

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Third Quarter ended			Cumulative Quarter ended		
		30.09.2023	30.09.2022	Change	30.09.2023	30.09.2022	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income		172,211	162,740	5.8%	513,733	448,361	14.6%
Other operating income		3,624	3,495	3.7%	11,435	16,353	-30.1%
Revenue		175,835	166,235	5.8%	525,168	464,714	13.0%
Quit rent, assessment and insurance		(4,387)	(4,052)	8.3%	(13,072)	(11,380)	14.9%
Other property operating expenses		(34,698)	(33,943)	2.2%	(120,856)	(99,284)	21.7%
Property operating expenses		(39,085)	(37,995)	2.9%	(133,928)	(110,664)	21.0%
Net property income		136,750	128,240	6.6%	391,240	354,050	10.5%
Interest income		1,542	1,213	27.1%	4,841	3,523	37.4%
Other income		38	29	31.0%	333	71	> 100%
Changes in fair value of investment properties							
- As per valuation report		-	-	N/A	-	18,268	-100.0%
Net investment income		138,330	129,482	6.8%	396,414	375,912	5.5%
Manager's fees	B8	(11,162)	(10,849)	2.9%	(32,827)	(31,299)	4.9%
Trustee's fees	B9	(200)	(197)	1.5%	(584)	(581)	0.5%
Other trust expenses		(489)	(394)	24.1%	(1,994)	(1,527)	30.6%
Finance costs		(34,507)	(26,132)	32.0%	(100,388)	(69,769)	43.9%
		(46,358)	(37,572)	23.4%	(135,793)	(103,176)	31.6%
Profit before tax	A10	91,972	91,910	0.1%	260,621	272,736	-4.4%
Taxation	A11	-	-	N/A	-	-	N/A
Profit for the period		91,972	91,910	0.1%	260,621	272,736	-4.4%
Profit for the period comprises the following:							
Realised							
- Unitholders		86,923	86,868	0.1%	245,644	239,521	2.6%
- Perpetual note holders		5,013	5,013	0.0%	14,876	14,876	0.0%
		91,936	91,881	0.1%	260,520	254,397	2.4%
Unrealised		36	29	24.1%	101	18,339	-99.4%
		91,972	91,910	0.1%	260,621	272,736	-4.4%
Basic earnings per unit attributable to unitholders (sen):							
Realised		2.54	2.54	0.0%	7.17	7.00	2.4%
Unrealised		-	-	N/A	-	0.53	-100.0%
		2.54	2.54	0.0%	7.17	7.53	-4.8%
Distributable income per unit (sen)¹		2.54	2.54	0.0%	7.17	7.00	2.4%
Distribution per unit (sen)	A12	-	-	N/A	4.62	4.22	9.5%

N/A - Not applicable

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

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

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

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

	Third Quarter ended			Cumulative Quarter ended		
	30.09.2023	30.09.2022	Change	30.09.2023	30.09.2022	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	91,972	91,910	0.1%	260,621	272,736	-4.4%
Other comprehensive income:						
Cash flow hedge - fair value of derivative	691	(2,759)	> 100%	22,441	(194)	> 100%
Cash flow hedge reserve recycled to profit or loss	(1,269)	1,649	> -100%	(22,983)	(2,200)	> -100%
Total comprehensive income for the period	91,394	90,800	0.7%	260,079	270,342	-3.8%

STATEMENT OF INCOME DISTRIBUTION

	Note	Third Quarter ended			Cumulative Quarter ended		
		30.09.2023	30.09.2022	Change	30.09.2023	30.09.2022	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income		172,211	162,740	5.8%	513,733	448,361	14.6%
Interest income		1,542	1,213	27.1%	4,841	3,523	37.4%
Other income ¹		3,626	3,495	3.7%	11,667	16,353	-28.7%
		177,379	167,448	5.9%	530,241	468,237	13.2%
Less: Expenses		(85,443)	(75,567)	13.1%	(269,721)	(213,840)	26.1%
Realised income for the period		91,936	91,881	0.1%	260,520	254,397	2.4%
Less: Amount reserved for distribution to perpetual note holders		(5,013)	(5,013)	0.0%	(14,876)	(14,876)	0.0%
Realised income attributable to unitholders		86,923	86,868	0.1%	245,644	239,521	2.6%
Add: Brought forward undistributed realised income		43,295	38,465	12.6%	42,800	30,339	41%
Total income available for distribution		130,218	125,333	3.9%	288,444	269,860	6.9%
Less: Proposed/Declared income distribution to unitholders		-	-	N/A	(158,226)	(144,527)	9.5%
Balance undistributed realised income		130,218	125,333	3.9%	130,218	125,333	3.9%
Distribution per unit (sen)	A12	-	-	N/A	4.62	4.22	9.5%

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
THIRD QUARTER ENDED 30 SEPTEMBER 2023
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Note	Current	Immediate	Change
		Quarter ended 30.09.2023	Quarter ended 30.06.2023	
		RM'000	RM'000	%
Rental and lease income		172,211	162,634	5.9%
Other operating income		3,624	3,896	-7.0%
Revenue		175,835	166,530	5.6%
Quit rent, assessment and insurance		(4,387)	(4,364)	0.5%
Other property operating expenses		(34,698)	(45,982)	-24.5%
Property operating expenses		(39,085)	(50,346)	-22.4%
Net property income		136,750	116,184	17.7%
Interest income		1,542	1,233	25.1%
Other income		38	265	-85.7%
Net investment income		138,330	117,682	17.5%
Manager's fees	B8	(11,162)	(10,539)	5.9%
Trustee's fees	B9	(200)	(194)	3.1%
Other trust expenses		(489)	(746)	-34.5%
Finance costs		(34,507)	(34,011)	1.5%
		(46,358)	(45,490)	1.9%
Profit before tax	A10	91,972	72,192	27.4%
Taxation	A11	-	-	N/A
Profit for the period		91,972	72,192	27.4%
Profit for the period comprises the following:				
Realised				
- Unitholders		86,923	67,198	29.4%
- Perpetual note holders		5,013	4,959	1.1%
		91,936	72,157	27.4%
Unrealised		36	35	2.9%
		91,972	72,192	27.4%
Basic earnings per unit attributable to unitholders (sen):				
Realised		2.54	1.96	29.6%
Unrealised		-	-	N/A
		2.54	1.96	29.6%
Distributable income per unit (sen) ¹		2.54	1.96	29.6%
Distribution per unit (sen)	A12	-	4.62	-100.0%

