

SUNWAY REAL ESTATE INVESTMENT TRUST
SECOND QUARTER ENDED 30 JUNE 2022
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022 (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Second Quarter ended			Cumulative Quarter ended		
		30.06.2022	30.06.2021	Change	30.06.2022	30.06.2021	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Rental and lease income		140,909	101,542	38.8%	285,621	198,020	44.2%
Other operating income		3,600	1,852	94.4%	12,858	9,640	33.4%
Revenue		144,509	103,394	39.8%	298,479	207,660	43.7%
Quit rent, assessment and insurance		(4,283)	(3,985)	7.5%	(7,328)	(7,769)	-5.7%
Other property operating expenses		(33,336)	(37,061)	-10.1%	(65,341)	(70,526)	-7.4%
Property operating expenses		(37,619)	(41,046)	-8.3%	(72,669)	(78,295)	-7.2%
Net property income		106,890	62,348	71.4%	225,810	129,365	74.6%
Interest income		1,042	1,978	-47.3%	2,310	3,982	-42.0%
Other income		24	45	-46.7%	42	72	-41.7%
Changes in fair value of investment properties							
- As per valuation report		-	-	N/A	18,268	-	N/A
Net investment income		107,956	64,371	67.7%	246,430	133,419	84.7%
Manager's fees	B8	(10,087)	(8,728)	15.6%	(20,450)	(17,517)	16.7%
Trustee's fees	B9	(194)	(192)	1.0%	(384)	(381)	0.8%
Other trust expenses		(401)	(624)	-35.7%	(1,133)	(1,034)	9.6%
Finance costs		(22,766)	(21,306)	6.9%	(43,637)	(44,149)	-1.2%
		(33,448)	(30,850)	8.4%	(65,604)	(63,081)	4.0%
Profit before tax	A10	74,508	33,521	> 100%	180,826	70,338	> 100%
Taxation	A11	-	-	N/A	-	-	N/A
Profit for the period		74,508	33,521	> 100%	180,826	70,338	> 100%
Profit for the period comprises the following:							
Realised							
- Unitholders		69,525	28,537	> 100%	152,653	60,423	> 100%
- Perpetual note holders		4,959	4,959	0.0%	9,863	9,863	0.0%
		74,484	33,496	> 100%	162,516	70,286	> 100%
Unrealised		24	25	-4.0%	18,310	52	> 100%
		74,508	33,521	> 100%	180,826	70,338	> 100%
Basic earnings per unit attributable to unitholders (sen):							
Realised		2.03	0.77	> 100%	4.46	1.71	> 100%
Unrealised		-	-	N/A	0.53	-	N/A
		2.03	0.77	> 100%	4.99	1.71	> 100%
Distributable income per unit (sen) ¹		2.03	0.83	> 100%	4.46	1.76	> 100%
Distribution per unit (sen)	A12	4.22	1.63	> 100%	4.22	1.63	> 100%

N/A - Not Applicable

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

Sunway REIT has changed its financial year end from 30 June to 31 December in the previous financial period. Accordingly, comparative information for the corresponding interim period of the preceding year is presented.

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SECOND QUARTER ENDED 30 JUNE 2022
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022 (UNAUDITED)

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

	Second Quarter ended			Cumulative Quarter ended		
	30.06.2022	30.06.2021	Change	30.06.2022	30.06.2021	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period	74,508	33,521	> 100%	180,826	70,338	> 100%
Other comprehensive income:						
Cash flow hedge - fair value of derivative ¹	(10,947)	(35)	> 100%	2,565	9,685	-73.5%
Cash flow hedge reserve recycled to profit or loss	10,592	(570)	> 100%	(3,849)	(9,656)	-60.1%
Total comprehensive income for the period	74,153	32,916	> 100%	179,542	70,367	> 100%

¹ Please refer to Note B16 for further details of the derivative.

STATEMENT OF INCOME DISTRIBUTION

Note	Second Quarter ended			Cumulative Quarter ended			
	30.06.2022	30.06.2021	Change	30.06.2022	30.06.2021	Change	
	RM'000	RM'000	%	RM'000	RM'000	%	
Rental and lease income	140,909	101,542	38.8%	285,621	198,020	44.2%	
Interest income	1,042	1,978	-47.3%	2,310	3,982	-42.0%	
Other income ²	3,600	1,872	92.3%	12,858	9,660	33.1%	
	145,551	105,392	38.1%	300,789	211,662	42.1%	
Less: Expenses	(71,067)	(71,896)	-1.2%	(138,273)	(141,376)	-2.2%	
Realised income for the period	74,484	33,496	> 100%	162,516	70,286	> 100%	
Less: Amount reserved for distribution to perpetual note holders	(4,959)	(4,959)	0.0%	(9,863)	(9,863)	0.0%	
Realised income attributable to unitholders	69,525	28,537	> 100%	152,653	60,423	> 100%	
Add: Previous period's undistributed realised income	83,128	36,819	> 100%	-	4,933	-100%	
Total income available for distribution	152,653	65,356	> 100%	152,653	65,356	> 100%	
Less: Proposed / Declared income distribution to unitholders	(144,527)	(55,824)	> 100%	(144,527)	(55,824)	> 100%	
Balance undistributed realised income	8,126	9,532	-14.8%	8,126	9,532	-14.8%	
Distribution per unit (sen)	A12	4.22	1.63	> 100%	4.22	1.63	> 100%

² Included other operating income.

Sunway REIT has changed its financial year end from 30 June to 31 December in the previous financial period. Accordingly, comparative information for the corresponding interim period of the preceding year is presented.

