

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	First Quarter ended			Cumulative Quarter ended		
		31.03.2023	31.03.2022	Change	31.03.2023	31.03.2022	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income		178,888	144,712	23.6%	178,888	144,712	23.6%
Other operating income		3,915	9,258	-57.7%	3,915	9,258	-57.7%
Revenue		182,803	153,970	18.7%	182,803	153,970	18.7%
Quit rent, assessment and insurance		(4,321)	(3,045)	41.9%	(4,321)	(3,045)	41.9%
Other property operating expenses		(40,176)	(32,005)	25.5%	(40,176)	(32,005)	25.5%
Property operating expenses		(44,497)	(35,050)	27.0%	(44,497)	(35,050)	27.0%
Net property income		138,306	118,920	16.3%	138,306	118,920	16.3%
Interest income		2,066	1,268	62.9%	2,066	1,268	62.9%
Other income		30	18	66.7%	30	18	66.7%
Changes in fair value of investment properties							
- As per valuation report		-	18,268	-100.0%	-	18,268	-100.0%
Net investment income		140,402	138,474	1.4%	140,402	138,474	1.4%
Manager's fees	B8	(11,126)	(10,363)	7.4%	(11,126)	(10,363)	7.4%
Trustee's fees	B9	(190)	(190)	0.0%	(190)	(190)	0.0%
Other trust expenses		(759)	(732)	3.7%	(759)	(732)	3.7%
Finance costs		(31,870)	(20,871)	52.7%	(31,870)	(20,871)	52.7%
		(43,945)	(32,156)	36.7%	(43,945)	(32,156)	36.7%
Profit before tax	A10	96,457	106,318	-9.3%	96,457	106,318	-9.3%
Taxation	A11	-	-	N/A	-	-	N/A
Profit for the period		96,457	106,318	-9.3%	96,457	106,318	-9.3%
Profit for the period comprises the following:							
Realised							
- Unitholders		91,523	83,128	10.1%	91,523	83,128	10.1%
- Perpetual note holders		4,904	4,904	0.0%	4,904	4,904	0.0%
		96,427	88,032	9.5%	96,427	88,032	9.5%
Unrealised		30	18,286	-99.8%	30	18,286	-99.8%
		96,457	106,318	-9.3%	96,457	106,318	-9.3%
Basic earnings per unit attributable to unitholders (sen):							
Realised		2.67	2.43	9.9%	2.67	2.43	9.9%
Unrealised		-	0.53	-100.0%	-	0.53	-100.0%
		2.67	2.96	-9.8%	2.67	2.96	-9.8%
Distributable income per unit (sen)¹		2.67	2.43	9.9%	2.67	2.43	9.9%
Distribution per unit (sen)	A12	-	-	N/A	-	-	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
 FIRST QUARTER ENDED 31 MARCH 2023
 FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

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

	First Quarter ended			Cumulative Quarter ended		
	31.03.2023	31.03.2022	Change	31.03.2023	31.03.2022	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	96,457	106,318	-9.3%	96,457	106,318	-9.3%
Other comprehensive income:						
Cash flow hedge - fair value of derivative	10,203	13,512	-24.5%	10,203	13,512	-24.5%
Cash flow hedge reserve recycled to profit or loss	(10,059)	(14,441)	-30.3%	(10,059)	(14,441)	-30.3%
Total comprehensive income for the period	96,601	105,389	-8.3%	96,601	105,389	-8.3%

