Other property operating expenses	(30,860)	(25,920)	19.1%	(195,280)
Property operating expenses	(34,700)	(29,758)	16.6%	(218,482)
Net property income	123,097	66,012	86.5%	457,076
Interest income	1,779	2,145	-17.1%	11,307
Other income	26	27	-3.7%	180
Changes in fair value of investment properties				
- As per valuation reports	(57,343)	-	N/A	(57,343)
- Unbilled lease income receivable ¹	(19,584)	-	N/A	(19,584)
Net investment income	47,975	68,184	-29.6%	391,636
Manager's fees	(10,037)	(8,845)	13.5%	(53,912)
Trustee's fees	(155)	(192)	-19.3%	(1,130)
Other trust expenses	(1,034)	(1,457)	-29.0%	(4,991)
Finance costs	(21,406)	(24,194)	-11.5%	(136,969)
	(32,632)	(34,688)	-5.9%	(197,002)
Profit before tax	15,343	33,496	-54.2%	194,634
Taxation	850	-	N/A	850
Profit for the period	16,193	33,496	-51.7%	195,484
Profit/(Loss) for the period comprises the following:				
Realised				
- Unitholders	67,649	28,454	> 100%	221,907
- Perpetual note holders	5,014	5,014	0.0%	29,917
	72,663	33,468	> 100%	251,824
Unrealised	(56,470)	28	> -100%	(56,340)
	16,193	33,496	-51.7%	195,484
Basic earnings / (loss) per unit attributable to unitholders (sen):				
Realised	2.01	0.91	> 100%	6.68
Unrealised	(1.70)	-	N/A	(1.70)
	0.31	0.91	-65.9%	4.98
Distributable income per unit (sen) ²	1.98	0.83	> 100%	6.62
Proposed / Declared distribution per unit (sen) ³	2.80	0.77	> 100%	6.10

N/A - Not Applicable

¹ Represents incremental lease income on straight-line basis over the lease period pursuant to MFRS 16 Leases .

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

³ Please refer to Note A12 for details on income distribution.

Sunway REIT has changed its financial year end from 30 June to 31 December. The current cumulative financial period was a period of 18 months, made up from 1 July 2020 to 31 December 2021. As such, there were no comparative figures for the preceding year corresponding period.

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with

the accompanying explanatory notes attached to these financial statements.

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	3-Month Period ended			18-Month
	31.12.2021	31.12.2020	Change	Period ended 31.12.2021
	RM'000	RM'000	%	RM'000
Profit for the period	16,193	33,496	-51.7%	195,484
Other comprehensive income:				
Cash flow hedge - fair value of derivative ¹	(1,711)	20,007	> -100%	35,605
Cash flow hedge reserve recycled to profit or loss	2,090	(18,711)	> 100%	(32,977)
Total comprehensive income for the period	16,572	34,792	-52.4%	198,112

¹ Please refer to Note B16 for details.

STATEMENT OF INCOME DISTRIBUTION

	3-Month Period ended			18-Month
	31.12.2021	31.12.2020	Change	Period ended 31.12.2021
	RM'000	RM'000	%	RM'000
Rental and lease income	130,930	88,055	48.7%	629,028
Interest income	1,779	2,145	-17.1%	11,307
Other income ²	7,286	7,714	-5.5%	26,973
	139,995	97,914	43.0%	667,308
Less: Expenses	(67,332)	(64,446)	4.5%	(415,484)
Realised income for the period	72,663	33,468	> 100%	251,824
Less: Amount reserved for distribution to perpetual note holders	(5,014)	(5,014)	0.0%	(29,917)
Realised income attributable to unitholders	67,649	28,454	> 100%	221,907
Add: Previous period's undistributed realised income	45,557	2,850	> 100%	-
Total income available for distribution	113,206	31,304	> 100%	221,907
Less: Proposed / Declared income distribution to unitholders	(95,895)	(26,371)	> 100%	(204,596)
Balance undistributed realised income	17,311	4,933	> 100%	17,311
Distribution per unit (sen)	2.80	0.77	> 100%	6.10

N/A - Not Applicable

² Included other operating income.

Sunway REIT has changed its financial year end from 30 June to 31 December. The current cumulative financial period was a period of 18 months, made up from 1 July 2020 to 31 December 2021. As such, there were no comparative figures for the preceding year corresponding period.

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Current Quarter ended 31.12.2021	Immediate Preceding Quarter ended 30.9.2021	Change
	RM'000	RM'000	%
Rental and lease income			
- Realised	130,930	106,415	23.0%
- Unrealised (in relation to unbilled lease income receivable) ¹	19,584	-	N/A
Other operating income	7,283	473	> 100%
Gross revenue	157,797	106,888	47.6%
Quit rent, assessment and insurance	(3,840)	(4,003)	-4.1%
Other property operating expenses	(30,860)	(32,372)	-4.7%
Property operating expenses	(34,700)	(36,375)	-4.6%
Net property income	123,097	70,513	74.6%
Interest income	1,779	1,901	-6.4%
Other income	26	25	4.0%
Changes in fair value of investment properties			
- As per valuation reports	(57,343)	-	N/A
- Unbilled lease income receivable ¹	(19,584)	-	N/A
Net investment income	47,975	72,439	-33.8%
Manager's fees	(10,037)	(9,077)	10.6%
Trustee's fees	(155)	(235)	-34.0%
Other trust expenses	(1,034)	(613)	68.7%
Finance costs	(21,406)	(21,455)	-0.2%
	(32,632)	(31,380)	4.0%
Profit before tax	15,343	41,059	-62.6%
Taxation	850	-	N/A
Profit for the period	16,193	41,059	-60.6%
Profit / (Loss) for the period comprises the following:			
Realised			
- Unitholders	67,649	36,025	87.8%
- Perpetual note holders	5,014	5,013	0.0%
	72,663	41,038	77.1%
Unrealised	(56,470)	21	> -100%
	16,193	41,059	-60.6%
Basic earnings / (loss) per unit attributable to unitholders (sen):			
Realised	2.01	1.05	91.4%
Unrealised	(1.70)	-	N/A
	0.31	1.05	-70.5%
Distributable income per unit (sen) ²	1.98	1.05	88.6%
Proposed / Declared distribution per unit (sen) ³	2.80	-	N/A

N/A - Not Applicable

¹ Represents incremental lease income on straight-line basis over the lease period pursuant to MFRS 16 Leases .

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

³ Please refer to Note A12 for details on income distribution.

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

SUNWAY REAL ESTATE INVESTMENT TRUST
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FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER (CONT'D)

	Current Quarter ended 31.12.2021	Immediate Preceding Quarter ended 30.9.2021	Change
	RM'000	RM'000	%
Profit for the period	16,193	41,059	-60.6%
Other comprehensive income:			
Cash flow hedge - fair value of derivative ¹	(1,711)	3,937	> -100%
Cash flow hedge reserve recycled to profit or loss	2,090	(3,325)	> 100%
Total comprehensive income for the period	16,572	41,671	-60.2%

¹ Please refer to Note B16 for details.

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended 31.12.2021	Immediate Preceding Quarter ended 30.9.2021	Change
	RM'000	RM'000	%
Rental and lease income	130,930	106,415	23.0%
Interest income	1,779	1,901	-6.4%
Other income ²	7,286	477	> 100%
	139,995	108,793	28.7%
Less: Expenses	(67,332)	(67,755)	-0.6%
Realised income for the period	72,663	41,038	77.1%
Less: Amount reserved for distribution to perpetual note holders	(5,014)	(5,013)	0.0%
Realised income attributable to unitholders	67,649	36,025	87.8%
Add: Previous period's undistributed realised income	45,557	9,532	> 100%
Total income available for distribution	113,206	45,557	> 100%
Less: Proposed / Declared income distribution to unitholders	(95,895)	-	N/A
Balance undistributed realised income	17,311	45,557	-62.0%
Distribution per unit (sen)	2.80	-	N/A

N/A - Not Applicable

² Included other operating income.