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
 THIRD QUARTER ENDED 30 SEPTEMBER 2023
 FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

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

	Current Quarter ended 30.09.2023	Immediate Preceding Quarter ended 30.06.2023	Change
	RM'000	RM'000	%
Profit for the period	91,972	72,192	27.4%
Other comprehensive income:			
Cash flow hedge - fair value of derivative	691	11,548	-94.0%
Cash flow hedge reserve recycled to profit or loss	(1,269)	(11,655)	-89.1%
Total comprehensive income for the period	91,394	72,085	26.8%

STATEMENT OF INCOME DISTRIBUTION

	Note	Current Quarter ended 30.09.2023	Immediate Preceding Quarter ended 30.06.2023	Change
		RM'000	RM'000	%
Rental and lease income		172,211	162,634	5.9%
Interest income		1,542	1,233	25.1%
Other income ¹		3,626	4,126	-12.1%
		177,379	167,993	5.6%
Less: Expenses		(85,443)	(95,836)	-10.8%
Realised income for the period		91,936	72,157	27.4%
Less: Amount reserved for distribution to perpetual note holders		(5,013)	(4,959)	1.1%
Realised income attributable to unitholders		86,923	67,198	29.4%
Add: Brought forward undistributed realised income		43,295	134,323	-67.8%
Total income available for distribution		130,218	201,521	-35.4%
Less: Proposed/Declared income distribution to unitholders		-	(158,226)	-100.0%
Balance undistributed realised income		130,218	43,295	> 100%
Distribution per unit (sen)	A12	-	4.62	-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
THIRD QUARTER ENDED 30 SEPTEMBER 2023
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As At 30.09.2023 (Unaudited)	As At 31.12.2022 (Audited)
		RM'000	RM'000
Assets			
Non-current assets			
Investment properties	A13	8,808,734	8,622,501
Investment properties - accrued lease income	A13	48,499	48,499
Plant and equipment		18,106	15,781
Right-of-use asset		738	795
		<u>8,876,077</u>	<u>8,687,576</u>
Current assets			
Trade receivables	A14	28,410	25,156
Other receivables		81,295	19,401
Derivatives	B16	19,645	-
Cash and bank balances		279,621	251,238
		<u>408,971</u>	<u>295,795</u>
Non-current asset held for sale		-	430,000
Total assets		9,285,048	9,413,371
Equity and liabilities			
Equity			
Unitholders' capital		3,433,864	3,433,864
Undistributed income		1,670,134	1,754,397
Total unitholders' funds		5,103,998	5,188,261
Perpetual note holders' funds		339,717	339,717
Total equity		5,443,715	5,527,978
Non-current liabilities			
Borrowings	A15	1,670,000	1,900,000
Long term liabilities		96,382	84,964
Deferred tax liability		11,631	11,631
Lease liability		822	822
		<u>1,778,835</u>	<u>1,997,417</u>
Current liabilities			
Borrowings	A15	1,799,485	1,636,777
Trade payables		2,414	16,746
Other payables		260,587	218,027
Derivatives	B16	-	5,610
Deferred tax liability		-	10,777
Lease liability		12	39
		<u>2,062,498</u>	<u>1,887,976</u>
Total liabilities		3,841,333	3,885,393
Total equity and liabilities		9,285,048	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		5,103,998	5,188,261
After income distribution ¹		5,017,075	5,017,021
NAV per unit attributable to unitholders (RM):			
Before income distribution		1.4903	1.5149
After income distribution ¹		1.4649	1.4649

¹ After distributable income for Q3 2023 of 2.54 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.

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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	-	260,621	260,621	-	260,621
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	22,441	22,441	-	22,441
- Cash flow hedge reserve recycled to profit or loss	-	(22,983)	(22,983)	-	(22,983)
Total comprehensive income, representing the increase in net assets resulting from operations	-	260,079	260,079	-	260,079
Unitholders' transactions					
Distribution to unitholders:					
- Income distribution declared and paid in current period	-	(158,226)	(158,226)	-	(158,226)
- 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	-	(329,466)	(329,466)	-	(329,466)
Perpetual note holders' transactions					
Amount reserved for distribution to perpetual note holders	-	(14,876)	(14,876)	-	(14,876)
Decrease in net assets resulting from perpetual note holders' transactions	-	(14,876)	(14,876)	-	(14,876)
As at 30 September 2023 (Unaudited)	3,433,864	1,670,134	5,103,998	339,717	5,443,715

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
THIRD QUARTER ENDED 30 SEPTEMBER 2023
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 (UNAUDITED)

