

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Rental income	120,316	111,527	494,614	442,622
Other operating income	3,269	3,410	12,399	10,832
Gross revenue	123,585	114,937	507,013	453,454
Quit rent, assessment and insurance	(3,423)	(2,000)	(12,850)	(9,531)
Other property operating expenses	(29,992)	(28,517)	(120,312)	(103,097)
Property operating expenses	(33,415)	(30,517)	(133,162)	(112,628)
Net property income	90,170	84,420	373,851	340,826
Other income	(668)*	833	10,072	3,444
Change in fair value of investment properties	63,482	306,750	63,482	306,750
Net investment income	152,984	392,003	447,405	651,020
Manager's fee	(7,583)	(7,344)	(30,802)	(28,121)
Trustee's fee	(341)	(325)	(1,248)	(1,160)
Finance costs	(21,544)	(20,035)	(86,242)	(70,751)
Other expenses	(619)	(496)	(5,417)	(3,648)
	(30,087)	(28,200)	(123,709)	(103,680)
Profit before tax	122,897	363,803	323,696	547,340
Income tax expense	-	(5,896)	-	(5,896)
Profit for the period	122,897	357,907	323,696	541,444
Profit for the period comprise the following:				
Realised	60,618	56,680	262,473	242,032
Unrealised	62,279	301,227	61,223	299,412
	122,897	357,907	323,696	541,444
Earnings per unit (sen)				
- realised	2.05	1.93	8.92	8.25
- unrealised	2.12	10.27	2.08	10.21
	4.17	12.20	11.00	18.46
Proposed/declared distribution per unit (sen)	2.12	2.05	9.18	8.73

* Included in other income for 4Q2016 was a reclassification of fair value gain on derivative financial instruments which arose in previous quarters, amounting to RM1.9 million, to other expenses. The reclassification was done as the YTD 4Q2016 net fair value on derivative financial instruments was a net loss of RM2.2 million. Excluding this reclassification, other income and other expenses for 4Q2016 will be RM1.1 million and RM2.5 million respectively.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period	122,897	357,907	323,696	541,444
Other comprehensive income				
Cash flow hedge - fair value of derivative ¹	11,093	7,431	21,785	53,419
Cash flow hedge reserve recycled to profit or loss ²	(12,950)	(8,200)	(18,100)	(58,950)
Total comprehensive income for the period	121,040	357,138	327,381	535,913

¹ Please refer to Note B15 for details.

² Please refer to Note A14 for details.

Income distribution

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	60,618	56,680	262,473	242,032
Add: Surplus cash arising from 25% Manager's fee paid/payable in Units (4Q2015: 50%)	1,896	3,672	7,701	14,061
Total available for income distribution for the period	62,514	60,352	270,174	256,093
Brought forward undistributed income available for distribution	410	286	414	484
Total available for income distribution	62,924	60,638	270,588	256,577
Less: Proposed/declared income distribution	(62,411)	(60,224)	(270,075)	(256,163)
Balance undistributed arising from rounding difference	513	414	513	414

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.06.2016 (Unaudited)	As At 30.06.2015 (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	8,698	5,268
Investment properties	6,433,000	6,324,000
	<u>6,441,698</u>	<u>6,329,268</u>
Current assets		
Receivables, deposits and prepayments	25,842	20,174
Derivatives	-	14,358
Cash and bank balances	69,719	66,218
	<u>95,561</u>	<u>100,750</u>
	<u>6,537,259</u>	<u>6,430,018</u>
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,725,933	2,716,456
Undistributed income	1,325,297	1,265,804
Total Unitholders' funds	<u>4,051,230</u>	<u>3,982,260</u>
Non-current liabilities		
Borrowings	1,403,150	1,378,550
Long term liabilities	56,256	75,585
Deferred tax liability	5,896	5,896
Derivatives	22,189	1,513
	<u>1,487,491</u>	<u>1,461,544</u>
Current liabilities		
Trade and other payables	226,138	222,826
Borrowings	772,400	763,388
	<u>998,538</u>	<u>986,214</u>
	<u>6,537,259</u>	<u>6,430,018</u>
Number of units in circulation ('000 units)	2,943,918	2,937,777
NET ASSET VALUE ("NAV")		
- Before income distribution	4,051,230	3,982,260
- After income distribution	3,988,819	3,922,036
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.3761	1.3555
- After income distribution ²	1.3549	1.3350

¹ Before the 4Q2016 proposed income distribution of 2.12 sen per unit (4Q2015: 2.05 sen per unit).