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.12.2021 (Unaudited)	As At 30.06.2020 (Restated) ¹
	RM'000	RM'000
Assets		
Non-current assets		
Investment properties	8,701,745	8,020,233
Investment properties - accrued lease income	36,514	16,930
Plant and equipment	11,556	12,902
Right-of-use asset	871	-
	8,750,686	8,050,065
Current assets		
Trade receivables	39,788	53,266
Other receivables	8,277	55,349
Derivatives	11,188	20,039
Short term investment	49,991	179,710
Cash and bank balances	290,543	101,816
	399,787	410,180
Total assets	9,150,473	8,460,245
Equity and liabilities		
Equity		
Unitholders' capital	3,433,864	2,727,829
Undistributed income	1,691,629	1,702,228
Total Unitholders' funds	5,125,493	4,430,057
Perpetual note holders' funds	339,717	339,717
Total equity	5,465,210	4,769,774
Non-current liabilities		
Borrowings	1,810,000	1,800,000
Long term liabilities	57,072	78,524
Deferred tax liability	13,091	13,941
Lease liability	861	-
	1,881,024	1,892,465
Current liabilities		
Borrowings	1,595,366	1,645,418
Trade payables	5,150	1,698
Other payables	203,693	150,890
Lease liability	30	-
	1,804,239	1,798,006
Total liabilities	3,685,263	3,690,471
Total equity and liabilities	9,150,473	8,460,245
Units in circulation ('000 units)	3,424,808	2,945,078
Net Asset Value ("NAV") attributable to unitholders:		
Before income distribution	5,125,493	4,430,057
After income distribution ²	5,029,598	4,359,964
NAV per unit attributable to unitholders (RM):		
Before income distribution	1.4966	1.5042
After income distribution ²	1.4686	1.4804

¹ Certain balances in the audited consolidated statement of financial position have been reclassified to conform to current financial period's presentation. Further details are disclosed in Note B20.

² After proposed final income distribution of 2.80 sen per unit for semi-annual period ended 31 December 2021 (30 June 2020: Final income distribution of 2.38 sen per unit).

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Undistributed Income	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 July 2020	2,727,829	1,702,228	4,430,057	339,717	4,769,774
Total comprehensive income					
Profit for the period	-	195,484	195,484	-	195,484
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	35,605	35,605	-	35,605
- Cash flow hedge reserve recycled to profit or loss	-	(32,977)	(32,977)	-	(32,977)
Total comprehensive income, representing the increase in net assets resulting from operations	-	198,112	198,112	-	198,112
Unitholders' Transactions					
Creation of units pursuant to private placement ¹	710,000	-	710,000	-	710,000
Unit issuance expenses	(3,965)	-	(3,965)	-	(3,965)
Distribution to unitholders:					
- Income distribution declared and paid in current period	-	(108,701)	(108,701)	-	(108,701)
- Income distribution proposed in prior year but paid in current period	-	(70,093)	(70,093)	-	(70,093)
Increase in net assets resulting from unitholders' transactions	706,035	(178,794)	527,241	-	527,241
Perpetual Note Holders' Transactions					
Amount reserved for distribution to perpetual note holders	-	(29,917)	(29,917)	-	(29,917)
Decrease in net assets resulting from perpetual note holders' transactions	-	(29,917)	(29,917)	-	(29,917)
As at 31 December 2021 (Unaudited)	3,433,864	1,691,629	5,125,493	339,717	5,465,210

¹ Issuance of 479,729,700 new units at the issue price of RM1.48 per unit, pursuant to the private placement exercise completed on 28 October 2020.

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

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FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (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 July 2019	2,727,829	1,729,010	4,456,839	339,717	4,796,556
Total comprehensive income					
Profit for the financial year	-	208,207	208,207	-	208,207
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	9,184	9,184	-	9,184
- Cash flow hedge reserve recycled to profit or loss	-	(11,300)	(11,300)	-	(11,300)
Total comprehensive income, representing the increase in net assets resulting from operations	-	206,091	206,091	-	206,091
Unitholders' Transactions					
Distribution to unitholders:					
- Income distribution declared and paid in current year	-	(145,781)	(145,781)	-	(145,781)
- Income distribution proposed in prior year but paid in current year	-	(67,148)	(67,148)	-	(67,148)
Decrease in net assets resulting from unitholders' transactions	-	(212,929)	(212,929)	-	(212,929)
Perpetual Note Holders' Transactions					
Amount reserved for distribution to perpetual note holders	-	(19,944)	(19,944)	-	(19,944)
Decrease in net assets resulting from perpetual note holders' transactions	-	(19,944)	(19,944)	-	(19,944)
As at 30 June 2020 (Audited)	2,727,829	1,702,228	4,430,057	339,717	4,769,774

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	18-Month Period ended 31.12.2021	12-Month Period ended 30.06.2020 (Restated) ¹
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	687,596	562,005
Refundable security deposits from customers	5,610	821
Cash paid for operating expenses	(260,686)	(217,919)
Net cash from operating activities	<u>432,520</u>	<u>344,907</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(2,180)	(2,290)
Deposit for acquisition of investment property	(3,410)	(45,000)
Balance payment for acquisition of investment property	(405,000)	-
Incidental costs on acquisition of investment property	(4,717)	-
Subsequent expenditure of investment properties	(300,259)	(72,358)
Investment in short term money market instrument	(850,000)	(1,020,000)
Redemption of short term money market instrument	980,000	840,000
Net cash flows from licensed financial institutions with maturity of over 3 months	-	20,000
Interest received	10,569	6,041
Net cash used in investing activities	<u>(574,997)</u>	<u>(273,607)</u>
Cash flows from financing activities		
Proceeds from issuance of commercial papers	150,000	1,010,000
Proceeds from issuance of unrated medium term notes	1,210,000	1,400,000
Drawdown of revolving loan - USD	384,893	373,680
Drawdown of revolving loan	-	100,000
Repayment of commercial papers	(200,000)	(960,000)
Repayment of unrated medium term notes	(1,200,000)	(1,200,000)
Repayment of revolving loan - USD	(373,680)	(392,310)
Interest paid	(137,388)	(115,239)
Proceeds from issuance of new units	710,000	-
Payment of unit issuance expenses	(3,965)	-
Distribution paid to unitholders	(178,794)	(212,929)
Distribution paid to perpetual note holders	(29,862)	(19,944)
Net cash from / (used in) financing activities	<u>331,204</u>	<u>(16,742)</u>
Net increase in cash and cash equivalents	188,727	54,558
Cash and cash equivalents at beginning of year	<u>101,816</u>	<u>47,258</u>
Cash and cash equivalents at end of period / year	<u>290,543</u>	<u>101,816</u>
Cash and bank balances	290,543	101,816
Deposits with licensed financial institutions with maturity of over 3 months	-	-
Cash and cash equivalents	<u>290,543</u>	<u>101,816</u>
Cash and bank balances at end of period / year comprise:		
Cash on hand and at banks	19,543	31,816
Deposits placed with licensed financial institutions	<u>271,000</u>	<u>70,000</u>
Cash and bank balances	<u>290,543</u>	<u>101,816</u>

¹ Certain balances in the audited consolidated statement of cash flows have been reclassified to conform to current financial period's presentation. Further details are disclosed in Note B20.

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
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Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standards ("MFRS") 134

A1. Corporate Information

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

A2. Significant Accounting Policies and Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the financial period ended 31 December 2021 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts (the "REIT Guidelines"). These unaudited condensed consolidated financial statements of the Group also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

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

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

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

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

A3. Audit Report of Preceding Financial Year

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

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

**SUNWAY REAL ESTATE INVESTMENT TRUST
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Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standards ("MFRS") 134

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 31 December 2021, except for the material event as disclosed in Note A18 and for the following:

	3-Month Period ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Profit for the period	16,193	33,496
Add / (Less): Fair value changes ¹	57,320	(28)
Less: Taxation ²	(850)	-
Realised profit for the period	72,663	33,468

¹ Mainly comprise changes in fair value of investment properties (after accounting for capital expenditure incurred) of RM57.3 million, with details explained in Note A14.