STATEMENT OF INCOME DISTRIBUTION

	Note	First Quarter ended			Cumulative Quarter ended		
		31.03.2023	31.03.2022	Change	31.03.2023	31.03.2022	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income		178,888	144,712	23.6%	178,888	144,712	23.6%
Interest income		2,066	1,268	62.9%	2,066	1,268	62.9%
Other income ¹		3,915	9,258	-57.7%	3,915	9,258	-57.7%
		184,869	155,238	19.1%	184,869	155,238	19.1%
Less: Expenses		(88,442)	(67,206)	31.6%	(88,442)	(67,206)	31.6%
Realised income for the period		96,427	88,032	9.5%	96,427	88,032	9.5%
Less: Amount reserved for distribution to perpetual note holders		(4,904)	(4,904)	0.0%	(4,904)	(4,904)	0.0%
Realised income attributable to unitholders		91,523	83,128	10.1%	91,523	83,128	10.1%
Add: Brought forward undistributed realised income		42,800	30,339	41.1%	42,800	30,339	41%
Total income available for distribution		134,323	113,467	18.4%	134,323	113,467	18.4%
Less: Proposed/Declared income distribution to unitholders		-	-	N/A	-	-	N/A
Balance undistributed realised income		134,323	113,467	18.4%	134,323	113,467	18.4%
Distribution per unit (sen)	A12	-	-	N/A	-	-	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
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FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Note	Current	Immediate	Change
		Quarter ended 31.03.2023	Quarter ended 31.12.2022	
		RM'000	RM'000	%
Rental and lease income				
- Realised		178,888	171,180	4.5%
- Unrealised (in relation to unbilled lease income receivable) ¹		-	11,985	-100.0%
Other operating income		3,915	3,567	9.8%
Revenue		182,803	186,732	-2.1%
Quit rent, assessment and insurance		(4,321)	(4,456)	-3.0%
Other property operating expenses		(40,176)	(36,088)	11.3%
Property operating expenses		(44,497)	(40,544)	9.7%
Net property income		138,306	146,188	-5.4%
Interest income		2,066	1,232	67.7%
Other income		30	29	3.4%
Changes in fair value of investment properties				
- As per valuation reports		-	(91,269)	-100.0%
- As per SPA for non-current asset held for sale		-	60,000	-100.0%
- Unbilled lease income receivable ¹		-	(11,985)	-100.0%
Net investment income		140,402	104,195	34.7%
Manager's fees	B8	(11,126)	(11,089)	0.3%
Trustee's fees	B9	(190)	(189)	0.5%
Other trust expenses		(759)	(2,497)	-69.6%
Finance costs		(31,870)	(30,281)	5.2%
		(43,945)	(44,056)	-0.3%
Profit before tax	A10	96,457	60,139	60.4%
Taxation	A11	-	(9,317)	-100.0%
Profit for the period		96,457	50,822	89.8%
Profit for the period comprises the following:				
Realised				
- Unitholders		91,523	88,707	3.2%
- Perpetual note holders		4,904	5,014	-2.2%
		96,427	93,721	2.9%
Unrealised		30	(42,899)	> 100%
		96,457	50,822	89.8%
Basic earnings per unit attributable to unitholders (sen):				
Realised		2.67	2.58	3.5%
Unrealised		-	(1.25)	-100.0%
		2.67	1.33	> 100%
Distributable income per unit (sen) ²		2.67	2.58	3.5%
Distribution per unit (sen)	A12	-	5.00	-100.0%

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.

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

	Current Quarter ended 31.03.2023	Immediate Preceding Quarter ended 31.12.2022	Change
	RM'000	RM'000	%
Profit for the period	96,457	50,822	89.8%
Other comprehensive income:			
Cash flow hedge - fair value of derivative	10,203	(3,875)	> 100%
Cash flow hedge reserve recycled to profit or loss	(10,059)	5,791	> - 100%
Total comprehensive income for the period	96,601	52,738	83.2%

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended 31.03.2023	Immediate Preceding Quarter ended 31.12.2022	Change
	RM'000	RM'000	%
Rental and lease income	178,888	171,180	4.5%
Interest income	2,066	1,232	67.7%
Other income ¹	3,915	5,909	-33.7%
	184,869	178,321	3.7%
Less: Expenses	(88,442)	(84,600)	4.5%
Realised income for the period	96,427	93,721	2.9%
Less: Amount reserved for distribution to perpetual note holders	(4,904)	(5,014)	-2.2%
Realised income attributable to unitholders	91,523	88,707	3.2%
Add: Brought forward undistributed realised income	42,800	125,333	-65.9%
Total income available for distribution	134,323	214,040	-37.2%
Less: Proposed/Declared income distribution to unitholders	-	(171,240)	-100.0%
Balance undistributed realised income	134,323	42,800	> 100%
Distribution per unit (sen)	A12	5.00	-100.0%