² After the 4Q2016 proposed income distribution of 2.12 sen per unit (4Q2015: 2.05 sen per unit).

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' <-- Undistributed Income -->			Total
	Capital	Realised	Unrealised	Unitholders' Funds
	RM'000	RM'000	RM'000	RM'000
As at 1 July 2015	2,716,456	727	1,265,077	3,982,260
Total comprehensive income				
Profit for the period	-	262,473	61,223	323,696
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	21,785	21,785
- Cash flow hedge reserve recycled to profit or loss	-	-	(18,100)	(18,100)
Total comprehensive income, representing the increase in net assets resulting from operations	2,716,456	263,200	1,329,985	4,309,641
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	9,477	-	-	9,477
Distribution to unitholders				
- Income distribution declared and paid in current period	-	(207,664)	-	(207,664)
- Income distribution proposed in prior year but paid in current period	-	(60,224)	-	(60,224)
Increase/(decrease) in net assets resulting from unitholders' transactions	9,477	(267,888)	-	(258,411)
As at 30 June 2016 (Unaudited)	2,725,933	(4,688)	1,329,985	4,051,230

	Unitholders' <-- Undistributed Income -->			Total
	Capital	Realised	Unrealised	Unitholders' Funds
	RM'000	RM'000	RM'000	RM'000
As at 1 July 2014	2,702,788	14,087	971,196	3,688,071
Total comprehensive income				
Profit for the year	-	242,032	299,412	541,444
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	53,419	53,419
- Cash flow hedge reserve recycled to profit or loss	-	-	(58,950)	(58,950)
Total comprehensive income, representing the increase in net assets resulting from operations	2,702,788	256,119	1,265,077	4,223,984
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	13,668	-	-	13,668
Distribution to unitholders				
- Income distribution declared and paid in current year	-	(195,939)	-	(195,939)
- Income distribution proposed in prior year but paid in current year	-	(59,453)	-	(59,453)
Increase/(decrease) in net assets resulting from unitholders' transactions	13,668	(255,392)	-	(241,724)
As at 30 June 2015 (Unaudited)	2,716,456	727	1,265,077	3,982,260

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)**

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

¹ Issue of new units comprise the following:

	30.06.2016	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager's fee paid in units:		
- at RM1.5953 per unit for the quarter ended 30 June 2015	2,302	3,672
Issuance of new units pursuant to 25% Manager's fee paid in units:		
- at RM1.5178 per unit for the quarter ended 30 September 2015	1,257	1,907
- at RM1.4534 per unit for the quarter ended 31 December 2015	1,349	1,961
- at RM1.5692 per unit for the quarter ended 31 March 2016	1,233	1,937
Total Manager's fee paid in units	<u>6,141</u>	<u>9,477</u>
	30.06.2015	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager's fee paid in units:		
- at RM1.4461 per unit for the quarter ended 30 June 2014	2,268	3,280
- at RM1.5253 per unit for the quarter ended 30 September 2014	2,260	3,446
- at RM1.5007 per unit for the quarter ended 31 December 2014	2,327	3,493
- at RM1.5627 per unit for the quarter ended 31 March 2015	2,207	3,449
Total Manager's fee paid in units	<u>9,062</u>	<u>13,668</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	574,176	343,003
Refundable security deposits from customers	7,898	18,495
Cash paid for operating expenses	(227,015)	(129,758)
Net cash generated from operating activities	<u>355,059</u>	<u>231,740</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(4,844)	(1,328)
Acquisition of investment properties	-	(134,000)
Subsequent expenditure of investment properties	(67,190)	(176,112)
Incidental costs on acquisition of investment properties	-	(2,049)
Interest received	3,546	2,291
Net cash used in investing activities	<u>(68,488)</u>	<u>(311,198)</u>
FINANCING ACTIVITIES		
Issuance of commercial papers	4,395,000	297,400
Drawdown of term loan	422,000	50,100
Drawdown of revolving loans	4,959,800	4,707,800
Repayment of commercial papers	(4,415,000)	(255,400)
Repayment of term loan	(360,900)	-
Repayment of revolving loans	(4,930,800)	(4,452,400)
Interest paid	(85,282)	(52,347)
Distribution paid	(267,888)	(192,864)
Net cash (used in)/generated from financing activities	<u>(283,070)</u>	<u>102,289</u>
Net increase in cash and bank balances	3,501	22,831
Cash and bank balances at beginning of year	66,218	54,607
Cash and bank balances at end of period	<u>69,719</u>	<u>77,438</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	21,123	77,434
Deposits placed with licensed financial institutions	48,596	4
Cash and bank balances	<u>69,719</u>	<u>77,438</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)**

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

A1. Corporate Information

Sunway Real Estate Investment Trust ("Sunway REIT" or "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (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 condensed consolidated interim financial statements comprise Sunway REIT and its subsidiaries (the "Group").

A2. Significant Accounting Policies and Basis of Preparation

The condensed consolidated interim financial statements of the Group for the financial year ended 30 June 2016 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). These condensed consolidated interim financial statements also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

The consolidated financial statements of the Group for the financial year ended 30 June 2015 which were prepared under MFRS are available upon request from the management company's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway 47500, Subang Jaya, Selangor Darul Ehsan.

A3. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statements for the financial year ended 30 June 2015.

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 2016 except for the fair value changes as follows:

	Fourth Quarter ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
Profit after tax	122,897	357,907
Less: Fair value changes ¹	(62,279)	(301,227)
Add: Deferred taxation ²	-	5,896
Profit after tax, excluding unusual items	60,618	62,576

¹ Mainly comprise change in fair value of investment properties amounting to RM63.5 million (30 June 2015: RM306.8 million), after accounting for capital expenditure of RM45.5 million (YTD 4Q2015: RM361.3 million) with details explained in Note A13.

² Relates to deferred tax provided at 5% for the cumulative fair value gain of the freehold land component within the investment properties which are expected to be recovered through sale.

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

Sunway REIT has issued 1,234,200 new units at RM1.5692* per unit on 17 May 2016, being 25% payment of the Manager's fee for the quarter ended 31 March 2016. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 18 May 2016.

* Based on the 10-day volume weighted average price ("VWAP") of the units up to 31 March 2016.

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

Sunway REIT's fund size increased from 2,942.7 million units as at 31 March 2016 to 2,943.9 million units with the issuance of new units as mentioned in Note A6.

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)

A8. Segmental Reporting

By segment

Segmental results for the quarter ended 30 June 2016 are as follows:

Fourth Quarter

	Fourth Quarter ended 30.06.2016					Fourth Quarter ended 30.06.2015				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	96,536	14,124	7,548	5,377	123,585	85,228	14,787	9,728	5,194	114,937
Net property income	67,813	13,033	3,947	5,377	90,170	58,987	14,134	6,105	5,194	84,420
Other income					(668)					833
Change in fair value of investment properties					63,482					306,750
Trust and other expenses					(8,543)					(8,165)
Finance costs					(21,544)					(20,035)
Profit before tax					122,897					363,803
Income tax expense					-					(5,896)
Profit for the period					122,897					357,907