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	545,754	471,696
Refundable security deposits (to)/from customers	(6,491)	7,288
Cash paid for operating expenses	(199,164)	(161,732)
Net cash from operating activities	<u>340,099</u>	<u>317,252</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(5,160)	(4,557)
Deposit for acquisition of investment properties	(45,760)	(6,005)
Balance payment for acquisition of investment properties	-	(30,690)
Balance proceeds from disposal of investment property	399,900	-
Incidental costs on acquisition of investment properties	-	(2,632)
Incidental costs on disposal of investment property	(12,925)	-
Subsequent expenditure of investment properties	(126,441)	(196,852)
Investment in short term money market instrument	-	(407,000)
Redemption of short term money market instrument	-	430,000
Net cash flows to licensed financial institutions with maturity of over 3 months	(40,000)	-
Interest received	5,489	4,026
Net cash from/(used in) investing activities	<u>175,103</u>	<u>(213,710)</u>
Cash flows from financing activities		
Proceeds from issuance of commercial papers	730,000	190,000
Proceeds from issuance of unrated medium term notes	300,000	750,000
Drawdown of revolving loan - USD	200,267	292,552
Drawdown of revolving loan	100,000	190,000
Repayment of commercial papers	(250,000)	(190,000)
Repayment of unrated medium term notes	(560,000)	(800,000)
Repayment of revolving loan - USD	(292,552)	(384,893)
Repayment of revolving loan	(320,000)	-
Interest paid	(98,865)	(68,602)
Distribution paid to unitholders	(325,751)	(240,422)
Distribution paid to perpetual note holders	(9,918)	(9,918)
Net cash used in financing activities	<u>(526,819)</u>	<u>(271,283)</u>
Net decrease in cash and cash equivalents	(11,617)	(167,741)
Cash and cash equivalents at beginning of year	251,238	290,543
Cash and cash equivalents at end of period	<u>239,621</u>	<u>122,802</u>
Cash and bank balances	279,621	122,802
Deposits with licensed financial institutions with maturity of over 3 months	(40,000)	-
Cash and cash equivalents	<u>239,621</u>	<u>122,802</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	39,621	39,802
Deposits placed with licensed financial institutions	240,000	83,000
Cash and bank balances	<u>279,621</u>	<u>122,802</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
THIRD QUARTER ENDED 30 SEPTEMBER 2023
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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 30 September 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 MFRS17 and MFRS 9 - Comparative Information*
- Amendments to MFRS 101 *Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Definition of Accounting Estimates*
- Amendments to MFRS 112 *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
- Amendments to MFRS 112 *International Tax Reform – Pillar Two Model Rules*

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

A3. Audit Report of Preceding Financial Year

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

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 30 September 2023.

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

There were no issuance, repurchases and repayments of debt and equity securities for the current quarter ended 30 September 2023, except as disclosed in Note A15.

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

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

SUNWAY REAL ESTATE INVESTMENT TRUST
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A8. Segmental Reporting

Segmental revenue and results for the third quarter ended 30 September 2023 and 30 September 2022 are as follows:

Business segments	Third Quarter ended 30.09.2023						Third Quarter ended 30.09.2022					
	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	111,787	27,892	20,692	13,771	1,693	175,835	110,332	18,439	20,009	15,761	1,694	166,235
Net property income	81,826	26,886	12,834	13,771	1,433	136,750	80,472	17,533	12,781	15,761	1,694	128,240
Interest income						1,542						1,213
Other income						38						29
Trust and other expenses						(11,851)						(11,440)
Finance costs						(34,507)						(26,132)
Profit before tax						91,972						91,910
Taxation						-						-
Profit for the period						91,972						91,910

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A8. Segmental Reporting (Cont'd)

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

Business segments	Cumulative Quarter ended 30.09.2023						Cumulative Quarter ended 30.09.2022					
	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	348,954	63,822	61,591	45,720	5,081	525,168	310,126	42,940	59,210	47,357	5,081	464,714
Net property income	241,245	60,926	39,208	45,720	4,141	391,240	222,391	40,024	39,198	47,357	5,081	354,050
Interest income						4,841						3,523
Other income						333						71
Changes in fair value of investment properties						-						18,268
Trust and other expenses						(35,405)						(33,407)
Finance costs						(100,388)						(69,769)
Profit before tax						260,621						272,736
Taxation						-						-
Profit for the period						260,621						272,736

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A8. Segmental Reporting (Cont'd)

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

Business segments	As at 30.09.2023						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	5,347,684	1,885,102	967,177	575,919	162,869	8,938,751	5,219,106	1,816,023	954,329	1,007,203	161,000	9,157,661
Unallocated assets						346,297						255,710
Total assets						9,285,048						9,413,371
Liabilities												
Segment liabilities	257,210	35,149	26,356	-	1,435	320,150	207,315	11,241	26,894	30,100	-	275,550
Unallocated liabilities						3,521,183						3,609,843
Total liabilities						3,841,333						3,885,393

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A8. Segmental Reporting (Cont'd)