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

SUNWAY REAL ESTATE INVESTMENT TRUST
SECOND QUARTER ENDED 30 JUNE 2022
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022 (UNAUDITED)

FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	Note	Current Quarter ended 30.06.2022	Immediate Preceding Quarter ended 31.03.2022	Change
		RM'000	RM'000	%
Rental and lease income		140,909	144,712	-2.6%
Other operating income		3,600	9,258	-61.1%
Revenue		144,509	153,970	-6.1%
Quit rent, assessment and insurance		(4,283)	(3,045)	40.7%
Other property operating expenses		(33,336)	(32,005)	4.2%
Property operating expenses		(37,619)	(35,050)	7.3%
Net property income		106,890	118,920	-10.1%
Interest income		1,042	1,268	-17.8%
Other income		24	18	33.3%
Changes in fair value of investment properties				
- As per valuation report		-	18,268	-100.0%
Net investment income		107,956	138,474	-22.0%
Manager's fees	B8	(10,087)	(10,363)	-2.7%
Trustee's fees	B9	(194)	(190)	2.1%
Other trust expenses		(401)	(732)	-45.2%
Finance costs		(22,766)	(20,871)	9.1%
		(33,448)	(32,156)	4.0%
Profit before tax	A10	74,508	106,318	-29.9%
Taxation	A11	-	-	N/A
Profit for the period		74,508	106,318	-29.9%
Profit for the period comprises the following:				
Realised				
- Unitholders		69,525	83,128	-16.4%
- Perpetual note holders		4,959	4,904	1.1%
		74,484	88,032	-15.4%
Unrealised		24	18,286	-99.9%
		74,508	106,318	-29.9%
Basic earnings per unit attributable to unitholders (sen):				
Realised		2.03	2.43	-16.5%
Unrealised		-	0.53	-100%
		2.03	2.96	-31.4%
Distributable income per unit (sen) ¹		2.03	2.43	-16.5%
Distribution per unit (sen)	A12	4.22	-	N/A

N/A - Not Applicable

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

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

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

	Current Quarter ended 30.06.2022	Immediate Preceding Quarter ended 31.03.2022	Change
	RM'000	RM'000	%
Profit for the period	74,508	106,318	-29.9%
Other comprehensive income:			
Cash flow hedge - fair value of derivative ¹	(10,947)	13,512	> -100%
Cash flow hedge reserve recycled to profit or loss	10,592	(14,441)	> 100%
Total comprehensive income for the period	74,153	105,389	-29.6%

¹ Please refer to Note B16 for further details of the derivative.

STATEMENT OF INCOME DISTRIBUTION

	Current Quarter ended 30.06.2022	Immediate Preceding Quarter ended 31.03.2022	Change
	RM'000	RM'000	%
Rental and lease income	140,909	144,712	-2.6%
Interest income	1,042	1,268	-17.8%
Other income ²	3,600	9,258	-61.1%
	145,551	155,238	-6.2%
Less: Expenses	(71,067)	(67,206)	5.7%
Realised income for the period	74,484	88,032	-15.4%
Less: Amount reserved for distribution to perpetual note holders	(4,959)	(4,904)	1.1%
Realised income attributable to unitholders	69,525	83,128	-16.4%
Add: Previous period's undistributed realised income	83,128	-	N/A
Total income available for distribution	152,653	83,128	83.6%
Less: Proposed / Declared income distribution to unitholders	(144,527)	-	N/A
Balance undistributed realised income	8,126	83,128	-90.2%
Distribution per unit (sen)	4.22	-	N/A

N/A - Not Applicable

² 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 30.06.2022 (Unaudited)	As At 31.12.2021 (Audited)
		RM'000	RM'000
Assets			
Non-current assets			
Investment properties	A13	8,922,515	8,701,745
Investment properties - accrued lease income	A13	36,514	36,514
Plant and equipment		12,467	11,556
Right-of-use asset		833	871
		8,972,329	8,750,686
Current assets			
Trade receivables	A14	25,129	39,788
Other receivables		17,500	8,277
Derivatives	B16	1,024	11,188
Short term investment		79,954	49,991
Cash and bank balances		122,645	290,543
		246,252	399,787
Total assets		9,218,581	9,150,473
Equity and liabilities			
Equity			
Unitholders' capital		3,433,864	3,433,864
Undistributed income		1,765,413	1,691,629
Total unitholders' funds		5,199,277	5,125,493
Perpetual note holders' funds		339,717	339,717
Total equity		5,538,994	5,465,210
Non-current liabilities			
Borrowings	A15	1,700,000	1,810,000
Long term liabilities		58,581	57,072
Deferred tax liability		13,091	13,091
Lease liability		861	861
		1,772,533	1,881,024
Current liabilities			
Borrowings	A15	1,694,083	1,595,366
Trade payables		6,908	5,150
Other payables		206,048	203,693
Lease liability		15	30
		1,907,054	1,804,239
Total liabilities		3,679,587	3,685,263
Total equity and liabilities		9,218,581	9,150,473
Units in circulation ('000 units)		3,424,808	3,424,808
Net Asset Value ("NAV") attributable to unitholders:			
Before income distribution		5,199,277	5,125,493
After income distribution ¹		5,054,750	5,029,598
NAV per unit attributable to unitholders (RM):			
Before income distribution		1.5181	1.4966
After income distribution ¹		1.4759	1.4686

¹ After proposed interim income distribution of 4.22 sen per unit for semi-annual period ended 30 June 2022 (31 December 2021: final income distribution of 2.80 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 2022	3,433,864	1,691,629	5,125,493	339,717	5,465,210
Total comprehensive income					
Profit for the period	-	180,826	180,826	-	180,826
Other comprehensive income:					
- Cash flow hedge - fair value of derivative	-	2,565	2,565	-	2,565
- Cash flow hedge reserve recycled to profit or loss	-	(3,849)	(3,849)	-	(3,849)
Total comprehensive income, representing the increase in net assets resulting from operations	-	179,542	179,542	-	179,542
Unitholders' transactions					
Distribution to unitholders:					
- 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	-	(95,895)	(95,895)	-	(95,895)
Perpetual Note Holders' transactions					
Amount reserved for distribution to perpetual note holders	-	(9,863)	(9,863)	-	(9,863)
Decrease in net assets resulting from perpetual note holders' transactions	-	(9,863)	(9,863)	-	(9,863)
As at 30 June 2022 (Unaudited)	3,433,864	1,765,413	5,199,277	339,717	5,538,994

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 CHANGES IN NET ASSET VALUE (CONT'D)