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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As At 31.03.2023 (Unaudited)	As At 31.12.2022 (Audited)
		RM'000	RM'000
Assets			
Non-current assets			
Investment properties	A13	8,657,106	8,622,501
Investment properties - accrued lease income	A13	48,499	48,499
Plant and equipment		16,351	15,781
Right-of-use asset		776	795
		<u>8,722,732</u>	<u>8,687,576</u>
Current assets			
Trade receivables	A14	26,000	25,156
Other receivables		67,323	19,401
Derivatives	B15	7,405	-
Cash and bank balances		185,126	251,238
		<u>285,854</u>	<u>295,795</u>
Non-current asset held for sale	B10	430,000	430,000
Total assets		9,438,586	9,413,371
Equity and liabilities			
Equity			
Unitholders' capital		3,433,864	3,433,864
Undistributed income		1,674,854	1,754,397
Total unitholders' funds		5,108,718	5,188,261
Perpetual note holders' funds		339,717	339,717
Total equity		5,448,435	5,527,978
Non-current liabilities			
Borrowings	A15	2,000,000	1,900,000
Long term liabilities		87,517	84,964
Deferred tax liability		11,631	11,631
Lease liability		822	822
		<u>2,099,970</u>	<u>1,997,417</u>
Current liabilities			
Borrowings	A15	1,657,381	1,636,777
Trade payables		9,408	16,746
Other payables		212,584	218,027
Derivatives	B15	-	5,610
Deferred tax liability		10,777	10,777
Lease liability		31	39
		<u>1,890,181</u>	<u>1,887,976</u>
Total liabilities		3,990,151	3,885,393
Total equity and liabilities		9,438,586	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		5,108,718	5,188,261
After income distribution ¹		5,017,195	5,017,021
NAV per unit attributable to unitholders (RM):			
Before income distribution		1.4917	1.5149
After income distribution ¹		1.4650	1.4649

¹ After distributable income for 1Q2023 of 2.67 sen per unit is assumed for income distribution (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.

SUNWAY REAL ESTATE INVESTMENT TRUST
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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	-	96,457	96,457	-	96,457
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	10,203	10,203	-	10,203
- Cash flow hedge reserve recycled to profit or loss	-	(10,059)	(10,059)	-	(10,059)
Total comprehensive income, representing the increase in net assets resulting from operations	-	96,601	96,601	-	96,601
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	-	(4,904)	(4,904)	-	(4,904)
Decrease in net assets resulting from perpetual note holders' transactions	-	(4,904)	(4,904)	-	(4,904)
As at 31 March 2023 (Unaudited)	3,433,864	1,674,854	5,108,718	339,717	5,448,435

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

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

	Unitholders' Capital	Undistributed Income	Total Unitholders' Funds	Perpetual Note Holders' Funds	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 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
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	First / Cumulative Quarter ended	
	31.03.2023	31.03.2022
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	186,746	160,619
Refundable security deposits (to)/from customers	(1,322)	1,230
Cash paid for operating expenses	(70,082)	(53,104)
Net cash from operating activities	115,342	108,745
Cash flows from investing activities		
Acquisition of plant and equipment	(1,701)	(626)
Deposit for acquisition of investment properties	(41,600)	-
Balance payment for acquisition of investment properties	-	(30,690)
Incidental costs on acquisition of investment properties	-	(2,632)
Subsequent expenditure of investment properties	(46,470)	(83,498)
Investment in short term money market instrument	-	(150,000)
Redemption of short term money market instrument	-	150,000
Interest received	2,714	1,697
Net cash used in investing activities	(87,057)	(115,749)
Cash flows from financing activities		
Proceeds from issuance of commercial papers	100,000	90,000
Proceeds from issuance of unrated medium term notes	300,000	-
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	(200,000)	-
Repayment of revolving loan - USD	(292,552)	(384,893)
Interest paid	(30,872)	(22,228)
Distribution paid to unitholders	(171,240)	(95,895)
Net cash used in financing activities	(94,397)	(120,464)
Net decrease in cash and cash equivalents	(66,112)	(127,468)
Cash and cash equivalents at beginning of year	251,238	290,543
Cash and cash equivalents at end of period	185,126	163,075
Cash and bank balances	185,126	163,075
Deposits with licensed financial institutions with maturity of over 3 months	-	-
Cash and cash equivalents	185,126	163,075
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	75,126	38,075
Deposits placed with licensed financial institutions	110,000	125,000
Cash and bank balances	185,126	163,075

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
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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 March 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*

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 31 March 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 31 March 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 31 March 2023.