Properties	Gross Revenue				Net Property Income				Gross Revenue			Net Property Income		
	Third Quarter ended				Third Quarter ended				Cumulative Quarter ended			Cumulative Quarter ended		
	30.09.2023	30.09.2022	Change	30.06.2023	30.09.2023	30.09.2022	Change	30.06.2023	30.09.2023	30.09.2022	Change	30.09.2023	30.09.2022	Change
	RM'000	RM'000	%	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%	RM'000	RM'000	%
Retail														
Sunway Pyramid Mall	82,475	81,798	0.8%	83,926	64,860	65,102	-0.4%	57,554	260,750	237,876	9.6%	196,144	187,137	4.8%
Sunway Carnival Mall ¹	16,558	14,981	10.5%	13,166	9,711	7,645	27.0%	5,725	48,129	33,716	42.7%	25,536	14,994	70.3%
SunCity Ipoh Hypermarket	880	771	14.1%	781	875	758	15.4%	769	2,431	2,474	-1.7%	2,402	2,407	-0.2%
Sunway Putra Mall	11,811	12,733	-7.2%	12,973	6,497	7,042	-7.7%	5,567	37,461	35,962	4.2%	17,556	18,232	-3.7%
Sunway Pier ²	63	49	28.6%	57	(117)	(75)	56.0%	(153)	183	98	86.7%	(393)	(379)	3.7%
Total Retail	111,787	110,332	1.3%	110,903	81,826	80,472	1.7%	69,462	348,954	310,126	12.5%	241,245	222,391	8.5%
Hotel														
Sunway Resort Hotel ³	10,427	3,658	> 100%	3,726	10,072	3,397	196.5%	3,511	16,604	4,259	> 100%	15,776	3,691	> 100%
Sunway Pyramid Hotel	8,204	7,732	6.1%	6,703	8,070	7,555	6.8%	6,482	23,267	8,360	> 100%	22,749	7,867	> 100%
Sunway Hotel Seberang Jaya	804	365	> 100%	557	751	322	> 100%	498	2,041	949	> 100%	1,882	810	> 100%
Sunway Putra Hotel	3,146	1,819	73.0%	1,835	2,806	1,601	75.3%	1,495	7,987	4,511	77.1%	6,969	3,613	92.9%
Sunway Hotel Georgetown	1,708	1,169	46.1%	1,678	1,652	1,118	47.8%	1,621	4,957	5,091	-2.6%	4,789	4,935	-3.0%
Sunway Lagoon Hotel ⁴	3,603	3,696	-2.5%	2,958	3,535	3,540	-0.1%	2,895	8,966	19,770	-54.6%	8,761	19,108	-54.2%
Total Hotel	27,892	18,439	51.3%	17,457	26,886	17,533	53.3%	16,502	63,822	42,940	48.6%	60,926	40,024	52.2%
Office														
Menara Sunway	4,240	4,231	0.2%	4,286	2,536	2,681	-5.4%	2,467	12,865	12,975	-0.8%	7,792	8,204	-5.0%
Sunway Tower	1,231	961	28.1%	1,104	(310)	(199)	55.8%	(218)	3,423	2,606	31.4%	(411)	434	-194.7%
Sunway Putra Tower	3,110	3,275	-5.0%	3,104	1,815	1,993	-8.9%	1,840	9,214	9,695	-5.0%	5,520	6,156	-10.3%
Wisma Sunway	1,747	1,746	0.1%	1,740	967	975	-0.8%	968	5,238	5,219	0.4%	3,014	2,898	4.0%
Sunway Pinnacle	10,364	9,796	5.8%	10,268	7,826	7,330	6.8%	7,840	30,851	28,715	7.4%	23,293	21,505	8.3%
Total Office	20,692	20,009	3.4%	20,502	12,834	12,780	0.4%	12,897	61,591	59,210	4.0%	39,208	39,197	0.0%
Services														
Sunway Medical Centre (Tower A & B) ⁵	4,406	6,608	-33.3%	6,609	4,406	6,608	-33.3%	6,609	17,625	19,827	-11.1%	17,625	19,827	-11.1%
Sunway university & college campus	9,365	9,153	2.3%	9,365	9,365	9,153	2.3%	9,365	28,095	27,530	2.1%	28,095	27,530	2.1%
Total Services	13,771	15,761	-12.6%	15,974	13,771	15,761	-12.6%	15,974	45,720	47,357	-3.5%	45,720	47,357	-3.5%
Industrial & Others														
Sunway REIT Industrial - Shah Alam 1	1,693	1,694	-0.1%	1,694	1,693	1,694	-0.1%	1,694	5,081	5,081	0.0%	5,030	5,081	-1.0%
Sunway REIT Industrial - Petaling Jaya 1 ⁶	-	N/A	N/A	-	(260)	N/A	N/A	(345)	-	N/A	N/A	(889)	N/A	N/A
Total Industrial & Others	1,693	1,694	-0.1%	1,694	1,433	1,694	-15.4%	1,349	5,081	5,081	0.0%	4,141	5,081	-18.5%
Total Revenue / NPI	175,835	166,235	5.8%	166,530	136,750	128,240	6.6%	116,184	525,168	464,714	13.0%	391,240	354,050	10.5%

N/A - Not applicable

¹ New wing of Sunway Carnival Mall was opened in June 2022. Phase 2 refurbishment of the existing wing commenced in June 2023 and is expected to be completed in phases in the next 2 years.

² Sunway Pier was acquired in January 2022 and currently in the planning stage for the redevelopment into a retail-centric tourist attraction.

³ Sunway Resort Hotel was closed for refurbishment from July 2020 and reopened progressively since May 2022. The refurbishment was fully completed in July 2023.

⁴ Sunway Lagoon Hotel was formerly known as Sunway Clio Property.

⁵ Sunway Medical Centre (Tower A & B) was disposed on 30 August 2023.

⁶ Sunway REIT Industrial - Petaling Jaya 1 was acquired in November 2022. A tenant has been secured for approximately 22% of net lettable area effective from December 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 Third Quarter Results

Retail segment

The revenue of Retail segment for third quarter ended 30 September 2023 (Q3 2023) was at RM111.8 million, higher by 1% or RM1.5 million compared to the preceding year same quarter (Q3 2022), contributed by sustained retail sales and footfall for all retail malls and stronger performance from Sunway Carnival Mall with the opening of its new wing in June 2022.

NPI of the Retail Segment for Q3 2023 was at RM81.8 million, increased by 2% or RM1.3 million, primarily attributed to higher revenue as above mentioned.

Hotel segment

The Hotel segment registered remarkable growth in revenue for Q3 2023 to RM27.9 million, increased by 51% or RM9.5 million, underpinned by the overall improved average occupancy rate of the Hotel segment. The revenue was further boosted by a full inventory of 460 rooms at Sunway Resort Hotel from July 2023 onwards, compared to partial room inventory in Q3 2022 following phased reopening of the hotel.

Correspondingly, NPI of the Hotel segment for Q3 2023 increased by 53% or RM9.4 million, to RM26.9 million.

Office segment

The Office segment recorded a modest revenue growth of 3% to RM20.7 million in Q3 2023, attributed to the steady average occupancy rate, which remained consistent above 80%.

Despite the rise in revenue, NPI stood at RM12.8 million which was largely unchanged compared to Q3 2022 due to the higher electricity cost.