² Relates to deferred tax on unrealised fair value gain of freehold land component within the investment properties which is expected to be recovered through sale.

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

There were no issuance, repurchases and repayments of debt and equity securities for the current quarter ended 31 December 2021, 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 3,424.8 million units for the current quarter ended 31 December 2021.

SUNWAY REAL ESTATE INVESTMENT TRUST
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A8. Segmental Reporting

Segmental revenue and results for the quarter ended 31 December 2021 and 31 December 2020 are as follows:

Business segments	3-Month Period ended 31.12.2021						3-Month Period ended 31.12.2020					
	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												
- Realised	92,409	9,832	19,099	15,334	1,539	138,213	56,782	7,930	14,534	14,985	1,539	95,770
- Unrealised (in relation to unbilled lease income receivable)	-	-	-	19,584	-	19,584	-	-	-	-	-	-
Gross revenue	92,409	9,832	19,099	34,918	1,539	157,797	56,782	7,930	14,534	14,985	1,539	95,770
Net property income	65,759	8,475	12,406	34,918	1,539	123,097	33,904	6,606	8,978	14,985	1,539	66,012
Interest income						1,779						2,145
Other income						26						27
Changes in fair value of investment properties *						(76,927)						-
Trust and other expenses						(11,226)						(10,494)
Finance costs						(21,406)						(24,194)
Profit before tax						15,343						33,496
Taxation						850						-
Profit for the period						16,193						33,496

* After accounting for capital expenditure incurred and includes unbilled lease income receivable.

Sunway REIT has changed its financial year end from 30 June to 31 December. The current reporting quarter ("6Q2021") was a period of 3 months, made up from 1 October 2021 to 31 December 2021. The figures for the same period last year ("2Q2021"), made up from 1 October 2020 to 31 December 2020, were included for comparison purposes.

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

Segmental revenue and results for the cumulative quarter ended 31 December 2021 are as follows:

Business segments	18-Month Period ended 31.12.2021					
	Retail	Hotel	Office	Services	Industrial & Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue and results						
Gross revenue						
- Realised	404,047	49,815	101,634	91,241	9,237	655,974
- Unrealised (in relation to unbilled lease income receivable)	-	-	-	19,584	-	19,584
Gross revenue	404,047	49,815	101,634	110,825	9,237	675,558
Net property income	229,897	40,339	66,778	110,825	9,237	457,076
Interest income						11,307
Other income						180
Changes in fair value of investment properties *						(76,927)
Trust and other expenses						(60,033)
Finance costs						(136,969)
Profit before tax						194,634
Taxation						850
Profit for the period						195,484

* After accounting for capital expenditure incurred and includes unbilled lease income receivable.

Sunway REIT has changed its financial year end from 30 June to 31 December. The current cumulative financial period was a period of 18 months, made up from 1 July 2020 to 31 December 2021. As such, there were no comparative figures for the preceding year corresponding period.

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

Segmental assets and liabilities as at 31 December 2021 and 30 June 2020 are as follows:

Business segments	As at 31.12.2021						As at 30.06.2020					
	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Services RM'000	Industrial & Others RM'000	Total RM'000
Assets												
Segment assets	5,106,699	1,702,199	953,023	940,129	100,000	8,802,050	4,997,765	1,625,718	486,257	910,057	96,000	8,115,797
Unallocated assets						348,423						344,448
Total assets						9,150,473						8,460,245
Liabilities												
Segment liabilities	201,440	7,657	24,707	-	-	233,804	180,036	10,567	11,230	-	-	201,833
Unallocated liabilities						3,451,459						3,488,638
Total liabilities						3,685,263						3,690,471

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

Properties	Gross Revenue ¹			Net Property Income ¹			Gross Revenue ¹	Net Property Income ¹
	3-Month Period ended			3-Month Period ended			18-Month Period ended	18-Month Period ended
	31.12.2021	31.12.2020	Change	31.12.2021	31.12.2020	Change	31.12.2021	31.12.2021
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000
Retail								
Sunway Pyramid Shopping Mall	71,500	38,669	84.9%	53,661	24,060	> 100%	302,131	184,730
Sunway Carnival Shopping Mall	8,693	9,699	-10.4%	4,487	5,993	-25.1%	45,064	21,842
SunCity Ipoh Hypermarket	782	769	1.7%	854	725	17.8%	4,504	4,438
Sunway Putra Mall	11,434	7,645	49.6%	6,757	3,126	> 100%	52,348	18,887
	92,409	56,782	62.7%	65,759	33,904	94.0%	404,047	229,897
Hotel								
Sunway Resort Hotel ²	147	112	31.3%	(234)	(279)	16.1%	732	(1,981)
Sunway Pyramid Hotel	326	178	83.1%	151	22	> 100%	1,147	140
Sunway Hotel Seberang Jaya	367	40	> 100%	336	(5)	> 100%	425	162
Sunway Putra Hotel	1,752	497	> 100%	1,475	164	> 100%	14,526	12,507
Sunway Hotel Georgetown	696	134	> 100%	645	86	> 100%	3,134	2,833
Sunway Clio Property	6,544	6,969	-6.1%	6,102	6,618	-7.8%	29,851	26,678
	9,832	7,930	24.0%	8,475	6,606	28.3%	49,815	40,339
Office								
Menara Sunway	4,384	4,522	-3.1%	3,131	3,051	2.6%	26,201	18,197
Sunway Tower	825	1,151	-28.3%	(83)	68	> -100%	6,615	897
Sunway Putra Tower	3,029	3,022	0.2%	1,640	1,839	-10.8%	18,190	11,210
Wisma Sunway	1,724	1,749	-1.4%	964	948	1.7%	10,421	5,729
The Pinnacle Sunway ³	9,137	4,090	> 100%	6,754	3,072	> 100%	40,207	30,745
	19,099	14,534	31.4%	12,406	8,978	38.2%	101,634	66,778
Services								
Sunway Medical Centre (Tower A & B)	6,386	6,170	3.5%	6,386	6,170	3.5%	37,885	37,885
Sunway university & college campus	8,948	8,815	1.5%	8,948	8,815	1.5%	53,356	53,356
	15,334	14,985	2.3%	15,334	14,985	2.3%	91,241	91,241
Industrial & Others								
Sunway REIT Industrial - Shah Alam 1	1,539	1,539	0.0%	1,539	1,539	0.0%	9,237	9,237
	1,539	1,539	0.0%	1,539	1,539	0.0%	9,237	9,237
Total Revenue / NPI	138,213	95,770	44.3%	103,513	66,012	56.8%	655,974	437,492

¹ Excluded unrealised lease income (in relation to unbilled lease income receivable).

² Closed for phased refurbishment commencing from July 2020 for 12 - 24 months.

³ Acquired on 20 November 2020.

SUNWAY REAL ESTATE INVESTMENT TRUST
SIXTH QUARTER ENDED 31 DECEMBER 2021
FOR THE FINANCIAL PERIOD FROM 1 JULY 2020 TO 31 DECEMBER 2021 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

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

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

a) Review of Current Quarter Results

Retail segment

For the current quarter ended 31 December 2021 ("6Q2021"), retail segment registered a commendable increase in the rental income by RM35.6 million or 62.7% y-o-y to RM92.4 million, following the encouraging recovery in the retail footfall and sales pursuant to the easing of movement restrictions compared to the conditional movement control order (CMCO) in the same period last year ("2Q2021").

Property operating expenses for retail segment increased by RM3.7 million or 16.5% y-o-y to RM26.7 million.

Correspondingly, net property income of the retail segment for 6Q2021 ended at RM65.8 million, almost doubled compared RM33.9 million in 2Q2021.