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A8. Segmental Reporting

Segmental revenue and results for the first / cumulative quarter ended 31 March 2023 and 31 March 2022 are as follows:

Business segments	First / Cumulative Quarter ended 31.03.2023						First / Cumulative Quarter ended 31.03.2022					
	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	126,264	18,473	20,397	15,975	1,694	182,803	98,444	18,521	19,478	15,833	1,694	153,970
Net property income	89,957	17,538	13,477	15,975	1,359	138,306	70,282	17,443	13,668	15,833	1,694	118,920
Interest income						2,066						1,268
Other income						30						18
Changes in fair value of investment properties						-						18,268
Trust and other expenses						(12,075)						(11,285)
Finance costs						(31,870)						(20,871)
Profit before tax						96,457						106,318
Taxation						-						-
Profit for the period						96,457						106,318

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A8. Segmental Reporting (Cont'd)

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

Business segments	As at 31.03.2023						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	5,249,347	1,830,854	959,165	1,007,203	160,944	9,207,513	5,219,106	1,816,023	954,329	1,007,203	161,000	9,157,661
Unallocated assets						231,073						255,710
Total assets						9,438,586						9,413,371
Liabilities												
Segment liabilities	207,622	9,810	24,267	30,100	228	272,027	207,315	11,241	26,894	30,100	-	275,550
Unallocated liabilities						3,718,124						3,609,843
Total liabilities						3,990,151						3,885,393

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

A8. Segmental Reporting (Cont'd)

Properties	Gross Revenue				Net Property Income			
	First / Cumulative Quarter ended				First / Cumulative Quarter ended			
	31.03.2023	31.03.2022	Change	31.12.2022	31.03.2023	31.03.2022	Change	31.12.2022
	RM'000	RM'000	%	RM'000	RM'000	RM'000	%	RM'000
Retail								
Sunway Pyramid Mall	94,349	77,571	21.6%	86,161	73,730	60,062	22.8%	69,126
Sunway Carnival Mall ¹	18,405	9,418	95.4%	16,956	10,100	4,671	> 100%	8,170
SunCity Ipoh Hypermarket	770	933	-17.5%	886	758	899	-15.7%	864
Sunway Putra Mall	12,677	10,522	20.5%	12,637	5,492	4,650	18.1%	6,771
Sunway Pier ²	63	N/A	N/A	86	(123)	N/A	N/A	(224)
Total Retail	126,264	98,444	28.3%	116,726	89,957	70,282	28.0%	84,707
Hotel								
Sunway Resort Hotel ³	2,451	541	> 100%	5,796	2,193	535	> 100%	5,508
Sunway Pyramid Hotel	8,360	287	> 100%	5,790	8,197	137	> 100%	5,619
Sunway Hotel Seberang Jaya	680	109	> 100%	747	633	64	> 100%	704
Sunway Putra Hotel	3,006	1,115	> 100%	3,133	2,668	776	> 100%	2,794
Sunway Hotel Georgetown	1,571	2,720	-42.2%	1,664	1,516	2,668	-43.2%	1,616
Sunway Lagoon Hotel ⁴	2,405	13,749	-82.5%	3,228	2,331	13,263	-82.4%	3,174
Total Hotel	18,473	18,521	-0.3%	20,358	17,538	17,443	0.5%	19,415
Office								
Menara Sunway	4,339	4,433	-2.1%	4,202	2,789	2,718	2.6%	2,556
Sunway Tower	1,088	807	34.8%	1,002	117	819	-85.7%	(342)
Sunway Putra Tower	3,000	3,165	-5.2%	3,131	1,865	2,084	-10.5%	1,944
Wisma Sunway	1,751	1,735	0.9%	1,742	1,079	958	12.6%	972
Sunway Pinnacle	10,219	9,338	9.4%	10,055	7,627	7,089	7.6%	7,448
Total Office	20,397	19,478	4.7%	20,132	13,477	13,668	-1.4%	12,578
Services								
Sunway Medical Centre (Tower A & B)	6,610	6,610	0.0%	6,612	6,610	6,610	0.0%	6,612
Sunway university & college campus	9,365	9,223	1.5%	9,226	9,365	9,223	1.5%	9,226
Total Services	15,975	15,833	0.9%	15,838	15,975	15,833	0.9%	15,838
Industrial & Others								
Sunway REIT Industrial - Shah Alam 1	1,694	1,694	0.0%	1,693	1,643	1,694	-3.0%	1,693
Sunway REIT Industrial - Petaling Jaya 1 ⁵	-	N/A	N/A	-	(284)	N/A	N/A	(28)
Total Industrial & Others	1,694	1,694	0.0%	1,693	1,359	1,694	-19.8%	1,665
Total Revenue / NPI	182,803	153,970	18.7%	174,747	138,306	118,920	16.3%	134,203