Services segment

The revenue and NPI of Services segment for Q3 2023 stood at RM13.8 million, reduced by 13% or RM2 million, due to cessation of rental income from Sunway Medical Centre (Tower A & B) following the completion of its disposal on 30 August 2023.

Industrial & Others segment

The revenue of Industrial & Others segment for Q3 2023 remained stable at RM1.7 million contributed by the rental income of Sunway REIT Industrial - Shah Alam 1 in accordance with the master lease agreement, where the rent review will be conducted every three years with the last review on 1 January 2022.

However, NPI of the Industrial & Others segment for Q3 2023 was at RM1.4 million, dropped by 15% or RM0.3 million, mainly due to the operating expenses of Sunway REIT Industrial – Petaling Jaya 1 which is currently vacant. A tenant has been secured to commence in December 2023, after planned fit-out works.

A8. Segmental Reporting (Cont'd)

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

Overall

	Q3 2023 RM'000	Q3 2022 RM'000	Change RM'000	%
Revenue	175,835	166,235	9,600	5.8%
NPI	136,750	128,240	8,510	6.6%
Profit for the period, comprise of:				
Realised				
- Unitholders	86,923	86,868	55	0.1%
- Perpetual note holders	5,013	5,013	-	0.0%
	91,936	91,881	55	0.1%
Unrealised	36	29	7	24.1%
	91,972	91,910	62	0.1%

Sunway REIT registered a realised profit attributable to unitholders of RM86.9 million for Q3 2023, largely unchanged compared to Q3 2022, with the overall improvement of NPI by RM8.5 million being offset by higher finance costs by RM8.4 million resulting from full impact of 100 bps overnight policy rate ("OPR") hikes in 2022 coupled with another 25 bps OPR hike in May 2023.

b) Review of Cumulative Quarter Results

Retail segment

The revenue of Retail segment jumped by 13% or RM38.8 million, bringing it to RM349.0 million for the cumulative period ended 30 September 2023 (YTD Q3 2023), contributed by the improved retail sales and footfall. The revenue was also lifted by stronger performance of Sunway Carnival Mall for YTD Q3 2023 against the low base in the preceding year same period (YTD Q3 2022) due to the new wing was launched in June 2022.

NPI of the Retail segment for YTD Q3 2023 increased by 8% or RM18.8 million, to RM241.2 million, in line with the improved revenue which was partially offset by higher utility cost and reduced reversal of impairment on trade receivables.

Hotel segment

The Hotel segment recorded an increase in revenue by 49% or RM20.9 million, to RM63.8 million for YTD Q3 2023 as evident from increase in average occupancy rate for Hotel segment from 54% to 63%. The encouraging performance was underpinned by the stronger pick-up in domestic travellers in conjunction with festive seasons and school holidays, a steady recovery in international travellers, and increased demand for MICE activities.

NPI of the Hotel segment has correspondingly leaped by 52% or RM20.9 million, to RM60.9 million for YTD Q3 2023, in line with the increase in revenue.

Office segment

The Office segment registered revenue of RM61.6 million for YTD Q3 2023, an increase of 4% or RM2.4 million, backed by positive rental reversion and stable average occupancy rate of the Office segment.

NPI of the Office segment remained largely unchanged at around RM39.2 million for YTD Q3 2023.

Services segment

The Services segment contributed revenue and NPI of RM45.7 million for YTD Q3 2023, representing a decrease of 3% or RM1.6 million compared to corresponding period last year mainly due to completion of disposal of Sunway Medical Centre (Tower A & B) on 30 August 2023.

Industrial & Others segment

The Industrial & Others segment recorded revenue of RM5.1 million for YTD Q3 2023, the same as the corresponding period last year. However, NPI was lower by 19% or RM0.9 million due to the operating expenses of Sunway REIT Industrial – Petaling Jaya 1.

A8. Segmental Reporting (Cont'd)

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

Overall

	YTD Q3 2023 RM'000	YTD Q3 2022 RM'000	Change RM'000	%
Revenue	525,168	464,714	60,454	13.0%
NPI	391,240	354,050	37,190	10.5%
Profit for the period, comprise of:				
Realised				
- Unitholders	245,644	239,521	6,123	2.6%
- Perpetual note holders	14,876	14,876	-	0.0%
	260,520	254,397	6,123	2.4%
Unrealised	101	18,339	(18,238)	-99.4%
	260,621	272,736	(12,115)	-4.4%

Realised profit attributable to unitholders of Sunway REIT for YTD Q3 2023 was RM245.6 million, increased by RM6.1 million compared to YTD Q3 2022, due to higher NPI of RM37.2 million mainly from Retail and Hotel segments as mentioned above which was partially reduced by the higher finance costs by RM30.6 million resulting from the OPR hikes in 2022 and 2023. That said, the average cost of debt of Sunway REIT for YTD Q3 2023 of 3.76% was one of the lowest among the MREITs.

The unrealised profit for YTD Q3 2022 was largely due to valuation gain for Sunway Pier upon completion of its acquisition in January 2022.

A9. Seasonality of Operations

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

A10. Profit Before Tax

Included in the profit before tax are the following items:

Note	Third Quarter ended		Cumulative Quarter ended	
	30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
Net changes in fair value of long term liabilities	(36)	(29)	(101)	(71)
Realised foreign exchange loss	6	11	8	11
Unrealised foreign exchange loss / (gain) (hedged item)	1,269	(1,649)	22,983	2,200
Cash flow hedge reserve recycled to profit or loss	(1,269)	1,649	(22,983)	(2,200)
Reversal of impairment on trade receivables	A14 (1,318)	(3,251)	(3,222)	(9,437)
Depreciation of plant and equipment	1,046	781	2,912	2,047
Loss on disposal of plant and equipment	1	-	51	7
Write off of plant and equipment	31	-	112	17

A11. Taxation

Taxation of the REIT

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

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

A11. Taxation (Cont'd)

Taxation of the Unitholders

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

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

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

A12. Income Distribution

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

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

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

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

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

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

A13. Investment Properties

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
Investment properties	8,808,734	8,622,501
Investment property - accrued lease income	48,499	48,499
	<u>8,857,233</u>	<u>8,671,000</u>

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

A14. Trade Receivables

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
Third parties	23,199	25,761
Amount due from parties related to the Manager	9,600	7,036
	<u>32,799</u>	<u>32,797</u>
Less: Allowance for impairment	(4,389)	(7,641)
Total trade receivables	<u>28,410</u>	<u>25,156</u>

Trade receivables was higher by RM3.3 million mainly due to higher rental from Hotel segment as explained in Note A8a).