Hotel segment

All hotels were open during the quarter, except for Sunway Resort Hotel which was closed for phased refurbishment commencing from July 2020 for 12 - 24 months. Hotel segment recorded an increase in rental income by RM1.9 million or 24.0% y-o-y to RM9.8 million in 6Q2021 with the lifting of inter-state travelling and gradual resumption of meetings, incentives, conferences and exhibitions (MICE) compared to CMCO in the same period last year.

Net property income of the hotel segment similarly increased by RM1.9 million or 28.3% y-o-y to RM8.5 million in 6Q2021.

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

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

Office segment

Gross revenue of the office segment hiked by RM4.7 million or 31.4% y-o-y to RM19.1 million in 6Q2021 mainly contributed by the higher income contribution from The Pinnacle Sunway which was acquired on 20 November 2020 by RM5.0 million.

Similarly, property operating expenses for 6Q2021 increased by RM1.1 million or 20.5% to RM6.7 million largely due to higher property operating expenses of The Pinnacle Sunway by RM2.4 million.

Net property income of the office segment increased by RM3.4 million or 38.2% to RM12.4 million.

A8. Segmental Reporting (Cont'd)
a) Review of Current Quarter Results (Cont'd)

Services segment

The services segment contributed stable gross revenue and net property income of RM15.3 million for 6Q2021, marginally increased by 2.3% or RM0.3 million compared to 2Q2021 due to annual rental reversion of Sunway Medical Centre and Sunway university & college campus in accordance with the master lease agreements.

Industrial & Others segment

The industrial & others segment comprising Sunway REIT Industrial - Shah Alam 1 also delivered stable gross revenue and net property income of RM1.5 million per quarter, since the last rent review in January 2019 in accordance with the master lease agreement. The next rent review is in January 2022.

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

Results for the quarter

In addition to the gross revenue and net property income discussed above, the following were the material movement to derive at the results for the quarter ended 31 December 2021:

Interest income for 6Q2021 was lower by RM0.4 million due to lower deposits placed with financial institutions following the progress payments for the refurbishment at Sunway Resort Hotel and expansion works at Sunway Carnival Shopping Mall.

Changes in fair value of investment properties in 6Q2021 was pursuant to the revaluation exercise as at 31 December 2021 for all the investment properties held by Sunway REIT, after the last revaluation exercise in June 2020. The details of the fair value changes are disclosed in Note A14.

Manager's fees for 6Q2021 was higher by RM1.2 million in line with the increase in net property income as discussed above. The fee structure of the Manager is disclosed in Note B8.

Other trust expenses for 6Q2021 was lower by RM0.4 million as audit, valuation and annual report expenses have been accounted for in previous quarters.

Finance costs for 6Q2021 was lower by RM2.8 million mainly due to lower average interest rate.

Taxation in 6Q2021 of RM0.8 million represents reversal of deferred tax expense on unrealised fair value gain of freehold land component within the investment properties which is expected to be recovered through sale, pursuant to fair value adjustment from annual revaluation of the investment properties.

Sunway REIT ended with profit for the quarter of RM16.2 million (2Q2021: RM33.5 million) comprising of realised profit of RM72.7 million (2Q2021: RM33.5 million) and unrealised loss of RM56.5 million.

Realised profit for 6Q2021 was higher by RM39.2 million mainly contributed by higher net property income and lower finance costs as explained above.

Unrealised loss for 6Q2021 was largely due to the revaluation loss of RM57.3 million partially offset by the reversal of deferred tax expense of RM0.8 million.

A8. Segmental Reporting (Cont'd)

b) Review of Cumulative Quarter Results

Retail segment

The retail segment shown encouraging recovery in 1Q2021 following the easing of movement restrictions coupled with few festive celebrations before retracted subsequently with the resurgence of COVID-19 cases in Malaysia since September 2020 leading to the re-introduction of targeted restriction movement measures for almost 1 year until September 2021. The retail segment recorded gross revenue of RM404.0 million for the cumulative period ended 31 December 2021 (YTD 6Q2021), after consideration of rental support provided on case-to-case basis to affected tenants. Average occupancy rate of the retail segment for the cumulative period remained stable at 97%.

Property operating expenses of the retail segment for YTD 6Q2021 was RM174.2 million, with higher provision for doubtful debts allocated.

Net property income of the retail segment for YTD 6Q2021 was RM229.9 million.

Hotel segment

The hotel segment recorded gross revenue of RM49.8 million for YTD 6Q2021, largely supported by guaranteed income from Sunway Clio Property, Sunway Putra Hotel and Sunway Hotel Georgetown amidst the enforcement of various movement control orders in Malaysia as well as closure of Sunway Resort Hotel for phased refurbishment of 12-24 months from July 2020.

Correspondingly, net property income of the hotel segment for YTD 6Q2021 stood at RM40.3 million, after the property operating expenses of RM9.5 million mainly comprised of the quit rent, assessment and insurance for the hotel properties and the operating expenses of Sunway Clio Retail.

Office segment

The office segment registered gross revenue of RM101.6 million for YTD 6Q2021, boosted by the new income contribution from The Pinnacle Sunway of RM40.2 million since completion of the acquisition on 20 November 2020. Average occupancy rate of the office segment for the cumulative period has also inched up to 84% with the inclusion of The Pinnacle Sunway holding steady occupancy of above 95%.

Property operating expenses of the office segment for YTD 6Q2021 was RM34.9 million, after incorporating property operating expenses of The Pinnacle Sunway of RM9.5 million.

Net property income of the office segment for YTD 6Q2021 stood at RM66.8 million.

Services segment

The services segment registered gross revenue and net property income of RM91.2 million for YTD 6Q2021, after reflecting the annual rental reversion of averagely 2.8% for Sunway Medical Centre and Sunway university & college campus in accordance with the master lease agreements.

Industrial & Others segment

The industrial & others segment comprising Sunway REIT Industrial - Shah Alam 1 contributed RM9.2 million to revenue and net property income for YTD 6Q2021, in accordance with the master lease agreement.

Results for the period

In addition to the gross revenue and net property income discussed above, the following were the material items to derive at the results for the cumulative quarter ended 31 December 2021:

Interest income for YTD 6Q2021 was RM11.3 million largely derived from the deposits with financial institutions utilising the balance proceeds from private placement and surplus cash from operations.

Manager's fees for YTD 6Q2021 of RM53.9 million, in line with the performance recorded for the period.

Finance costs for YTD 6Q2021 was RM137.0 million. The overnight policy rate adjustments by Bank Negara Malaysia since early 2020 has contributed to lower average interest rate for the period, following the periodic rate adjustments on floating rate borrowings and refinancing of borrowings during the period at lower market interest rate.

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

Sunway REIT recorded profit for the period of RM195.5 million comprised mainly of realised profit. Realised profit for YTD 6Q2021 of RM251.8 million was primarily contributed by net property income of RM437.5 million, partially offset by finance costs and Manager's fees as described above.

A9. Seasonality of Operations

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

A10. Profit Before Tax

Included in the profit before tax are the following items:

	3-Month Period ended	3-Month Period ended	18-Month Period ended
	31.12.2021	31.12.2020	31.12.2021
	RM'000	RM'000	RM'000
Interest income	(1,779)	(2,145)	(11,307)
Net changes in fair value of long term liabilities	(23)	(28)	(153)
Unrealised foreign exchange (gain)/loss (hedged item)	(2,090)	3,375	32,977
Cash flow hedge reserve recycled to profit or loss (Reversal)/Allowance of impairment on trade receivables	2,090	(3,375)	(32,977)
Depreciation of plant and equipment	(881)	10,129	20,294
(Gain)/loss on disposal of plant and equipment	633	622	3,613
	(19)	(1)	42

A11. TaxationTaxation 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 period as it will distribute at least 90% of its distributable income which translates to more than 90% of its total taxable income.

Taxation of the Unitholders

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

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

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

A12. Income Distribution

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

The Manager intends to distribute at least 90% of the distributable income to the unitholders of Sunway REIT in each financial year on a semi-annual basis, for each six-month period ending 30 June and 31 December, unless varied by the Manager.