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

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

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

SUNWAY REAL ESTATE INVESTMENT TRUST
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	307,169	238,854
Refundable security deposits from customers	5,736	(2,029)
Cash paid for operating expenses	(99,901)	(79,469)
Net cash from operating activities	213,004	157,356
Cash flows from investing activities		
Acquisition of plant and equipment	(2,141)	(777)
Deposit for acquisition of investment property	(6,005)	(3,410)
Balance payment for acquisition of investment property	(30,690)	-
Incidental costs on acquisition of investment property	(2,632)	500
Subsequent expenditure of investment properties	(159,740)	(152,263)
Investment in short term money market instrument	(330,000)	-
Redemption of short term money market instrument	300,000	-
Interest received	2,777	4,148
Net cash used in investing activities	(228,431)	(151,802)
Cash flows from financing activities		
Proceeds from issuance of commercial papers	190,000	-
Proceeds from issuance of unrated medium term notes	700,000	800,000
Drawdown of revolving loan - USD	292,552	384,893
Drawdown of revolving loan	90,000	-
Repayment of commercial papers	(90,000)	-
Repayment of unrated medium term notes	(800,000)	(800,000)
Repayment of revolving loan - USD	(384,893)	(373,680)
Interest paid	(44,317)	(46,458)
Payment of unit issuance expenses	-	(88)
Distribution paid to unitholders	(95,895)	(26,371)
Distribution paid to perpetual note holders	(9,918)	(9,918)
Net cash used in financing activities	(152,471)	(71,622)
Net decrease in cash and cash equivalents	(167,898)	(66,068)
Cash and cash equivalents at beginning of year	290,543	444,502
Cash and cash equivalents at end of period	122,645	378,434
Cash and bank balances	122,645	378,434
Deposits with licensed financial institutions with maturity of over 3 months	-	-
Cash and cash equivalents	122,645	378,434
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	43,645	32,434
Deposits placed with licensed financial institutions	79,000	346,000
Cash and bank balances	122,645	378,434

Sunway REIT has changed its financial year end from 30 June to 31 December in the previous financial period. Accordingly, comparative information for the corresponding interim period of the preceding year is presented.

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

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

A1. Corporate Information

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

A2. Significant Accounting Policies and Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the financial period ended 30 June 2022 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 period ended 31 December 2021 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements. The audited financial statements of the Group for the financial period ended 31 December 2021 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 period ended 31 December 2021, except for the adoption of the following amendments to MFRSs that are effective for annual periods beginning on or after 1 January 2022:

- Annual Improvements to MFRS Standards 2018 - 2020
- Amendments to MFRS 3 *Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*

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

A3. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statements for the preceding financial period ended 31 December 2021.

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 30 June 2022, except for the material event as disclosed in Note A17.

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

There were no issuance, repurchases and repayments of debt and equity securities for the current quarter ended 30 June 2022, except as disclosed in Note A15.

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

There was no change to Sunway REIT's fund size of 3,424.8 million units for the current quarter ended 30 June 2022.

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A8. Segmental Reporting

Segmental revenue and results for the second quarter ended 30 June 2022 and 30 June 2021 are as follows:

Business segments	Second Quarter ended 30.06.2022						Second Quarter ended 30.06.2021					
	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	101,350	5,980	19,723	15,763	1,693	144,509	58,582	8,674	19,264	15,335	1,539	103,394
Net property income	71,637	5,048	12,749	15,763	1,693	106,890	25,536	6,996	12,942	15,335	1,539	62,348
Interest income						1,042						1,978
Other income						24						45
Trust and other expenses						(10,682)						(9,544)
Finance costs						(22,766)						(21,306)
Profit before tax						74,508						33,521
Taxation						-						-
Profit for the period						74,508						33,521

Sunway REIT has changed its financial year end from 30 June to 31 December in the previous financial period. Accordingly, comparative information for the corresponding interim period of the preceding year is presented.

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A8. Segmental Reporting (Cont'd)

Segmental revenue and results for the cumulative quarter ended 30 June 2022 and 30 June 2021 are as follows:

Business segments	Cumulative Quarter ended 30.06.2022						Cumulative Quarter ended 30.06.2021					
	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	199,794	24,501	39,201	31,596	3,387	298,479	112,233	23,077	38,601	30,670	3,079	207,660
Net property income	141,919	22,491	26,417	31,596	3,387	225,810	49,482	19,814	26,320	30,670	3,079	129,365
Interest income						2,310						3,982
Other income						42						72
Changes in fair value of investment properties						18,268						-
Trust and other expenses						(21,967)						(18,932)
Finance costs						(43,637)						(44,149)
Profit before tax						180,826						70,338
Taxation						-						-
Profit for the period						180,826						70,338

Sunway REIT has changed its financial year end from 30 June to 31 December in the previous financial period. Accordingly, comparative information for the corresponding interim period of the preceding year is presented.

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A8. Segmental Reporting (Cont'd)

Segmental assets and liabilities as at 30 June 2022 and 31 December 2021 are as follows:

Business segments	As at 30.06.2022						As at 31.12.2021					
	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	5,198,166	1,769,930	961,049	940,422	100,000	8,969,567	5,106,699	1,702,199	953,023	940,129	100,000	8,802,050
Unallocated assets						249,014						348,423
Total assets						9,218,581						9,150,473
Liabilities												
Segment liabilities	209,298	3,493	24,791	-	-	237,582	201,440	7,657	24,707	-	-	233,804
Unallocated liabilities						3,442,005						3,451,459
Total liabilities						3,679,587						3,685,263

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A8. Segmental Reporting (Cont'd)