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

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
Current	9,577	10,041
1 to 30 days	8,829	6,662
31 to 60 days	4,155	2,473
61 to 90 days	1,497	1,827
91 to 120 days	962	1,441
More than 120 days	7,779	10,353
	<u>23,222</u>	<u>22,756</u>
Less: Impaired	(4,389)	(7,641)
	<u>28,410</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 30.09.2023 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	(3,222)	(16,406)
Written off		(30)	(1,672)
At end of financial period / year		<u>4,389</u>	<u>7,641</u>

A15. Borrowings and Debt Securities

	As at 30.09.2023 RM'000	As at 30.09.2022 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial paper	480,000	-
- Revolving loan (USD)	220,524	292,804
- Unrated medium term notes	1,100,000	1,350,000
	<u>1,800,524</u>	<u>1,642,804</u>
Less: Discount on commercial paper	(855)	-
Less: Unamortised transaction costs	(184)	(254)
Total short term borrowings	<u>1,799,485</u>	<u>1,642,550</u>
<u>Long term borrowings</u>		
Secured - Unrated medium term notes	-	10,000
Unsecured - Revolving loan (RM)	1,670,000	1,790,000
Total long term borrowings	<u>1,670,000</u>	<u>1,800,000</u>
Total borrowings	<u>3,469,485</u>	<u>3,442,550</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") (30 September 2022 : AUD).

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

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

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

Total borrowings of Sunway REIT as at 30 September 2023 increased by RM26.9 million compared to 30 September 2022, due to the additional borrowings for the capital expenditure and acquisition of investment properties during the period have been netted-off against the repayment of borrowings with the proceeds from disposal of Sunway Medical Centre (Tower A & B) received in August 2023.

The proportion of borrowings based on fixed and floating interest rates as at 30 September 2023 was 38 : 62 (30 September 2022: 32 : 68). For the period ended 30 September 2023, average interest rate of borrowings was 3.76% (30 September 2022: 2.82%).

A16. Fair Value Hierarchy

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 September 2023				
<u>Financial assets</u>				
Investment properties	-	-	8,671,000	8,671,000
Derivatives	-	19,645	-	19,645
At 31 December 2022				
<u>Financial assets</u>				
Investment properties	-	-	8,671,000	8,671,000
Non-current asset held for sale	-	-	430,000	430,000
<u>Financial liability</u>				
Derivatives	-	5,610	-	5,610

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

A17. Material Event since the last Annual Reporting

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

On 16 March 2023, Sunway REIT entered into a conditional sale and purchase agreement ("SPA") with Kwasa Properties Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of the Employees Provident Fund, to acquire 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").

On 19 September 2023, Sunway REIT and the Vendor executed a letter supplementing the SPA to extend the period to fulfill the conditions precedent of the SPA until 20 November 2023. Approval from Economic Planning Unit of the Prime Minister's Office in respect of the Proposed Acquisition is the only condition precedent remaining to be fulfilled.

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

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

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

A19. Capital Commitments

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

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
Approved and contracted for	920,504	178,714
Approved but not contracted for	280,140	333,427
	<u>1,200,644</u>	<u>512,141</u>

The increase in the amount approved and contracted for was mainly the balance purchase consideration of RM468.0 million for the Proposed Acquisition stated in Note A17, which is payable within three (3) months from the unconditional date of the SPA and the Phase 2 refurbishment of Sunway Carnival Mall, which is targeted for phased completion between early 2024 to end 2025.

The balance of the capital commitments was largely in relation to the balance contract sum payable for Phase 1 expansion of Sunway Carnival Mall and refurbishment of Sunway Resort Hotel, and planned refurbishment of AEON space in Sunway Pyramid Mall which is targeted for completion in Q4 2024.

A20. Contingent Liability and Asset

There was no contingent asset as at 30 September 2023. The contingent liability as at 30 September 2023 was in respect to the material litigation as disclosed in Note B12.

A21. Transactions with Parties Related to the Manager

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

	Third Quarter ended		Cumulative Quarter ended	
	30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
a) Sunway Berhad Group				
- Sales	(47,422)	(39,130)	(125,170)	(103,523)
- Purchases	126,494	49,653	210,439	216,041
- Net redemption in money market	-	(53,000)	-	(23,000)
- Disposal of investment property	(430,000)	-	(430,000)	-
Structured entities controlled by Sunway Berhad Group				
- Distribution to perpetual note holders	5,013	5,013	14,876	14,876
b) Sunway Technology Sdn. Bhd. Group				
- Sales	(603)	(722)	(1,891)	(2,170)
- Purchases	148	182	608	801

The disposal of investment property pertains to the disposal of Sunway Medical Centre (Tower A & B) to Sunway Medical Centre Sdn. Bhd., a party controlled by Sunway Berhad, which was completed on 30 August 2023 upon payment of the balance purchase consideration.

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

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

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

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
<u>Amount owed by parties related to the Manager:</u>		
a) Sunway Berhad Group	10,906	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	85,598	26,628
	<hr/>	<hr/>

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

B1. Review of Performance

a) Statement of Profit or Loss and Other Comprehensive Income

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

b) Statement of Financial Position

Investment properties increased by RM186.2 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 RM61.9 million largely due to the deposit paid for the Proposed Acquisition as disclosed in Note A17.