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.

SUNWAY REAL ESTATE INVESTMENT TRUST
FIRST QUARTER ENDED 31 MARCH 2023
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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 First Quarter Results

Retail segment

The revenue of Retail segment for 1Q2023 was higher by RM27.8 million or 28% compared to 1Q2022 contributed by overall improved performance across the retail properties, except for SunCity Ipoh Hypermarket. The improvement was primarily contributed by Sunway Pyramid Mall of RM94.3 million and Sunway Carnival Mall of RM18.4 million which opened its new wing on 24 June 2022. All the three malls saw the highest tenant sales recorded in January 2023 since inception of Sunway REIT contributed by Chinese New Year festivity shopping

Similarly, NPI of the Retail Segment for 1Q2023 improved by RM19.7 million or 28% in tandem with the higher revenue. The impact of higher utility cost was partially cushioned by the successful allocation of 30% Green Electricity Tariff Programme for two of our malls.

Hotel segment

The revenue of Hotel segment for 1Q2023 was around the same level with 1Q2022 of RM18.5 million underpinned by the improved performance of Sunway Resort Hotel upon its reopening in May 2022 and also higher revenue from Sunway Pyramid Hotel, Sunway Hotel Seberang Jaya and Sunway Putra Hotel, as observed from the higher average occupancy rate of the Hotel segment at 59% in 1Q2023 (1Q2022: 42%).

The solid performance of the Hotel segment in 1Q2023 was obscured by the absence of top-up of guaranteed NPI from Sunway Lagoon Hotel in the same quarter of the preceding year, which has since ceased.

Correspondingly, NPI of the Hotel segment maintained about the same level of RM17.5 million in 1Q2023.

Office segment

The revenue of Office segment for 1Q2023 improved marginally by RM0.9 million or 5% compared to 1Q2022 supported by rental reversion and stable occupancy rate of the Office segment.

However, NPI of the Office segment for 1Q2023 recorded a marginal decrease of RM0.2 million or 1%, in spite of the improved revenue, mainly due to the impact of higher utility cost and the vacancy allowances received by Sunway Tower in 1Q2022.

Services segment

The revenue and NPI of Services segment for 1Q2023 increased marginally by RM0.1 million or 1% 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 1Q2023 pending completion of the sale and purchase agreement.

A8. Segmental Reporting (Cont'd)

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

Industrial & Others segment

The revenue of Industrial & Others segment 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 dropped by RM0.3 million or 20% mainly due to the operating expenses of Sunway REIT Industrial – Petaling Jaya 1 which is currently vacant.

Overall

	1Q2023 RM'000	1Q2022 RM'000	Change RM'000	%
Revenue	182,803	153,970	28,833	18.7%
NPI	138,306	118,920	19,386	16.3%
Profit for the period, comprise of:				
Realised				
- Unitholders	91,523	83,128	8,395	10.1%
- Perpetual note holders	4,904	4,904	-	0.0%
	96,427	88,032	8,395	9.5%
Unrealised	30	18,286	(18,256)	-99.8%
	96,457	106,318	(9,861)	-9.3%

Sunway REIT registered a realised profit to unitholders of RM91.5 million for 1Q2023, higher by more than 10% compared to 1Q2022, following a strong quarter performance from the Retail segment as explained above. The unrealised profit in 1Q2022 was largely due to valuation gain for Sunway Pier upon completion of the acquisition on 17 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:

	First Quarter ended		Cumulative Quarter ended	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Net changes in fair value of long term liabilities	(30)	(18)	(30)	(18)
Unrealised foreign exchange loss (hedged item)	10,059	14,441	10,059	14,441
Cash flow hedge reserve recycled to profit or loss	(10,059)	(14,441)	(10,059)	(14,441)
Reversal of impairment on trade receivables	(1,243)	(2,108)	(1,243)	(2,108)
Depreciation of plant and equipment	878	615	878	615
Loss on disposal of plant and equipment	2	7	2	7
Write off of plant and equipment	81	14	81	14

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.

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.

No income distribution was proposed for the current quarter ended 31 March 2023. The next income distribution will be for the semi-annual period from 1 January 2023 to 30 June 2023.

A13. Investment Properties

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Investment properties	8,657,106	8,622,501
Investment property - accrued lease income	48,499	48,499
	<u>8,705,605</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 31 March 2023.

A14. Trade Receivables

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Third parties	27,480	25,761
Amount due from parties related to the Manager	4,906	7,036
	<u>32,386</u>	<u>32,797</u>
Less: Allowance for impairment	(6,386)	(7,641)
Total trade receivables	<u>26,000</u>	<u>25,156</u>

Trade receivables was higher by RM0.8 million mainly due to higher variable rent from the Retail segment following the festive season in 1Q2023.

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

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Current	5,614	10,041
1 to 30 days	10,134	6,662
31 to 60 days	3,405	2,473
61 to 90 days	2,078	1,827
91 to 120 days	1,191	1,441
More than 120 days	9,964	10,353
	<u>26,772</u>	<u>22,756</u>
Less: Impaired	(6,386)	(7,641)
	<u>26,000</u>	<u>25,156</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:

	Note	As at 31.03.2023 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	(1,243)	(16,406)
Written off		(12)	(1,672)
At end of financial period / year		<u>6,386</u>	<u>7,641</u>

A15. Borrowings and Debt Securitities

	As at 31.03.2023 RM'000	As at 31.03.2022 RM'000
<u>Short term borrowings</u>		
Secured		
- Revolving loan (USD)	207,599	305,045
- Unrated medium term notes	1,450,000	1,400,000
	<u>1,657,599</u>	<u>1,705,045</u>
Less: Unamortised transaction costs	(218)	(291)
Total short term borrowings	<u>1,657,381</u>	<u>1,704,754</u>
<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	<u>2,000,000</u>	<u>1,700,000</u>
Total borrowings	<u>3,657,381</u>	<u>3,404,754</u>

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").

During the current quarter, the revolving loan (USD) has been 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 (31 March 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 revolving loan (USD) of USD47.0 million was translated at an exchange rate of 4.4170 on 31 March 2023 (31 March 2022: AUD97.0 million at an exchange rate of 3.1448) with cumulative unrealised foreign exchange translation loss of RM7.3 million (31 March 2022: loss of RM12.5 million) since the drawdown.

The unamortised transaction costs of RM0.2 million as at 31 March 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 31 March 2023 increased by RM252.6 million compared to 31 March 2022, primarily to fund the capital expenditure and acquisitions during the period.

The weighted average interest rate of borrowings as at 31 March 2023 was 3.60% (31 March 2022: 2.66%) and the proportion of debt based on fixed interest rate and floating interest rate was 38 : 62 (31 March 2022: 32 : 68).

A16. 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 March 2023				
<u>Financial assets</u>				
Investment properties	-	-	8,671,000	8,671,000
Derivatives	-	7,405	-	7,405
At 31 December 2022				
<u>Financial asset</u>				
Investment properties	-	-	8,671,000	8,671,000
<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 during the Current Quarter

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").

The status of the Proposed Acquisition is disclosed in Note B10.

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

There was no material event subsequent to the current quarter ended 31 March 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 31.03.2023 RM'000	As at 31.12.2022 RM'000
Approved and contracted for	662,319	178,714
Approved but not contracted for	588,120	333,427
	<u>1,250,439</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 above, which is payable within three months from the unconditional date of the sale and purchase agreement.