Properties	Gross Revenue				Net Property Income				Gross Revenue			Net Property Income		
	Second Quarter ended				Second Quarter ended				Cumulative Quarter ended			Cumulative Quarter ended		
	30.06.2022	30.06.2021	Change	31.03.2022	30.06.2022	30.06.2021	Change	31.03.2022	30.06.2022	30.06.2021	Change	30.06.2022	30.06.2021	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	78,507	40,272	94.9%	77,571	61,973	18,260	> 100%	60,062	156,078	78,835	98.0%	122,035	37,320	> 100%
Sunway Carnival Mall ¹	9,317	7,338	27.0%	9,418	2,678	3,408	-21.4%	4,671	18,735	14,054	33.3%	7,349	6,087	20.7%
SunCity Ipoh Hypermarket	770	771	-0.1%	933	750	743	0.9%	899	1,703	1,541	10.5%	1,649	1,486	11.0%
Sunway Putra Mall	12,707	10,201	24.6%	10,522	6,540	3,125	> 100%	4,650	23,229	17,803	30.5%	11,190	4,589	> 100%
Sunway Pier ²	49	N/A	N/A	-	(304)	N/A	N/A	-	49	N/A	N/A	(304)	N/A	N/A
Total Retail	101,350	58,582	73.0%	98,444	71,637	25,536	> 100%	70,282	199,794	112,233	78.0%	141,919	49,482	> 100%
Hotel														
Sunway Resort ³	60	-	> 100%	541	(241)	(390)	38.2%	535	601	200	> 100%	294	(585)	> 100%
Sunway Pyramid Hotel	341	128	> 100%	287	175	(34)	> 100%	137	628	321	95.6%	312	(20)	> 100%
Sunway Hotel Seberang Jaya	475	(43)	> 100%	109	424	(89)	> 100%	64	584	(34)	> 100%	488	(126)	> 100%
Sunway Putra Hotel	1,577	7,135	-77.9%	1,115	1,236	6,775	-81.8%	776	2,692	7,736	-65.2%	2,012	7,020	-71.3%
Sunway Hotel Georgetown	1,202	65	> 100%	2,720	1,149	14	> 100%	2,668	3,922	2,003	95.8%	3,817	1,901	> 100%
Sunway Clio Property	2,325	1,389	67.4%	13,749	2,305	720	> 100%	13,263	16,074	12,851	25.1%	15,568	11,624	33.9%
Total Hotel	5,980	8,674	-31.1%	18,521	5,048	6,996	-27.8%	17,443	24,501	23,077	6.2%	22,491	19,814	13.5%
Office														
Menara Sunway	4,311	4,300	0.3%	4,433	2,805	2,966	-5.4%	2,718	8,744	8,602	1.7%	5,523	5,904	-6.5%
Sunway Tower	838	1,119	-25.1%	807	(186)	137	> -100%	819	1,645	2,303	-28.6%	633	487	30.0%
Sunway Putra Tower	3,255	3,040	7.1%	3,165	2,079	1,953	6.5%	2,084	6,420	6,077	5.6%	4,163	3,908	6.5%
Wisma Sunway	1,738	1,719	1.1%	1,735	965	962	0.3%	958	3,473	3,481	-0.2%	1,923	1,917	0.3%
The Pinnacle Sunway	9,581	9,086	5.4%	9,338	7,086	6,924	2.3%	7,089	18,919	18,138	4.3%	14,175	14,104	0.5%
Total Office	19,723	19,264	2.4%	19,478	12,749	12,942	-1.5%	13,668	39,201	38,601	1.6%	26,417	26,320	0.4%
Services														
Sunway Medical Centre (Tower A & B)	6,609	6,387	3.5%	6,610	6,609	6,387	3.5%	6,610	13,219	12,773	3.5%	13,219	12,773	3.5%
Sunway university & college campus	9,154	8,948	2.3%	9,223	9,154	8,948	2.3%	9,223	18,377	17,897	2.7%	18,377	17,897	2.7%
Total Services	15,763	15,335	2.8%	15,833	15,763	15,335	2.8%	15,833	31,596	30,670	3.0%	31,596	30,670	3.0%
Industrial & Others														
Sunway REIT Industrial - Shah Alam 1	1,693	1,539	10.0%	1,694	1,693	1,539	10.0%	1,694	3,387	3,079	10.0%	3,387	3,079	10.0%
Total Industrial & Others	1,693	1,539	10.0%	1,694	1,693	1,539	10.0%	1,694	3,387	3,079	10.0%	3,387	3,079	10.0%
Total Revenue / NPI	144,509	103,394	39.8%	153,970	106,890	62,348	71.4%	118,920	298,479	207,660	43.7%	225,810	129,365	74.6%

N/A - Not Applicable

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

² Acquired on 26 January 2022, formerly known as Kompleks Dato' Shaari Jihin. The property is currently in the planning stage for the redevelopment into a retail-centric tourist attraction.

³ Formerly known as Sunway Resort Hotel. The hotel was closed for refurbishment from July 2020 and reopened progressively since 1 May 2022.

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A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

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

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

a) Review of Second Quarter Results

Retail segment

The retail segment recorded revenue of RM101.4 million for the second quarter ended 30 June 2022 (2Q2022), an increase of 73% or RM42.8 million compared the same period last year (2Q2021), due to the overall improved performance across retail properties, primarily from the increase of Sunway Pyramid Mall by RM38.2 million which almost doubled its revenue for 2Q2021 of RM40.3 million.

The improved performance of the retail properties was supported by higher retail footfall and encouraging tenant sales in 2Q2022 in conjunction with the strong pent-up demand, Raya festive spending and relaxation of COVID-19 safety measures.

Net property income ("NPI") of the retail segment for 2Q2022 rose by RM46.1 million, to RM71.6 million. The quantum of increase in NPI was higher than the revenue mainly contributed by the recovery of doubtful debts following the continued improvement in rental collection in the current quarter.

Hotel segment

During the quarter, Sunway Resort (formerly known as Sunway Resort Hotel) has reopened for business, with the first phase from May 2022 and the average room capacity of approximately 22% for 2Q2022.

The hotel segment recorded improvements in average occupancy rates for the quarter under review pursuant to the nation transitioning into the endemic phase. Despite the improvement in operational performance, the hotel segment reported revenue of RM6.0 million in 2Q2022, lower by 31% compared to RM8.7 million in 2Q2021, primarily due recognition of minimum guaranteed rent for Sunway Putra Hotel in 2Q2021 which has since ceased.

The hotel segment saw a corresponding decline in NPI by 28% or RM1.9 million, resulting in NPI of RM5.1 million for 2Q2022.

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

Office segment

The office segment recorded revenue of RM19.7 million for 2Q2022, a marginal increase of 2% or RM0.5 million compared to 2Q2021, supported by stable occupancy rate. Overall occupancy rate for the office segment was maintained at 84% for 2Q2022.

NPI of the office segment was at RM12.8 million for 2Q2022, slightly reduced by 1% or RM0.2 million compared to 2Q2021, mainly due to increase in utilities and maintenance expenses offsetting the higher revenue.

Services segment

The services segment contributed revenue and NPI of RM15.8 million for 2Q2022, marginally increased by 3% or RM0.4 million compared to 2Q2021 due to annual positive rental reversion for Sunway Medical Centre (Tower A & B) and Sunway university & college campus in accordance with the master lease agreements.

A8. Segmental Reporting (Cont'd)

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

Industrial & Others segment

The industrial & others segment, comprise of Sunway REIT Industrial - Shah Alam 1, delivered revenue and NPI of RM1.7 million for 2Q2022, an increase of 10% compared to 2Q2021, in accordance with the master lease agreement where rent review will be conducted every three years, with the last rent review on 1 January 2022.