Derivatives was in relation to 1-year USD-MYR CCS contract for the revolving loan (USD). Further details and movement of the derivatives are explained in Notes A15 and B16.

The increase in cash and bank balances was mainly due to balance proceeds from disposal of Sunway Medical Centre (Tower A & B).

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

Total net asset value as at 30 September 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 RM84.3 million mainly due to the distribution to unitholders of RM329.5 million and amount reserved for distribution to perpetual note holders of RM14.9 million, partially offset by the total comprehensive income for the financial period of RM260.1 million. There was no movement in the perpetual note holders' funds during the financial period.

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

c) Statement of Cash Flows

Net cash from operating activities for YTD Q3 2023 of RM340.1 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 from investing activities for YTD Q3 2023 of RM175.1 million mainly comprised the balance proceeds from disposal of Sunway Medical Centre (Tower A & B), partially offset by the progress payments for refurbishment of Sunway Resort Hotel and expansion of Sunway Carnival Mall, and the deposit for the Proposed Acquisition.

B1. Review of Performance (Cont'd)

c) Statement of Cash Flows (Cont'd)

Net cash used in financing activities for YTD Q3 2023 of RM526.8 million was mainly for income distribution to unitholders in February and September 2023 amounting to RM325.8 million, interest paid of RM98.9 million and net drawdown of borrowings of RM92.3 million.

Cash and bank balances as at 30 September 2023 and 30 September 2022 stood at RM279.6 million and RM122.8 million respectively. The higher cash and bank balances was mainly contributed by higher net cash from operating activities coupled with net cash from investing activities.

B2. Maintenance Costs and Major Capital Expenditure

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

Sunway REIT incurred capital expenditure of RM121.8 million for YTD Q3 2023, mainly for new wing of Sunway Carnival Mall and refurbishment of Sunway Resort Hotel.

B3. Material Changes in Quarterly Results

	Current Quarter ended 30.09.2023 RM'000	Immediate Preceding Quarter ended 30.06.2023 RM'000	Change %
Realised profit	91,936	72,157	27.4%
Unrealised profit	36	35	2.9%
Profit for the quarter	91,972	72,192	27.4%

Realised profit for current quarter was higher by RM19.8 million or 27.4% compared to immediate preceding quarter (Q2 2023) contributed by higher NPI of RM20.6 million in current quarter attributable to better performance of the Retail segment mainly from savings on marketing expenses and higher revenue from the Hotel segment with improvement across all hotels, especially Sunway Resort Hotel given the completion of its refurbishment and the full room inventory from July 2023.

B4. Commentary on Prospects

Indicator	2023 (F)	Q3 2023	Q2 2023	Q1 2023	2022	2021
Gross Domestic Product (GDP) (y-o-y)	4.0% ⁴ (revised from 4.5%)	3.3% ⁵	2.9% ¹	5.6% ¹	8.7% ¹	3.1% ¹
Consumer Price Index (y-o-y)	2.5% to 3.0% ⁴	1.9% ²	2.8% ²	3.6% ²	3.3% ²	2.5% ²
Overnight Policy Rate (OPR)	3.0% ³	3.0%	3.0%	2.75%	2.75%	1.75%

¹ GDP growth (Source: Bank Negara Malaysia)

² Source: Department of Statistics Malaysia

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

⁴ Source: Federal Budget 2023, Ministry of Finance

⁵ Advance GDP Estimates (Source: Department of Statistics Malaysia), actual GDP to be announced on 17 November 2023

The Manager remains cautiously optimistic about the outlook for FY2023 underpinned by a healthy/moderate Gross Domestic Product (GDP) growth projection of 4% for 2023. The outlook is further supported by the expectation of sustained growth momentum in the Retail segment, further improvement in the Hotel segment, full-year income contribution from Sunway Carnival Mall (new wing) and Sunway Resort Hotel from the full completion of refurbishment (full room inventory was handed over in July 2023).

B4. Commentary on Prospects (Cont'd)

Nevertheless, the full impact of the 125 bps interest rate hike since May 2022 will be seen in FY2023 Bank Negara Malaysia (BNM) maintained that the prevailing overnight policy rate (OPR) is set to remain high for a longer period as the present monetary policy stance remains supportive of the economy, which is consistent with the current assessment of inflation and growth prospects. The Manager will maintain its dynamic capital management stance and seek opportunities to capitalize on any change in direction in managing our borrowing cost.

Review of retail market

After experiencing a contraction of -4% y-o-y retail sales in Q2 2023, the Retail Group Malaysia (RGM) anticipates that Q3 2023 performance will remain conservative with a modest growth rate of 1.4%. Sunway REIT's retail segment performance for Q3 2023 is consistent with the above-mentioned outlook.

Sunway Pyramid Mall is currently undertaking reconfiguration of a previous anchor tenant's area, accounting for approximately 11% of net lettable area of the mall, which is targeted to be completed in FY2024. The Manager has secured tenants for approximately 68% of the said area as of October 2023 with positive rental reversion.

In addition, Sunway Carnival Mall is undergoing refurbishment for its existing wing (Phase 2) following the strong performance of the new wing which was completed in June 2022. The Phase 2 refurbishment is slated to be completed in phases between early 2024 to the end of 2025 and we expect an uplift in NPI upon the full completion.

The growth in Sunway REIT's retail segment is expected to be marginally / partially impacted in Q4 2023 and FY2024 as a result of the ongoing asset enhancement initiatives (AEIs) in two of its major malls.

Overall, retailers remain cautious about the impact of inflation, rising import costs, and higher interest rate effects on consumers' spending and retailers' costs.

Review of hotel market

The average occupancy rate for the Hotel segment strengthened to 63% for YTD Q3 2023, mainly attributed to the strong pick-up in domestic travelers and gradual recovery in international travelers as well as increased demand in MICE activities. In tandem with the improved occupancy, the average room rate recorded a healthy increase in the same period.