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 30.06.2016					Cumulative Quarter ended 30.06.2015				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	382,819	72,794	30,258	21,142	507,013	332,664	61,308	39,098	20,384	453,454
Net property income	269,435	68,788	14,486	21,142	373,851	236,883	58,743	24,816	20,384	340,826
Other income					10,072					3,444
Change in fair value of investment properties					63,482					306,750
Trust and other expenses					(37,467)					(32,929)
Finance costs					(86,242)					(70,751)
Profit before tax					323,696					547,340
Income tax expense					-					(5,896)
Profit for the period					323,696					541,444

A8. Segmental Reporting (Cont'd)
By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Fourth Quarter			Fourth Quarter			Cumulative Quarter ended			Cumulative Quarter ended		
	30.06.2016	30.06.2015	Change	30.06.2016	30.06.2015	Change	30.06.2016	30.06.2015	Change	30.06.2016	30.06.2015	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	72,869	71,951	1.3%	55,062	54,483	1.1%	294,958	283,722	4.0%	220,633	212,863	3.7%
Sunway Carnival Shopping Mall	11,374	11,111	2.4%	7,158	6,965	2.8%	44,249	42,659	3.7%	28,350	26,962	5.1%
SunCity Ipoh Hypermarket	1,252	1,251	0.1%	1,165	1,158	0.6%	5,002	5,002	0.0%	4,696	4,680	0.3%
Sunway Putra Mall	11,041	915	1106.7%	4,428	(3,619)	222.4%	38,610	1,281	2914.1%	15,756	(7,622)	306.7%
	96,536	85,228	13.3%	67,813	58,987	15.0%	382,819	332,664	15.1%	269,435	236,883	13.7%
Hotel												
Sunway Resort Hotel & Spa	8,377	7,975	5.0%	7,992	7,814	2.3%	40,554	32,933	23.1%	39,030	31,591	23.5%
Sunway Pyramid Hotel East (formerly known as Pyramid Tower East)	429	4,193	-89.8%	313	4,101	-92.4%	15,093	18,392	-17.9%	14,620	18,024	-18.9%
Sunway Hotel Seberang Jaya	900	494	82.2%	849	441	92.5%	3,527	4,058	-13.1%	3,319	3,847	-13.7%
Sunway Putra Hotel	3,386	1,143	196.2%	2,899	852	240.3%	9,068	4,371	107.5%	7,474	3,821	95.6%
Sunway Hotel Georgetown *	1,032	982	5.1%	980	926	5.8%	4,552	1,554	192.9%	4,345	1,460	197.6%
	14,124	14,787	-4.5%	13,033	14,134	-7.8%	72,794	61,308	18.7%	68,788	58,743	17.1%
Office												
Menara Sunway	3,957	4,352	-9.1%	2,593	3,010	-13.9%	16,258	17,772	-8.5%	10,731	12,544	-14.5%
Sunway Tower	1,000	2,927	-65.8%	(121)	1,395	-108.7%	3,682	12,652	-70.9%	(921)	7,335	-112.6%
Sunway Putra Tower	890	782	13.8%	431	637	-32.3%	3,580	6,865	-47.9%	493	3,785	-87.0%
Wisma Sunway *	1,701	1,667	2.0%	1,044	1,063	-1.8%	6,738	1,809	272.5%	4,183	1,152	263.1%
	7,548	9,728	-22.4%	3,947	6,105	-35.3%	30,258	39,098	-22.6%	14,486	24,816	-41.6%
Others												
Sunway Medical Centre	5,377	5,194	3.5%	5,377	5,194	3.5%	21,142	20,384	3.7%	21,142	20,384	3.7%
	5,377	5,194	3.5%	5,377	5,194	3.5%	21,142	20,384	3.7%	21,142	20,384	3.7%
TOTAL PORTFOLIO	123,585	114,937	7.5%	90,170	84,420	6.8%	507,013	453,454	11.8%	373,851	340,826	9.7%

* Sunway Hotel Georgetown and Wisma Sunway were acquired on 28 January 2015 and 23 March 2015 respectively.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2016 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