Note: Further details on the master leases of the hotel, services and industrial properties can be found in pages 18-23 and 29-31 of Sunway REIT Integrated Annual Report 2021.

Overall

	2Q2022	2Q2021	Change	
	RM'000	RM'000	RM'000	%
Revenue	144,509	103,394	41,115	39.8%
NPI	106,890	62,348	44,542	71.4%
Profit for the period, comprise of:				
Realised				
- Unitholders	69,525	28,537	40,988	> 100%
- Perpetual note holders	4,959	4,959	-	0.0%
	<u>74,484</u>	<u>33,496</u>	<u>40,988</u>	<u>> 100%</u>
Unrealised	24	25	(1)	-4.0%
	<u>74,508</u>	<u>33,521</u>	<u>40,987</u>	<u>> 100%</u>

Sunway REIT registered profit of RM74.5 million for 2Q2022, more than double of the profit in 2Q2021, predominantly contributed by the sharp improvement in retail segment as discussed above. The increase was partially reduced by higher Manager's fees (RM1.4 million) in tandem with the improved NPI, higher finance costs (RM1.5 million) resulting from the OPR hike by 25 bps in May 2022 and lower interest income (RM0.9 million) due to lower cash and placements after progress payments for capital expenditure. In 2Q2021, Sunway REIT has also maintained a higher cash reserve on prudence in view of the uncertainty caused by the pandemic.

b) Review of Cumulative Quarter Results

Retail segment

Revenue of the retail segment jumped by 78% or RM87.6 million, bringing it to RM199.8 million for the cumulative period ended 30 June 2022 (YTD2Q2022), contributed by the improved performance of all retail properties when compared to the preceeding year corresponding period (YTD2Q2021). The improvement was largely due to marginal rental support required in the current financial period, higher turnover rent, promotion and car park income following the increased retail footfall and tenant sales.

Correspondingly, NPI of the retail segment for YTD2Q2022 rose to RM141.9 million, increased by RM92.4 million in tandem with the increase in revenue coupled with the recovery of doubtful debts.

Hotel segment

Despite lower revenue in 2Q2022, the hotel segment recorded a higher total revenue of RM24.5 million for YTD2Q2022, an increase of 6% or RM1.4 million, boosted by the higher guaranteed income for Sunway Clio Property and Sunway Hotel Georgetown in 1Q2022.

The hotel segment registered a 14% or RM2.7 million increase in NPI to RM22.5 million for YTD2Q2022, higher than the increase in revenue mainly due to lower operating expenses from the retail component in Sunway Clio Property.

A8. Segmental Reporting (Cont'd)

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

Office segment

The office segment registered revenue of RM39.2 million for YTD2Q2022, an increase of 2% or RM0.6 million compared to YTD2Q2021, backed by stable occupancy rate of about 84%.

NPI of the office segment also inched marginally by 0.4% or RM0.1 million, ended with RM26.4 million for YTD2Q2022.

Services segment

The services segment registered revenue and NPI of RM31.6 million for YTD2Q2022, representing an increase of 3% or RM0.9 million compared to YTD2Q2021, in accordance to the contractual annual rental uplifts for Sunway Medical Centre (Tower A & B) and Sunway university & college campus.

Industrial & Others segment

The industrial & others segment contributed RM3.4 million to revenue and NPI for YTD2Q2022, an increase of 10% or RM0.3 million compared to YTD2Q2021, contributed by positive rental reversion for Sunway REIT Industrial - Shah Alam 1.

Overall

	YTD2Q2022 RM'000	YTD2Q2021 RM'000	Change RM'000	%
Revenue	298,479	207,660	90,819	43.7%
NPI	225,810	129,365	96,445	74.6%
Profit for the period, comprise of:				
Realised				
- Unitholders	152,653	60,423	92,230	> 100%
- Perpetual note holders	9,863	9,863	-	0.0%
	162,516	70,286	92,230	> 100%
Unrealised	18,310	52	18,258	> 100%
	180,826	70,338	110,488	> 100%

Overall profit of Sunway REIT for YTD2Q2022 was at RM180.8 million, increased by RM110.5 million compared to YTD2Q2021 due to the improvement in performance of all the business segments (RM96.4 million) during the financial period. The increased profit was also boosted by the unrealised valuation gain for Sunway Pier (RM18.3 million), albeit partially offset by higher Manager's fees (RM2.9 million) in line with the increased NPI and lower interest income (RM1.7 million) due to lower cash and placements.

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:

	Second Quarter ended		Cumulative Quarter ended	
	30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Net changes in fair value of long term liabilities	(24)	(25)	(42)	(52)
Unrealised foreign exchange (gain) / loss (hedged item)	(10,592)	570	3,849	9,656
Cash flow hedge reserve recycled to profit or loss (Reversal) / Allowance of impairment on trade receivables	10,592	(570)	(3,849)	(9,656)
Depreciation of plant and equipment	(4,078)	6,555	(6,186)	9,549
Loss on disposal of plant and equipment	651	604	1,266	1,189
Write off of plant and equipment	-	50	7	43
	3	-	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.

Taxation of the Unitholders

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

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

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

A12. Income Distribution

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

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

Distribution reinvestment scheme ("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 Ninth AGM on 7 April 2022. 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 2022 to 30 June 2022, interim income distribution amounting to RM144.5 million or 4.22 sen per unit, comprising taxable and non-taxable / tax-exempt amount of 2.95 sen per unit and 1.27 sen per unit respectively, payable in cash on 15 September 2022.

Final income distribution for the current financial year will be based on the distributable income for the semi-annual period ending 31 December 2022.

A13. Investment Properties

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Investment properties	8,922,515	8,449,486
Investment property under construction	-	252,259
Investment property - accrued lease income	36,514	36,514
	<u>8,959,029</u>	<u>8,738,259</u>

On 26 January 2022, Sunway REIT through its wholly owned subsidiary, SUNREIT Hartanah Sdn Bhd, has acquired Sunway Pier (formerly known as Kompleks Dato' Shaari Jihin) for a cash consideration of RM34.1 million. The property is planned for redevelopment into a tourist destination and shall include amongst others, variety of retail, food and beverage offerings.

A13. Investment Properties (Cont'd)

Sunway Resort (formally known as Sunway Resort Hotel) has been undergoing refurbishment from July 2020, to modernise its offerings with technology-enhanced features and family-friendly amenities. The hotel has reopened progressively since May 2022. Total property development costs incurred to-date of RM180.7 million has been capitalised as investment properties.