Distribution reinvestment scheme of Sunway REIT was established following the approval of the unitholders at the Eighth Annual General Meeting on 2 October 2020. 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.

A12. Income Distribution (Cont'd)

For the current financial period, the Manager has proposed the following distributions of Sunway REIT:

- (i) For the period from 1 July 2020 to 30 September 2020, interim income distribution amounting to RM26.5 million or 0.90 sen per unit paid in cash on 10 November 2020. This was an advance income distribution to the existing unitholders of Sunway REIT prior to the issuance of new units pursuant to the private placement exercise.
- (ii) For the period from 1 October 2020 to 31 December 2020, interim income distribution amounting to RM26.4 million or 0.77 sen per unit paid in cash on 11 March 2021.
- (iii) For the semi-annual period from 1 January 2021 to 30 June 2021, interim income distribution amounting to RM55.8 million or 1.63 sen per unit paid in cash on 29 September 2021.
- (iv) For the semi-annual period from 1 July 2021 to 31 December 2021, final income distribution amounting to RM95.9 million or 2.80 sen per unit comprising taxable and non-taxable/tax-exempt amount of 2.62 sen per unit and 0.18 sen per unit respectively, payable in cash on 25 February 2022.

With the proposed final income distribution, the Manager will be distributing at least 90% of the distributable income to the unitholders of Sunway REIT for the financial period ended 31 December 2021. Future income distributions of Sunway REIT shall be based on distributable income for the semi-annual period ending 30 June and 31 December respectively.

A13. Investment Properties

	As at 31.12.2021 RM'000	As at 30.06.2020 RM'000
Investment properties		
- As per valuation reports	8,486,000	7,933,000
- Accrued lease income	(36,514)	(16,930)
	<u>8,449,486</u>	<u>7,916,070</u>
Investment property under construction	252,259	104,163
	<u>8,701,745</u>	<u>8,020,233</u>

On 20 November 2020, Sunway REIT acquired an investment property namely The Pinnacle Sunway for a cash consideration of RM450.0 million, which was financed through drawdown of borrowings and proceeds from the private placement exercise.

Our flagship hotel, Sunway Resort Hotel, is currently undergoing phased refurbishment of 12 – 24 months from July 2020 to modernise its offerings with technology-enhanced features and family-friendly amenities, with the property development costs incurred to-date of RM120.0 million being capitalised as investment properties.

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 RM235.1 million. Superstructure, architectural, interior, mechanical and electrical services works are on-going.

Investment properties - accrued lease income is in relation to the 30-year non-cancellable lease agreements for Sunway university & college campus, commencing on 15 April 2019 and expiring on 30 November 2048, with in-built incremental lease rental of 2.3% every year. The lease income has been recognised on a straight-line based over the lease period of 30 years pursuant to MFRS 16 Leases, with a total accrued lease income of RM36.5 million as at 31 December 2021.

A14. Valuation of Investment Properties

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

Property	Cost of Investment ¹	Fair Value			As % of NAV attributable to unitholders ⁵
	As at 31.12.2021	As at 31.12.2021 ²	As at 30.06.2020 ³	Increase/ (Decrease)	
	RM'000	RM'000	RM'000	RM'000	%
Retail					
Sunway Pyramid Shopping Mall	2,257,469	3,830,000	3,830,000	-	74.7
Sunway Carnival Shopping Mall	235,236	393,000	393,000	-	7.7
SunCity Ipoh Hypermarket	46,348	53,000	53,000	-	1.0
Sunway Putra Mall	477,670	525,000	545,000	(20,000)	10.2
	3,016,723	4,801,000	4,821,000	(20,000)	93.6
Hotel					
Sunway Resort Hotel	703,527	575,000	500,000	75,000	11.2
Sunway Pyramid Hotel	334,284	344,000	342,000	2,000	6.7
Sunway Hotel Seberang Jaya	65,653	60,000	60,000	-	1.2
Sunway Putra Hotel	338,289	330,000	334,000	(4,000)	6.4
Sunway Hotel Georgetown	76,993	80,000	80,000	-	1.6
Sunway Clio Property	345,576	307,000	307,000	-	6.0
	1,864,322	1,696,000	1,623,000	73,000	33.1
Office					
Menara Sunway	151,406	172,000	172,000	-	3.4
Sunway Tower	176,715	120,000	120,000	-	2.3
Sunway Putra Tower	103,158	133,000	133,000	-	2.6
Wisma Sunway	63,045	60,000	60,000	-	1.2
The Pinnacle Sunway	456,077	466,000	-	466,000	9.1
	950,401	951,000	485,000	466,000	18.6
Services					
Sunway Medical Centre (Tower A & B)	319,887	370,000	348,000	22,000	7.2
Sunway university & college campus	561,889	568,000	560,000	8,000	11.1
	881,776	938,000	908,000	30,000	18.3
Industrial and Others					
Sunway REIT Industrial - Shah Alam 1	92,499	100,000	96,000	4,000	2.0
	92,499	100,000	96,000	4,000	2.0
Total investment properties	6,805,721	8,486,000	7,933,000	553,000	165.6
Less: Acquisition during the period ⁴				(454,717)	
Less: Capital expenditure				(155,626)	
Fair value loss				(57,343)	

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

² Appraised value based on valuation carried out on 31 December 2021.

³ Appraised value based on valuation carried out on 30 June 2020.

⁴ Acquisition cost comprises purchase consideration and incidental costs on acquisition, i.e. acquisition fee, legal fee and valuation fee.

⁵ This is computed based on fair value of the investment properties over the NAV attributable to the unitholders, before income distribution, as at 31 December 2021.

A15. Trade Receivables

	As at 31.12.2021 RM'000	As at 30.06.2020 RM'000
Third parties	58,738	55,505
Amount due from parties related to the Manager	6,769	3,808
	<u>65,507</u>	<u>59,313</u>
Less: Allowance for impairment	(25,719)	(6,047)
Total trade receivables	<u>39,788</u>	<u>53,266</u>

Trade receivables was lower by RM13.5 million mainly due to higher provision for doubtful debts of RM19.7 million.

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

	As at 31.12.2021 RM'000	As at 30.06.2020 RM'000
Neither past due nor impaired	11,063	9,696
Past due but not impaired		
1 to 30 days	2,385	15,482
31 to 60 days	7,363	15,328
61 to 90 days	830	6,177
91 to 120 days	5,558	513
More than 120 days	12,589	6,070
	<u>28,725</u>	<u>43,570</u>
Impaired	25,719	6,047
	<u>65,507</u>	<u>59,313</u>

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

	As at 31.12.2021 RM'000	As at 30.06.2020 RM'000
At beginning of financial year	6,047	2,692
Charge for the financial period/year	20,294	3,370
Written off	(622)	(15)
At end of financial period/year	<u>25,719</u>	<u>6,047</u>

A16. Borrowings and Debt Securities

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
<u>Short term borrowings</u>		
Secured		
- Revolving loan (USD)	395,675	418,027
- Unrated medium term notes	1,200,000	1,200,000
	<u>1,595,675</u>	<u>1,618,027</u>
Less: Unamortised transaction costs	(309)	(382)
Total short term borrowings	<u>1,595,366</u>	<u>1,617,645</u>
<u>Long term borrowings</u>		
Secured - Unrated medium term notes	210,000	200,000
Unsecured - Revolving loan (RM)	1,600,000	1,600,000
Total long term borrowings	<u>1,810,000</u>	<u>1,800,000</u>
Total borrowings	<u>3,405,366</u>	<u>3,417,645</u>

A16. 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 USD95.0 million (equivalent to RM384.9 million) in February 2021 to refinance the existing revolving loan (USD) drawn in AUD135.0 million (equivalent to RM373.7 million). The revolving loan (USD) is fully hedged with 1-year USD-MYR cross currency swap ("CCS") contracts until February 2022 (31 December 2020: 9-month AUD-MYR CCS contract until February 2021) to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period.