The increase in the amount approved but not contracted for was pursuant to the Phase 2 refurbishment of Sunway Carnival Mall, which is targeted to commence in 2023.

The balance of the capital commitments was largely in relation to the capital expenditure works for Phase 1 expansion of Sunway Carnival Mall, Sunway Pyramid Mall and Sunway Resort Hotel.

A20. Contingent Liability and Asset

There was no contingent asset as at 31 March 2023. The contingent liability as at 31 March 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 31 March 2023:

	First Quarter ended		Cumulative Quarter ended	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
a) Sunway Berhad Group				
- Sales	(39,049)	(39,850)	(39,049)	(39,850)
- Purchases	44,817	86,887	44,817	86,887
Structured entities controlled by Sunway Berhad Group				
- Distribution to perpetual note holders	4,904	4,904	4,904	4,904
b) Sunway Technology Sdn. Bhd. Group				
- Sales	(686)	(694)	(686)	(694)
- Purchases	253	157	253	157

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

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 March 2023 and 31 December 2022:

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
<u>Amount owed by parties related to the Manager:</u>		
a) Sunway Berhad Group	5,509	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	17,970	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 Note A8a) above.

b) Statement of Financial Position

Investment properties increased by RM34.6 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 RM47.9 million largely due to the deposit paid for the Proposed Acquisition as disclosed in Note A17 above.

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 RM66.1 million mainly to fund the deposit for the Proposed Acquisition and capital expenditure on investment properties.

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 above.

Total net asset value as at 31 March 2023 was RM5.4 billion, comprised unitholders' funds of RM5.1 billion and perpetual note holders' funds of RM0.3 billion. The decrease in unitholders' funds of RM79.5 million mainly due to the distribution to unitholders of RM171.2 million and amount reserved for distribution to perpetual note holders of RM4.9 million, partially offset by the total comprehensive income for the financial period of RM96.6 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 31 March 2023 and 31 December 2022.

B1. Review of Performance (Cont'd)

c) Statement of Cash Flows

Net cash from operating activities for 1Q2023 of RM115.3 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 1Q2023 of RM87.1 million was mainly to fund the 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 1Q2023 of RM94.4 million was mainly for income distribution to unitholders in February 2023 amounting to RM171.2 million and interest paid of RM30.9 million, partially offset by the net drawdown of borrowings of RM107.7 million.

Cash and bank balances as at 31 March 2023 and 31 March 2022 stood at RM185.1 million and RM163.1 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 and financing activities for the cumulative 3-month period.

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 RM34.6 million for 1Q2023, mainly for new wing of Sunway Carnival Mall and refurbishment of Sunway Resort Hotel.

B3. Material Changes in Quarterly Results

	Current Quarter ended 31.03.2023 RM'000	Immediate Preceding Quarter ended 31.12.2022 RM'000	Change %
Realised profit	96,427	93,721	2.9%
Unrealised profit / (loss)	30	(42,899)	> 100%
Profit for the quarter	96,457	50,822	89.8%

Realised profit for current quarter increased by RM2.7 million or 2.9% compared to immediate preceding quarter contributed by better performance of the Retail segment, which was partially reduced by lower income from the Hotel segment and higher finance costs. The unrealised loss in previous quarter was primarily derived from year-end revaluation of the investment properties of Sunway REIT.

B4. Commentary on Prospects

Indicator	2023 (F)	1Q2023	2022	2021
Gross Domestic Product (GDP) (y-o-y)	4.5%	N/A	8.7% ¹	3.1% ¹
Consumer Price Index (y-o-y)	2.8% to 3.8% ⁴	N/A	3.3% ²	2.5% ²
Overnight Policy Rate (OPR)	3.0% to 3.25% ³	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

B4. Commentary on Prospects (Cont'd)

The Manager is cautiously optimistic about the outlook for 2023 underpinned by stable GDP growth projection of 4.5% announced in the recent re-tabling of Federal Budget 2023. 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 the new wing of Sunway Carnival Mall and Sunway Resort Hotel upon full completion of its refurbishment in 1Q2023.