Investment property under construction relates to the property development activities for the expansion of Sunway Carnival Mall. The new wing of Sunway Carnival Mall has been completed and was opened on 24 June 2022.

Investment properties - accrued lease income is in relation to the 30-year non-cancellable lease agreements for Sunway university & college campus, commencing on 15 April 2019 and expiring on 30 November 2048, with in-built incremental lease rental of 2.3% every year. The lease income has been recognised on a straight-line based over the lease period of 30 years pursuant to MFRS 16 Leases, with a total accrued lease income of RM36.5 million as at 30 June 2022.

A14. Trade Receivables

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Third parties	43,588	58,738
Amount due from parties related to the Manager	979	6,769
	<hr/> 44,567	<hr/> 65,507
Less: Allowance for impairment	(19,438)	(25,719)
Total trade receivables	<hr/> 25,129	<hr/> 39,788

Trade receivables was lower by RM14.7 million mainly due to improved rental collection from the retail segment.

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

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Neither past due nor impaired	5,038	11,063
Past due but not impaired		
1 to 30 days	803	2,385
31 to 60 days	4,965	7,363
61 to 90 days	2,750	830
91 to 120 days	2,228	5,558
More than 120 days	9,345	12,589
	<hr/> 20,091	<hr/> 28,725
Impaired	19,438	25,719
	<hr/> 44,567	<hr/> 65,507

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

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
At beginning of financial year / period	25,719	6,047
(Reversal) / Charge for the financial period	(6,186)	20,294
Written off	(95)	(622)
At end of financial period	<hr/> 19,438	<hr/> 25,719

A15. Borrowings and Debt Securities

	As at 30.06.2022 RM'000	As at 30.06.2021 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial paper	100,000	-
- Revolving loan (USD)	294,453	394,440
- Unrated medium term notes	1,300,000	800,000
	<u>1,694,453</u>	<u>1,194,440</u>
Less: Discount on commercial paper	(97)	-
Less: Unamortised transaction costs	(273)	(345)
Total short term borrowings	<u>1,694,083</u>	<u>1,194,095</u>
<u>Long term borrowings</u>		
Secured - Unrated medium term notes	10,000	600,000
Unsecured - Revolving loan (RM)	1,690,000	1,600,000
Total long term borrowings	<u>1,700,000</u>	<u>2,200,000</u>
Total borrowings	<u>3,394,083</u>	<u>3,394,095</u>

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

The revolving loan (USD) was drawn in AUD97.0 million (equivalent to RM292.6 million) to partially refinance the existing revolving loan (USD) drawn in USD95.0 million (equivalent to RM384.9 million). The revolving loan (USD) is fully hedged with 1-year AUD-MYR cross currency swap ("CCS") contract until February 2023 (30 June 2021: 1-year USD-MYR CCS contracts until February 2022) 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 AUD97.0 million was translated at an exchange rate of 3.0356 on 30 June 2022 (30 June 2021: USD95.0 million at an exchange rate of 4.1520) with cumulative unrealised foreign exchange translation loss of RM1.9 million (30 June 2021: loss of RM9.5 million) since the drawdown.

The unamortised transaction costs of RM0.3 million as at 30 June 2022 relates to upfront expenses incurred for establishment of the 7-year CP Programme of up to RM3.0 billion commencing from April 2019.

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

Total borrowings of Sunway REIT stood at RM3.4 billion as at 30 June 2022 and 30 June 2021.

The weighted average interest rate of borrowings as at 30 June 2022 was 2.71% (30 June 2021: 2.86%) and the percentage proportion of debt that is based on fixed interest rate and floating interest rate was 32 : 68 (30 June 2021: 38 : 62).

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.

A16. Fair Value Hierarchy (Cont'd)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2022				
<u>Financial assets</u>				
Investment properties	-	-	8,541,000	8,541,000
Derivatives	-	1,024	-	1,024
At 31 December 2021				
<u>Financial assets</u>				
Investment properties	-	-	8,486,000	8,486,000
Derivatives	-	11,188	-	11,188

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

A17. Material Event

a) COVID-19 Pandemic and Malaysia Movement Control Order

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

Effective 1 April 2022, Malaysia entered into the 'Transition to Endemic' phase of COVID-19, with restrictions on business operating hours, limits on number of people allowed in the workplace and 50% capacity being removed. Interstate travel is allowed for all regardless of their vaccination status. Under a further relaxed SOP effective 1 May 2022, physical distancing between individuals is no longer required and all economic sectors is allowed to operate beginning from 15 May 2022.

i) Impact on financials

Rental income from malls and hotels has been adversely impacted during the implementation of the MCO, while the impact on Sunway REIT's rental income from office, services and industrial properties has not been material. However, with the recent relaxation measures and recovery in progress, the financials for 2Q2022 and YTD2Q2022 have improved against the same period last year as discussed in Notes A8a) and A8b) above.

ii) Impact on liquidity

The Manager has taken pre-emptive measures to increase the liquidity position of Sunway REIT, both for ongoing business needs as well as for the purposes of averting any liquidity crunch in the credit market that could potentially arise. As at 30 June 2022, Sunway REIT has cash and bank balances and short term investment amounting to RM203 million.

On 12 August 2020, Securities Commission Malaysia announced that it will temporarily increase the gearing limit for Malaysian real estate investment trusts from 50.0% to 60.0%, effective immediately until 31 December 2022. This temporary increase in gearing limit provides Sunway REIT with cash flow flexibility in light of the challenging operating environment during the COVID-19 pandemic, if required. As at 30 June 2022, the gearing of Sunway REIT stood at 36.8%, providing sufficient debt headroom to fund planned capital expenditure and investment opportunities.

A17. Material Event (Cont'd)

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

iii) Impact on occupancies

Average occupancy rate of the retail and office segments were relatively stable at 94% and 84% for YTD2Q2022 comparing to the preceeding year corresponding period. The hotel segment registered average occupancy rate of 45% for YTD2Q2022, a big jump compared to the low base of 21% in YTD2Q2021. Demand for hotel segment will continue to be supported primarily by domestic leisure and business travelers in the near term as well as gradual resumption of MICE business.