The revolving loan (USD) of USD95.0 million was translated at an exchange rate of 4.1650 on 31 December 2021 (31 December 2020: AUD135.0 million at an exchange rate of 3.0965) with cumulative unrealised foreign exchange translation loss of RM10.8 million (31 December 2020: loss of RM44.3 million) since the drawdown.

The unamortised transaction costs of RM0.3 million as at 31 December 2021 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 stood at RM3.4 billion as at 31 December 2021 and 31 December 2020.

The weighted average interest rate of borrowings as at 31 December 2021 was 2.79% (31 December 2020: 2.96%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 38 : 62 (31 December 2020: 44 : 56).

A17. Fair Value Hierarchy

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

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2021				
<u>Financial assets</u>				
Investment properties	-	-	8,486,000	8,486,000
Derivatives	-	11,188	-	11,188
<hr/>				
At 30 June 2020				
<u>Financial assets</u>				
Investment properties	-	-	7,933,000	7,933,000
Derivatives	-	20,039	-	20,039
<hr/>				

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

A18. Material Event

a) COVID-19 Pandemic and Malaysia Movement Control Order

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

i) Impact on financials

Rental income from malls and hotels has been adversely impacted since the implementation of the MCO, while the impact on Sunway REIT's rental income from office, services and industrial properties has not been material. The impact on financials for 6Q2021 is discussed in Note A8a) above.

ii) Impact on liquidity

The Manager has taken pre-emptive measures to increase the liquidity position of Sunway REIT, both for ongoing business needs as well as for the purposes of averting any liquidity crunch in the credit market that could potentially arise. As at 31 December 2021, Sunway REIT has cash and bank balances and short term investment amounting to RM341 million, largely to fund the on-going expansion of Sunway Carnival Shopping Mall and the phased refurbishment of Sunway Resort Hotel.

On 12 August 2020, the SC announced that it will temporarily increase the gearing limit for Malaysian real estate investment trusts from 50.0% to 60.0%, effective immediately until 31 December 2022. This temporary increase in gearing limit provides Sunway REIT with cash flow flexibility in light of the challenging operating environment during the COVID-19 pandemic, if required. The gearing of Sunway REIT stood at 37.2% as at 31 December 2021.

iii) Impact on occupancies

Average occupancy rate of the retail segment remained relatively stable at 97% for YTD 6Q2021, while office segment has registered higher average occupancy rate of 84% for YTD 6Q2021 with the inclusion of The Pinnacle Sunway.

Excluding Sunway Resort Hotel which was closed for phased refurbishment commencing from July 2020, the hotel segment registered average occupancy rate of 32% for YTD 6Q2021. With international travel restriction remains prevalent and restricted group meeting capacity, hotel pick-up pace remains challenging in the coming months.

Services and industrial and other segments under long master leases remained stable in term of occupancy rate.

iv) Strategies and steps taken

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

The Manager has also put in place strict standard operating procedures such as installing thermal scanners, sanitising stations, frequent fogging disinfection at public areas, screening MySejahtera for risk status and vaccination proof and maintaining social distancing protocols for all the properties of Sunway REIT, particularly in Sunway REIT's retail properties as they are necessary to build retail confidence. The Manager is proactively striving towards full vaccination of its entire front-facing operation workforce.

A18. Material Event (Cont'd)

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

iv) Strategies and steps taken (Cont'd)

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

In addition, Sunway REIT's capital base was strengthened following the completion of the private placement exercise in 2Q2021, raising gross proceeds of approximately RM710.0 million to fund the acquisition of The Pinnacle Sunway and the expansion of Sunway Carnival Shopping Mall.

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

There was no material event subsequent to the quarter ended 31 December 2021.

A20. Capital Commitments

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

	As at 31.12.2021 RM'000	As at 30.06.2020 RM'000
Approved and contracted for	310,074	329,682
Approved but not contracted for	202,107	304,114
	<u>512,181</u>	<u>633,796</u>

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

A21. Contingent Liabilities and Assets

There was no contingent assets as at 31 December 2021. The contingent liabilities as at 31 December 2021 are in respect to the material litigation as disclosed in Note B12.

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 2021:

	3-Month Period ended 31.12.2021 RM'000	18-Month Period ended 31.12.2021 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>		
(a) Sunway Berhad Group		
- Sales	(19,947)	(135,074)
- Purchases	49,469	341,982
(b) Sunway Technology Sdn. Bhd. Group		
- Sales	(742)	(3,451)
- Purchases	186	1,067
<u>Other transactions with parties related to the Manager</u>		
(a) Sunway Berhad Group		
- Net redemption in money market	-	(130,000)
- Acquisition of investment property	-	405,000
Structured entities controlled by Sunway Berhad Group		
- Distribution to perpetual note holders	5,014	29,917

A22. Transactions with Parties Related to the Manager (Cont'd)

The acquisition of investment property pertains to the acquisition of The Pinnacle Sunway for RM450.0 million from Sunway Integrated Properties Sdn. Bhd. and Sunway Pinnacle Sdn. Bhd., both of which are wholly-owned subsidiaries of Sunway Berhad. The deposit of RM45.0 million was paid in June 2020 upon signing of the sale and purchase agreement and the balance purchase consideration of RM405.0 million was paid in November 2020.

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.

The following table provides information on the balances with the parties related to the Manager as at 31 December 2021 and 30 June 2020:

	As at 31.12.2021 RM'000	As at 30.06.2020 RM'000
<u>Amount owed by parties related to the Manager:</u>		
(a) Sunway Berhad Group	8,938	6,046
<u>Amount owed to parties related to the Manager:</u>		
(a) Sunway Berhad Group	15,097	6,800

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 Comprehensive Income

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

b) Statement of Financial Position

The increase in investment properties by RM681.5 million was largely contributed by the acquisition of The Pinnacle Sunway on 20 November 2020 and ongoing capital expenditure mainly the expansion of Sunway Carnival Shopping Mall and the phased refurbishment of Sunway Resort Hotel.

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

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

The decrease in trade receivables is explained in Note A15.

Other receivables was lower by RM47.1 million primarily due to reclassification of deposit for The Pinnacle Sunway of RM45.0 million as investment properties upon completion of the acquisition.

Derivatives of RM11.2 million was in relation to 1-year USD-MYR CCS contracts for the revolving loan (USD). Further details and movement of the derivatives are explained in Notes A16 and B16.

Short term investment relates to investment in 1-month commercial papers issued by Sunway Berhad Group, as disclosed in Note A22 above, at the nominal value of RM50.0 million.

The increase in cash and bank balances by RM188.7 million was mainly due to the balance proceeds from private placement. Status of utilisation of the proceeds is disclosed in Note B11 below.

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. The distribution to the perpetual note holders is a related party transaction as disclosed in Note A22 above.

B1. Review of Performance (Cont'd)

b) Statement of Financial Position (Cont'd)

Borrowings decreased by RM40.1 million mainly due to redemption of commercial papers of RM50.0 million, partially offset by a new issuance of long-term sustainability linked bond.

Other payables increased by RM52.8 million mainly due to accrued rent rebate and increase in refundable deposits.

Total net asset value as at 31 December 2021 was RM5,465.2 million, comprise of unitholders' funds of RM5,125.5 million and perpetual note holders' funds of RM339.7 million. Unitholders' funds increased by RM695.4 million largely from the issuance of new units pursuant to the private placement exercise raising net proceeds of RM706.0 million and total comprehensive income for the financial period of RM198.1 million, partially reduced by distribution to unitholders of RM178.8 million and amount reserved for distribution to perpetual note holders of RM29.9 million. There was no movement in the perpetual note holders' funds during the financial period.

Net asset value per unit, after income distribution, marginally reduced from RM1.48 as at 30 June 2020 to RM1.47 as at 31 December 2021 primarily due to the fair value loss on investment properties of RM57.3 million.

c) Statement of Cash Flows

Net cash from operating activities for YTD 6Q2021 of RM432.5 million was mainly attributable to collection from lessees and tenants and refundable deposits received, partially used for operating expenses.