According to Malaysia Airport Holdings Berhad (MAHB), passenger movement has recovered by 82.4% in 1H2023 compared to pre-pandemic levels. In August 2023, MAHB saw 7.4 million (3.5 million and 3.9 million for its international and domestic sector respectively) total passengers movement for its Malaysia airport, registering its highest average total daily passenger at 240,000 passengers.

This sustained traffic growth momentum was contributed by summer holiday travelling, airline route expansions, and flight resumption to Northeast Asia destinations. Traffic movements are displaying a trend that is similar to pre-pandemic periods where traffic peaks during festive, school holidays, and public holidays, indicating that travel patterns are gradually normalizing.

It was also noted that more airlines have restructured their routes with available active fleets in operations, resulting in more flights to the Northeast Asia region and route resumption to pre-pandemic destinations.

Based on the above, the Manager is confident of stronger growth trajectory for the Hotel segment moving forward.

Review of office market

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

Overall, the contribution of the Office segment within Sunway REIT's asset portfolio is expected to remain stable in FY2023.

B5. Investment Objectives

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

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

B6. Performance Benchmark

Performance indicators	Period ended 30.09.2023	Year ended 31.12.2022
a) Management expense ratio *	0.88%	0.88%
b) Total return *	6.6%	9.8%
c) Average annual total return (5 years) *	1.6%	1.3%
d) Distribution yield *	6.6%	6.3%
e) NAV per unit (after income distribution) (RM)	1.4649	1.4649

* The performance indicators for the period ended 30 September 2023 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 year plus annualised distribution yield for the financial year.
- 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 distributable income of 9.59 sen per unit (based on distributable income for YTD Q3 2023 of 7.17 sen per unit) divided by the closing unit price as at 30 September 2023 of RM1.46 (31 December 2022: DPU of 9.22 sen divided by the closing unit price as at 31 December 2022 of RM1.46).
- NAV of Sunway REIT as determined by deducting the value of total liabilities from the total assets as at the period-end and after distributable income for Q3 2022 of 2.54 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:

- 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 Fees

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

- Base fee of 0.3% per annum on the total assets value;
- 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;
- Acquisition fee of 1% of the acquisition price of any future Real Estate or a Special Purpose Vehicle acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest of Sunway REIT in the Real Estate or Special Purpose Vehicle purchased); and
- Divestment fee of 0.5% of the sale price of any future Real Estate or a Special Purpose Vehicle sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the Real Estate or Special Purpose Vehicle sold).

B8. Manager's Fees (Cont'd)

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.

The Manager's fees (base and performance) have increased by RM0.3 million or 2.9% in line with the increase in NPI.

B9. Trustee's Fees

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

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

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

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

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

B10. Status of Corporate Proposals

Other than the Proposed Acquisition as disclosed in Note A17, 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 Raised from Corporate Proposal

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)", for a total cash consideration of RM430.0 million ("Proposed Disposal").

This Proposed Disposal was completed on 30 August 2023 upon payment of the balance purchase consideration.

As at 30 September 2023, the status of utilisation of proceeds from the Proposed Disposal was as follows:

Proposed utilisation	Proposed amount for utilisation	Revised amount for utilisation	Actual utilisation	Balance unutilised	Estimated timeframe for utilisation from 30 August 2023
	RM'million	RM'million	RM'million	RM'million	
New investment(s) / Repayment of borrowings ⁽¹⁾	416	417	56	361	12 months
Estimated expenses (including taxes)	14	13	13	-	6 months
Total	430	430	69	361	

(1) Net proceeds from the Proposed Disposal will be redeployed for new investment(s) within the next twelve (12) months, failing which the proceeds will be utilised to repay the borrowings of Sunway REIT. Pending utilisation of the gross proceeds received, the Manager will place such proceeds in interest-bearing bank deposits and/or money market instruments and/or for repayment of borrowings.

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) (“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.

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.

The trial for the said assessment was held on 4, 5, 6, 12 and 13 January 2023. Upon conclusion of the trial, the High Court judge directed the Defendants and Metroplex to appear before the High Court for oral submission on 9 and 15 May 2023. After hearing oral submissions by both parties, the Judge then proceeded to fix the date for the decision to be delivered. At this stage, the financial impact cannot be determined pending the decision of the High Court, which has been adjourned to 18 January 2024.

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 30.09.2023	Immediate Preceding Quarter ended 30.06.2023	Change %
Number of units in issue (units)	3,424,807,700	3,424,807,700	0.0%
Realised net income (RM'000)	91,936	72,157	27.4%
Realised earnings per unit (EPU) (sen)	2.54	1.96	29.6%
Income distribution (RM'000) ¹	-	158,226	-100.0%
Distribution per unit (DPU) (sen) ¹	-	4.62	-100.0%
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ²	5,017,075	5,017,617	*
NAV per unit (After income distribution)(RM) ²	1.4649	1.4651	*
Market price per unit (RM)	1.46	1.56	-6.4%

* Less than 0.1%

B14. Summary of EPU, DPU, NAV and Market Price (Cont'd)

- 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 Q3 2023 of 2.54 sen per unit is assumed for income distribution (30 June 2023: interim income distribution of 4.62 sen per unit for semi-annual period ended 30 June 2023).

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 / (Liability)	
	As at 30.09.2023	As at 31.12.2022	As at 30.09.2023	As at 31.12.2022
	RM'000	RM'000	RM'000	RM'000
Cross currency swap (CCS) - Less than 1 year	220,524	292,552	19,645	(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.

B17. Risks and Policies of Derivatives

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

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

Please refer to Note A10 for details.

B19. Directors' Declaration

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134 *Interim Financial Reporting* and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 30 September 2023 and of its financial performance and cash flows for the period ended on that date and duly authorised for release by the Board of the Manager on 16 November 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: 16 November 2023