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

iv) Strategies and steps taken

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

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

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

In addition, Sunway REIT's capital base was strengthened following the completion of the private placement exercise in October 2020, raising gross proceeds of approximately RM710.0 million to fund the acquisition of The Pinnacle Sunway and the expansion of Sunway Carnival Mall. Status of utilisation of the proceeds is disclosed in Note B11 below.

The Manager has initiated a comprehensive review of the strategic roadmap of Sunway REIT, TRANSCEND 2025, to analyse the impact of COVID-19 pandemic to Sunway REIT's recovery prospects and opportunities arising from the pandemic fallout. The refreshed TRANSCEND 2027 is underpinned by opportunities arising from global megatrends and Sunway Group's synergistic ecosystem and strong track record.

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

There was no material event subsequent to the current quarter ended 30 June 2022.

A19. Capital Commitments

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

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Approved and contracted for	236,561	310,074
Approved but not contracted for	403,769	202,107
	<u>640,331</u>	<u>512,181</u>

The capital commitment mainly relates to expansion and refurbishment of Sunway Carnival Mall, refurbishment of Sunway Resort (formerly known as Sunway Resort Hotel) and planned refurbishment of Sunway Pyramid Mall.

A20. Contingent Liability and Asset

There was no contingent asset as at 30 June 2022. The contingent liability as at 30 June 2022 is 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 period ended 30 June 2022:

	Second Quarter ended		Cumulative Quarter ended	
	30.06.2022 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
a) Sunway Berhad Group				
- Sales	(24,543)	(27,957)	(64,393)	(66,023)
- Purchases	79,501	77,849	166,388	158,047
- Net investment in money in money market	30,000	-	30,000	-
Structured entities controlled by Sunway Berhad Group				
- Distribution to perpetual note holders	4,959	4,959	9,863	9,863
b) Sunway Technology Sdn. Bhd. Group				
- Sales	(754)	(756)	(1,448)	(1,526)
- Purchases	462	323	619	635

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 30 June 2022 and 31 December 2021:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
<u>Amount owed by parties related to the Manager:</u>		
a) Sunway Berhad Group	<u>979</u>	<u>8,938</u>
<u>Amount owed to parties related to the Manager:</u>		
a) Sunway Berhad Group	<u>5,550</u>	<u>15,097</u>

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 RM220.8 million predominantly contributed by the capital expenditure for expansion of Sunway Carnival Mall and refurbishment of Sunway Resort (formerly known as Sunway Resort Hotel), as well as the acquisition of Sunway Pier in January 2022.

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

Other receivables was higher by RM9.0 million mainly due to deposit paid for an industrial property in Petaling Jaya upon signing of the sale and purchase agreement in June 2022.

Derivatives of RM1.0 million was in relation to 1-year AUD-MYR CCS contract for the revolving loan (USD). Further details and movement of the derivatives are explained in Notes A15 and B16.

Short term investment relates to investment in 1-month commercial paper issued by Sunway Berhad Group at the nominal value of RM80.0 million.

Cash and bank balances has decreased by RM167.9 million largely due to funding for the additions of investment properties mentioned above.

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 30 June 2022 was RM5.5 billion, comprised unitholders' funds of RM5.2 billion and perpetual note holders' funds of RM0.3 billion. The increase in unitholders' funds of RM73.8 million was derived from the total comprehensive income for the financial period of RM179.5 million, partially reduced by distribution to unitholders of RM95.9 million and amount reserved for distribution to perpetual note holders of RM9.9 million. There was no movement in the perpetual note holders' funds during the financial period.

Net asset value per unit, after income distribution, increased marginally to RM1.48 as at 30 June 2022 primarily due to the valuation gain for Sunway Pier of RM18.3 million.

c) Statement of Cash Flows

Net cash from operating activities for YTD2Q2022 of RM213.0 million was contributed by the collection from tenants and lessees and the refundable deposits received, partially used for operating expenses.

Net cash used in investing activities for YTD2Q2022 of RM228.4 million was largely due to the progress payments for refurbishment works at Sunway Resort (formerly known as Sunway Resort Hotel) and expansion works at Sunway Carnival Mall, the acquisition of Sunway Pier and the net investment in money market instrument.

Net cash used in financing activities for YTD2Q2022 of RM152.5 million was mainly for income distribution to unitholders of RM95.9 million paid in February 2022 and interest paid of RM44.3 million.

Cash and bank balances as at 30 June 2022 and 30 June 2021 stood at RM122.6 million and RM378.4 million respectively. The decrease in cash and bank balances was mainly due to investing activities above.

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 RM79.7 million for 2Q2022, substantially in regards to the expansion of Sunway Carnival Mall and the refurbishment of Sunway Resort (formerly known as Sunway Resort Hotel), details as disclosed in Note A13.

B3. Material Changes in Quarterly Results

	Current Quarter ended 30.06.2022 RM'000	Immediate Preceding Quarter ended 31.03.2022 RM'000	Change %
Realised profit	74,484	88,032	-15.4%
Unrealised profit	24	18,286	-99.9%
Profit for the quarter	74,508	106,318	-29.9%

Realised profit for current quarter was lower by RM13.5 million compared to the immediate preceding quarter (1Q2022), largely due to the top up of guaranteed income for Sunway Clio Property and Sunway Hotel Georgetown upon the lease anniversary in 1Q2022.

Unrealised profit for current quarter was minimal while the higher unrealised profit in 1Q2022 was contributed by the valuation gain of Sunway Pier which was acquired in January 2022.

B4. Commentary on Prospects

Indicator	2022 (F)	2Q2022 (A)	1Q2022 (A)	2021 (A)
Gross Domestic Product (GDP) (y-o-y)	5.3% - 6.3%	8.9% ¹	5.0%	3.1%
Consumer Price Index (y-o-y)	2.2% - 3.2%	2.8% ²	2.2%	2.5%
Overnight Policy Rate (OPR)	2.50% ⁴	2.25% ³	1.75%	1.75%

¹ GDP growth in 2Q2022 (Source: Bank Negara Malaysia)

² Source: Department of Statistics Malaysia

³ OPR announced on 6 July 2022 (Source: Bank Negara Malaysia)

⁴ Bloomberg's economists consensus forecast

Sunway REIT maintains an optimistic outlook for FY2022, underpinned by strong growth in the retail segment on the back of low base in the preceding year and significant decline in rental support. The outlook is further supported by gradual recovery in the hotel segment, new income contribution from the new wing of Sunway Carnival Mall and resumption of income contribution from phased re-opening of Sunway Resort (formerly known as Sunway Resort Hotel).