Net cash used in investing activities for YTD 6Q2021 of RM575.0 million was predominantly due to the acquisition of The Pinnacle Sunway, progress payments for refurbishment works at Sunway Resort Hotel and expansion works at Sunway Carnival Shopping Mall, partially offset by net redemption of investment in money market instrument.

Net cash from financing activities for YTD 6Q2021 of RM331.2 million was mainly attributable to gross proceeds from private placement of RM710.0 million, reduced by the redemption of commercial papers of RM50.0 million, income distribution paid to unitholders of RM178.8 million and interest paid of RM137.4 million.

Cash and bank balances as at 31 December 2021 and 30 June 2020 stood at RM290.5 million and RM101.8 million respectively. The higher balance was contributed by balance fund from borrowings for planned capital expenditure and balance proceeds from private placement.

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 RM38.1 million for 6Q2021 and RM303.7 million for YTD 6Q2021, substantially in regards to the ongoing works for the expansion of Sunway Carnival Shopping Mall and the phased refurbishment for Sunway Resort Hotel, details as disclosed in Note A13.

B3. Material Changes in Quarterly Results

	Current Quarter ended 31.12.2021 RM'000	Immediate Preceding Quarter ended 30.9.2021 RM'000	Change %
Realised profit	72,663	41,038	77.1%
Unrealised (loss) / profit	(56,470)	21	> -100%
Profit for the quarter	16,193	41,059	-60.6%

Realised profit for 6Q2021 was higher by RM31.6 million compared to the immediate preceding quarter (5Q2021), mainly contributed by higher income from the retail segment following the easing of movement restriction. No significant change for the other segments of Sunway REIT.

The unrealised loss for 6Q2021 was mainly in relation to changes in fair value of investment properties as disclosed in Note A14 above.

B4. Commentary on Prospects

The World Bank projected the global economy to grow at a slower pace of 4.1% in CY2022 (CY2021: 5.5%), reflecting the threat from the surge in COVID-19 Omicron variant, continued supply chain strains and asset purchase programme tapering by the Federal Reserve (Fed) and tightening of monetary policy globally to contain inflationary pressure. The Fed has turned hawkish in the Fed Funds Rate direction to curtail the high inflation.

In Malaysia, the government projected the domestic economy to grow between 5.5% and 6.5% in CY2022, driven by global economic recovery, private consumption, domestic-driven private investment and public expenditure. The major downside risk for Malaysia's economy in CY2022 may be triggered by the new COVID-19 variant, Omicron, if spreads to uncontrolled situation, poses the risk of derailing the economic recovery in CY2022.

Headline Consumer Price Index (CPI) increased 3.3% year-on-year (y-o-y) in November 2021, mainly driven by Transport (12.7%) and Housing, Water, Electricity, Gas & Other Fuels (3.4%). Core inflation rose marginally higher by 0.9% in November 2021. For CY2021, headline inflation is expected to hover between 2.0% - 3.0% while underlying inflation, as measured by core inflation, is expected to average between 0.5% - 1.5% amid excess capacity in the economy.

On 20 January 2022, The Monetary Policy Committee (MPC) maintained the Overnight Policy Rate (OPR) at 1.75% and expected to maintain its accommodative stance in the short-term required to support the economic recovery until the recovery is self-sustained. In line with anticipation of monetary policy normalization globally, Bank Negara Malaysia (BNM) is expected to tighten the monetary policy in CY2022 in order to contain inflationary and foreign exchange pressures.

The Manager observed encouraging business recovery signs pursuant to reopening of all economy sectors as all states in Malaysia transitioned into Phase 4 of the National Recovery Plan (NRP) on 3 January 2022. The recovery was further supported by uplifting of interstate travel ban which benefitted the retail and tourism sectors.

The Manager proactively optimises its capital management strategy to align with the expectation of an interest rate adjustment outlook, with high likelihood there could be interest rate hikes in CY2022. The Manager anticipates higher cost of borrowings over time, however, is of the view that this effect would not have a material impact to the financial performance for FY2022.

The Manager opines that a sustainable recovery is underway on the back of positive progress in booster vaccination rates. Barring any unforeseen circumstances, the Manager expects distribution per unit (DPU) to be higher in FY2022, underpinned by improvements in the business performance of the retail segment and gradual recovery of the hotel segment.

Review of retail market

The Retail Group Malaysia (RGM) projected 6% growth for retail sales in 2022 on the back of the relaxation movement restrictions, improved consumer spending sentiments, and dissipating COVID-19 pandemic fear. RGM has revised downwards its full-year CY2021 retail sales growth forecast to 0.5% (September 2021: 0.8%) taking into account of weaker-than-expected growth in 3Q CY2021 which was partially mitigated by better-than-expected retail sales growth in 4Q CY2021. Pursuant to the transition of most states into Phase 4 of NRP, RGM revised the 4Q CY2021 growth rate to 18.3% (September 2021: 12.7%), supported by year-end holiday and major festive seasons.

The Malaysian Institute of Economic Research (MIER) Consumer Sentiment Index (CSI) dipped below the optimism threshold to 97.2 in 4Q CY2021 from 101.7 points in 3Q CY2021, on the back of subdued financial conditions as well as uncertainties in the economic outlook alongside growing concerns over rising inflation.

Pursuant to the transition of Malaysia into Phase 4 of NRP, the retail segment has observed encouraging retail footfall and retail sales, lifted by the year-end holiday and festive seasons. The adult population in Malaysia has achieved close to 100% vaccination rate where individuals have completed at least two doses of COVID-19 vaccination as of 7 January 2022. As the government starts to administer and promote booster vaccination shots, individuals are regaining confidence and fear of the new threat arising from COVID-19 Omicron variant is gradually dissipating.

B4. Commentary on Prospects (Cont'd)

Review of retail market (Cont'd)

Notwithstanding the encouraging retail footfall and retail sales, the Manager opines that a sustainable recovery post-festive season is crucial to ascertain a firm recovery trend in FY2022.

Review of hotel market

Malaysian Association of Hotels (MAH) cited that the 2021 Christmas and New Year holidays saw occupancy rates peaking at approximately 52% with popular domestic holiday destinations performing better than others. MAH has estimated the average hotel occupancy to close below 30% in CY2021 as the industry is faced with strict movement restrictions for most part of CY2021.

In the Federal Budget 2022, the government allocated RM1.6 billion to support the country's tourism, arts and culture industry which includes targeted Wage Subsidy Programme, matching grant for hotel's upgrade and maintenance purposes, and allocation for tourism sector financing.

The MIER Business Conditions Index improved to 122.0 points in 4Q CY2021 from 97.0 points in 3Q CY2021, primarily driven by increase in both domestic and export demand as well as capital investment. Consumer spending rose in line with the broader economic recovery in 4Q CY2021 while the downside risk associated with the spread of new COVID-19 Omicron variant to undermine growth recovery may persist, however, will be cushioned by the positive progress in vaccination rate.

Moving forward, the hotel segment is expected to continue to benefit from the demand for domestic leisure and business travels as well as gradual resumption in MICE activities. Recovery in the domestic economy coupled with ongoing implementation of booster vaccination shots for the general population would provide further support to the recovery of the tourism industry.

The full recovery will be set in motion with the return of foreign tourists and business travel once international borders are reopened and reinstatement of full operating capacity for the hotels. Downside risks may persist as the emergence of new COVID-19 variants and uncontrollable spread would curtail the recovery of the tourism industry.

The Manager expects the hotel segment to gradually benefit from the progressive relaxation in travelling activities and pockets of MICE activities within limited operating capacity as the pandemic moves closer to endemicity. Hotels that are strategically located within an ecosystem of leisure and entertainment offerings will benefit from the synergies. The Manager is optimistic that the re-opening of Sunway Resort Hotel in 1H FY2022 would contribute positively to the performance of hotel segment for FY2022.