Nevertheless, the full impact of 100bps overnight policy rate hikes in 2022 will be seen in 2023. The outlook for interest rates moving forward also remains uncertain due to volatilities in the global economic environment. The Manager proactively optimises its capital management strategy to minimise the impact of interest rate fluctuations and strives to improve NPI moving forward to offset the impact of higher finance costs.

Review of retail market

The outlook for Retail segment remains positive, underpinned by sustained strong improvement in retail footfall and retail sales in 1Q2023 as all three malls recorded the highest tenant sales in January 2023 following Chinese New Year festivity shopping. Sunway Carnival Mall is expected to undergo Phase 2 refurbishment of its existing wing in 2023, following the successful and well-received new wing which was completed in June 2022. The Phase 2 refurbishment is targeted to complete in 2025 and the Manager expects the mall to achieve its full potential from 2026 onwards.

Review of hotel market

The Manager expects the occupancy rates for the Hotel segment to further improve in 2023, predominantly supported by the domestic leisure, corporate and MICE businesses. In addition, the reopening of international border including China border on 8 January 2023 augurs well to welcome international tourists to Malaysia, hence the Manager expects stronger demand momentum in second half of 2023. Federal Budget 2023 also estimated arrival of 23.5 million international tourists (2022: approximately 3 million) to Malaysia.

In the mainland of Penang, Sunway Hotel Seberang Jaya is in a favourable position to benefit from Sunway's township development, particularly from the enlarged Sunway Carnival Mall and Sunway Medical Centre Penang which opened in November 2022.

Review of office market

The Office segment is expected to experience excess incoming supply where rental rates and occupancy levels for office buildings will continue to remain challenging. Nevertheless, the Manager believes that the reinvention of office buildings via asset enhancement and tapping into co-working trends that offer better flexibility will attract diverse tenants. Overall, the contribution of the Office segment within Sunway REIT's asset portfolio is expected to remain stable in 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 31.03.2023	Year ended 31.12.2022
a) Management expense ratio *	0.91%	0.88%
b) Total return *	16.4%	9.8%
c) Average annual total return (5 years) *	3.6%	1.3%
d) Distribution yield *	6.8%	6.3%
e) NAV per unit (after income distribution) (RM)	1.4650	1.4649

* The performance indicators for the period ended 31 March 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 10.83 sen per unit (based on distributable income for 1Q2023 of 2.67 sen per unit) divided by the closing unit price as at 31 March 2023 of RM1.60 (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 at at period-end and after distributable income for 1Q2023 of 2.67 sen per unit is assumed for income distribution (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 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 FY 2017.

The Manager's fees (base and performance) have increased by RM0.8 million or 7% 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 ended 31 March 2023 was RM0.2 million in line with preceding year corresponding period.

B10. Status of Corporate Proposals

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.

There was no corporate proposal that has been announced but not completed as at the date of this report, except for the Proposed Disposal above and the Proposed Acquisition as disclosed in Note A17.

Barring any unforeseen circumstances, the Proposed Disposal and the Proposed Acquisition are expected to be completed in the first half of 2023 and fourth quarter of 2023 respectively.

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 May 2023. At this stage, the financial impact cannot be determined pending the outcome of the said proceedings and decision of the High Court.

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

	Quarter ended 31.03.2023	Preceding 31.12.2022	Change %
Number of units in issue (units)	3,424,807,700	3,424,807,700	0.0%
Realised net income (RM'000)	96,427	93,721	2.9%
Realised earnings per unit (EPU) (sen)	2.67	2.58	3.5%
Income distribution (RM'000) ¹	-	171,240	-100.0%
Distribution per unit (DPU) (sen) ¹	-	5.00	-100.0%
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ²	5,017,195	5,017,021	*
NAV per unit (After income distribution) (RM) ²	1.4650	1.4649	*
Market price per unit (RM)	1.60	1.46	9.6%

* 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 distributable income for 1Q2023 of 2.67 sen per unit is assumed for income distribution (31 December 2022: final income distribution of 5.00 sen per unit).

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 31.03.2023	As at 31.12.2022	As at 31.03.2023	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	7,405	(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 period 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 31 March 2023 and of its financial performance and cash flows for the year ended on that date and duly authorised for release by the Board of the Manager on 3 May 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: 3 May 2023