The Manager proactively optimises its capital management strategy by managing a balanced composition of fixed and floating debts to minimise the impact of higher interest rate. The Manager expects improved NPI in FY2022 to substantially mitigate the impact of the higher interest costs.

Review of retail market

The outlook for retail segment remains positive, underpinned by strong improvement in retail footfall and retail sales which have recovered to pre-pandemic level in 2019. The outlook is further supported by healthy economic growth, sustained domestic consumption, gradual pick up in international travelling and new income contribution from the new wing of Sunway Carnival Mall following its launch in June 2022.

The Manager expects rental rebate to continue to trend lower amidst improvement in tenants sales.

B4. Commentary on Prospects (Cont'd)

Review of hotel market

The Manager expects the occupancy rates for the hotel segment to gradually improve in 2H2022, predominantly supported by domestic leisure, corporate and MICE businesses. In addition, the reopening of international border augurs well to welcome international tourists to Malaysia.

Sunway Resort (formerly known as Sunway Resort Hotel) has re-opened its refurbished rooms progressively since May 2022 which is expected to contribute positively to the hotel segment. The Manager targets to complete the refurbishment of Sunway Resort in 2H 2022.

Review of office market

The Manager expects the office segment to remain resilient as businesses are operating at full capacity in the endemic phase. The Corporate Suite@19, an 30,000 sq.ft. of newly completed office space at Sunway Resort (formerly known as Sunway Resort Hotel), will further strengthen the income base of the office segment.

The demand for office space in strategic location with captive market and transit-oriented developments (TODs) are expected to remain stable. The Manager is closely monitoring trends which may impact the demand office space in the medium to long term and execute asset management initiatives accordingly in managing attrition risk.

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 period under review.

B6. Performance Benchmark

Performance indicators	Period ended 30.06.2022	Period ended 31.12.2021
a) Management expense ratio *	0.82%	0.74%
b) Total return *	11.7%	-10.1%
c) Average annual total return (5 years) *	1.6%	1.8%
d) Distribution yield *	6.0%	2.9%
e) NAV per unit (after income distribution) (RM)	1.4759	1.4686

* The performance indicators for the period ended 30 June 2022 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 8.99 sen per unit (based on distributable income for YTD2Q2022 of 4.46 sen per unit) divided by the closing unit price as at 30 June 2022 of RM1.49 (31 December 2021: Annualised DPU of 4.06 sen (based on DPU of 6.10 sen for financial period ended 31 December 2021) divided by the closing unit price as at 31 December 2021 of RM1.41).
- NAV of Sunway REIT as determined by deducting the value of total liabilities from the total assets as at the period-end and after proposed interim income distribution of 4.22 sen per unit for semi-annual period ended 30 June 2022 (31 December 2021: final income distribution of 2.80 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 FY2017.

The Manager's fees (base and performance) were discussed in Notes A8a) and A8b) above. In 1Q2022, there was acquisition fee of RM0.3 million paid to the Manager for the acquisition of Sunway Pier, which was capitalised as part of the acquisition cost of investment properties.

B9. Trustee's Fees

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

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

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

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

The trustees' fees for current and cumulative quarter ended 30 June 2022 was RM0.2 million and RM0.4 million respectively in line with preceding year corresponding period.

B10. Status of Corporate Proposals

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

B11. Status of Utilisation of Proceeds

As at 30 June 2022, the status of utilisation of the gross proceeds from the private placement was as follows:

Proposed utilisation	Proposed amount for utilisation	Actual utilisation	Balance unutilised	Estimated timeframe for utilisation upon listing on 28 October 2020
	RM'million	RM'million	RM'million	
Settlement of balance purchase consideration of The Pinnacle Sunway	405.0	405.0	-	Immediately
Capital expenditure for expansion of Sunway Carnival Mall	295.4	290.9	4.5	Within 36 months
Defray estimated expenses for the Proposals	9.6	9.6	-	Immediately
	710.0	705.5	4.5	

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.

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 is now fixed on 4, 5, 6, 12 and 13 January 2023. At this stage, the financial impact cannot be determined pending the outcome of the said assessment proceedings.

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 30.06.2022	Immediate Preceding Quarter ended 31.03.2022	Change %
Number of units in issue (units)	3,424,807,700	3,424,807,700	0.0%
Realised net income (RM'000)	74,484	88,032	-15.4%
Realised earnings per unit (EPU) (sen)	2.03	2.43	-16.5%
Income distribution (RM'000) ¹	144,527	-	N/A
Distribution per unit (DPU) (sen) ¹	4.22	-	N/A
Net Asset Value (NAV) attributable to unitholders (After income distribution) (RM'000) ²	5,054,750	5,046,955	0.2%
NAV per unit (After income distribution) (RM) ²	1.4759	1.4736	0.2%
Market price per unit (RM)	1.49	1.41	5.7%

N/A - Not Applicable

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

² After proposed interim income distribution of 4.22 sen per unit for semi-annual period ended 30 June 2022 (31 March 2022: distributable income for 1Q2022 of 2.43 sen per unit is assumed for income distribution).

B15. Income Distribution

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

B16. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract / Notional Value		Fair Value at Reporting Date Derivative Asset	
	As at 30.06.2022	As at 31.12.2021	As at 30.06.2022	As at 31.12.2021
	RM'000	RM'000	RM'000	RM'000
Cross currency swap (CCS) - Less than 1 year	292,552	384,893	1,024	11,188

Sunway REIT entered into CCS contract to manage its exposure in foreign currency risk arising from borrowings in AUD 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.

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

The fair value of the CCS recognised in the statement of comprehensive income for YTD2Q2022 was a gain of RM2.5 million, which comprised fair value gain of the CCS which has matured in February 2022 of RM1.5 million and fair value gain of the new CCS entered from February 2022 of RM1.0 million, where the latter has been reflected as a derivative asset on the balance sheet as at 30 June 2022.

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 period ended 31 December 2021.

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 June 2022 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 18 August 2022.

BY ORDER OF THE BOARD

Sunway REIT Management Sdn. Bhd.

(As Manager for Sunway Real Estate Investment Trust)

**Tan Kim Aun
Lee Chun Shian
Company Secretaries**

**Bandar Sunway
Date: 18 August 2022**