Review of office market

The transition to Phase 4 of the NRP has resulted in the reopening of all economic sectors with office segment expected to gradually recover as businesses reopen. However, with existing and upcoming supply of office spaces, falling trend of net rents is expected to further compress office property yields, especially the older office buildings.

The growing sense of uncertainty in the office market amid the pandemic and the need to preserve cash will result in subdued office leasing activities as businesses put on hold their expansion plans. Co-working or flexible working spaces may take the centre stage for office occupiers looking to relocate or expand in the near term before committing to a longer-term office tenancy.

This pandemic has made organisations to rethink the way their businesses are operated while coping with ways to digitise and digitalise their businesses. Moving forward, business continuity measures such as working from home or split-team arrangements requirements will be the "new normal" where requirement for workplace in terms of safety, cleanliness and amenities will be emphasised.

The Manager expects the office segment within Sunway REIT's asset portfolio to remain stable in FY2022, backed by stable occupancy rates.

B4. Commentary on Prospects (Cont'd)

Review of industrial market

Malaysia's Industrial Production Index (IPI) rose 9.4% y-o-y in November 2021 attributed to increase in Manufacturing (+11.3%), Electricity (+5.1%) and Mining Index (+3.7%). The rise in manufacturing index was mainly contributed by growth in Electrical & Electronics Products (+17.8%) and Beverages & Tobacco Products (+12.9%). The improvement seen in the IPI is spurred by the reopening of the local economy and relaxation of the lockdown restrictions as well as the recovery momentum experienced worldwide.

The headline IHS Markit Malaysia Manufacturing Purchasing Managers' Index (PMI) improved to 52.8 in December 2021 from 52.3 in November 2021, the strongest quarterly performance since 2012, attributed to expansion in manufacturing production and broad-based economic recovery. However, operating conditions outlook remain challenging due to uncertainties in supply chain delays as a result of the new Omicron variant and material labour shortages reported across the sectors.

The Manager continues to actively pursue opportunities within this segment to diversify its income base as well as to capitalize on the strong demand towards higher-value industries.

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 trust 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 objectives during the period under review.

B6. Performance Benchmark

Performance indicators	Period ended 31.12.2021	Year ended 30.06.2020
a) Management expense ratio	0.74%	0.86%
b) Total return	-10.1%	-8.9%
c) Average annual total return (5 years)	1.8%	6.5%
d) Distribution yield	2.9%	4.5%
e) NAV per unit (after income distribution) (RM)	1.4686	1.4804

* The performance indicators for the period ended 31 December 2021 was based on annualised results.

- The ratio of annualised trust expenses in operating Sunway REIT to the NAV of Sunway REIT.
- Total return represents the change in unit price from beginning of financial period plus annualised distribution yield for the financial period.
- 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.
- Annualised DPU of 4.06 sen (based on DPU of 6.10 sen for YTD 6Q2021) divided by the closing unit price as at 31 December 2021 of RM1.41 (30 June 2020: DPU of 7.33 sen for FY2020; closing unit price as at 30 June 2020 of RM1.62).
- NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value as at the period-end, divided by total issued units and after proposed final income distribution of 2.80 sen per unit for semi-annual period ended 31 December 2021 (30 June 2020: Final income distribution of 2.38 sen per unit).

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

- active asset management strategy
- acquisition growth strategy
- capital and risk management strategy
- asset enhancement initiatives, including property development activities

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

B8. Manager's Fee

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

- 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 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 FY2017.

Base and performance fees were discussed in Notes A8a) and A8b) above. In 2Q2021, there was acquisition fee of RM4.5 million paid to the Manager for the acquisition of The Pinnacle Sunway, which was capitalised as part of the acquisition cost of investment properties.

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 trustee's fees for 6Q2021 was lower than 2Q2021 due to the fees were capped at RM0.35 million for the period from July 2021 to December 2021.

B10. Status of Corporate Proposals

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

B11. Status of Utilisation of Proceeds

As at 31 December 2021, the status of utilisation of the gross proceeds from the private placement was as follows:

Proposed utilisation	Proposed amount for utilisation	Actual utilisation	Balance unutilised	Estimated timeframe for utilisation upon listing on 28 October 2020
	RM'million	RM'million	RM'million	
Settlement of balance purchase consideration of The Pinnacle Sunway	405.0	405.0	-	Immediately
Capital expenditure for expansion of Sunway Carnival Shopping Mall	295.4	210.7	84.7	Within 36 months
Defray estimated expenses for the Proposals	9.6	9.6	-	Immediately
	710.0	625.3	84.7	

B12. Material Litigation

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

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

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

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

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

On 31 March 2021, the Federal Court overturned the Court of Appeal's Decision in favour of the Defendants and reinstated the High Court's Decision in favour of Metroplex. The parties will now proceed to the assessment of damages proceedings in the High Court. In Metroplex's claim, Metroplex is claiming for various chattels and movable items amounting to approximately RM402 million. The Defendants are strenuously objecting to the amount claimed as being overly excessive and will be appointing subject matter experts to dispute the quantum of claim. The true financial impact can only be assessed upon the determination of the assessment proceedings subject to strict proof by Metroplex of their said claim.

B13. 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.

B14. Summary of EPU, DPU, NAV and Market Price

	Current Quarter ended 31.12.2021	Immediate Preceding Quarter ended 30.9.2021	Change %
Number of units in issue (units)	3,424,807,700	3,424,807,700	0.0%
Realised net income (RM'000)	72,663	41,038	77.1%
Realised earnings per unit (EPU) (sen)	2.01	1.05	91.4%
Income distribution (RM'000) ¹	95,895	-	N/A
Distribution per unit (sen) ¹	2.80	-	N/A
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ²	5,029,598	5,077,910	-1.0%
NAV per unit (After income distribution) (RM) ²	1.4686	1.4827	-1.0%
Market price per unit (RM)	1.41	1.40	0.7%

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

² After proposed final income distribution of 2.80 sen per unit for semi-annual period ended 31 December 2021 (30 September 2021: interim income distribution of 1.63 sen per unit for semi-annual period ended 30 June 2021 and distributable income for 5Q2021 of 1.05 sen per unit is assumed for income distribution).

B15. Income Distribution

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

B16. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract/Notional Value		Fair value at reporting date Derivative Asset	
	As at 31.12.2021	As at 30.06.2020	As at 31.12.2021	As at 30.06.2020
	RM'000	RM'000	RM'000	RM'000
Cross currency swap - Less than 1 year	384,893	373,680	11,188	20,039

Sunway REIT entered into CCS contracts to manage its exposure in foreign currency risk arising from borrowings in USD (30 June 2020: AUD) as disclosed Note A16 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.

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 6Q2021 and YTD 6Q2021 were a loss of RM1.7 million and gain of RM35.6 million respectively. The net cumulative fair value gain of the new CCS from February 2021 of RM11.2 million was reflected as a derivative asset on the balance sheet as at 31 December 2021.

B17. Risks and Policies of Derivatives

The derivatives of the Group comprises CCS contracts as mentioned in Note B16.

The overall risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 2020.

B18. Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

Please refer to Note A10 for details.

B19. Change of Financial Year End

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

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

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

B20. Comparatives

Certain balances in the condensed consolidated statement of financial position, condensed consolidated statement of cash flows and the explanatory notes have been reclassified to conform to current financial period's presentation.

	As Previously Stated RM'000	Reclassification RM'000	Restated RM'000
Consolidated Statement of Financial Position			
<u>At 30 June 2020</u>			
Current liabilities - borrowings	3,245,418	(1,600,000)	1,645,418
Non-current liabilities - borrowings	200,000	1,600,000	1,800,000
<hr/>			
Consolidated Statement of Cash Flows			
<u>Cumulative quarter ended 30 June 2020</u>			
Drawdown of revolving loan	18,410,000	(18,310,000)	100,000
Repayment of revolving loan	(18,310,000)	18,310,000	-
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B21. 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 2021 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 28 January 2022.

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: 28 January 2022**