- (i) Retail - renting of retail premises to tenants
- (ii) Hotel - leasing of hotel premises to hotel operators
- (iii) Office - renting of office premises to tenants
- (iv) Others - leasing of a medical premise to a hospital operator

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

a) Review of Current Quarter Results

Retail segment

The retail segment posted gross revenue of RM96.5 million for the current quarter ended 30 June 2016 (4Q2016), an increase of 13.3% or RM11.3 million compared to the preceding year corresponding quarter (4Q2015). The increase was mainly attributable to contribution for a full quarter from Sunway Putra Mall which re-opened on 28 May 2015.

Sunway Pyramid Shopping Mall recorded gross revenue growth of 1.3% or RM0.9 million for 4Q2016 compared to 4Q2015 mainly due to higher average net rent per sq. ft.

Gross revenue for Sunway Carnival Shopping Mall was higher by 2.4% or RM0.3 million for 4Q2016 compared to the preceding year corresponding quarter mainly due to higher average net rent per sq. ft. Remodelling of the 2nd floor new food and beverage ("F&B") area of approximately 21,000 sq ft since 4Q2015 has been completed. The new F&B area with net lettable area ("NLA") of approximately 16,000 sq. ft. (3% of total NLA) and occupancy of 92% have progressively opened since 4Q2016.

SunCity Ipoh Hypermarket maintained its gross revenue of RM1.3 million for the same period.

Sunway Putra Mall contributed gross revenue of RM11.0 million for 4Q2016, with a secured occupancy as at 30 June 2016 of 85.7%.

Property operating expenses of the retail segment for 4Q2016 was RM28.7 million, an increase of 9.5% or RM2.5 million primarily attributable to Sunway Putra Mall, which re-opened on 28 May 2015 after a 2-year closure for major refurbishment.

Net property income of the retail segment for 4Q2016 was RM67.8 million, higher by 15.0% or RM8.8 million compared to 4Q2015.

Hotel segment

The hotel segment registered gross revenue of RM14.1 million for 4Q2016, lower by 4.5% or RM0.7 million compared to 4Q2015, mainly due to the closure of Sunway Pyramid Hotel East ("SPE") for an estimated 1-year refurbishment since April 2016 but mitigated by better performance from the other hotels.

Gross revenue for Sunway Resort Hotel & Spa ("SRHS") was higher by 5.0% or RM0.4 million mainly attributable to lower operating expenses. SPE recorded lower gross revenue of RM0.4 million in 4Q2016 compared to RM4.2 million in 4Q2015 due to its closure for refurbishment, as mentioned above.

Sunway Putra Hotel achieved higher gross revenue by RM2.2 million in 4Q2016 compared to 4Q2015 with the completion of refurbishment of the hotel in 2Q2016. Average occupancy rate improved to 61.5% for 4Q2016 with a higher average daily rate.

Gross revenue for Sunway Hotel Seberang Jaya increased by RM0.4 million in 4Q2016 mainly due to higher average occupancy rate but partially offset by lower average daily rate. The lower average daily rate is part of the tactical strategy employed to achieve better occupancy in view of softer demand from the corporate segment and increased competition from new hotels in Penang.

Sunway Hotel Georgetown recorded stable gross revenue of RM1.0 million for both 4Q2016 and 4Q2015.

A8. Segmental Reporting (Cont'd)

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

Hotel segment (Cont'd)

Net property income of the hotel segment for 4Q2016 was RM13.0 million, lower by 7.8% or RM1.1 million, as compared to 4Q2015.

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 gross revenue represents the hotel lease rental income.

Office segment

Gross revenue for the office segment was lower by 22.4% or RM2.2 million for 4Q2016 compared to 4Q2015 due to lower average occupancy of all office properties, with the exception of Wisma Sunway.

Menara Sunway registered lower gross revenue of RM4.0 million, a decrease of 9.1% or RM0.4 million in the current quarter due to non-renewal of a tenant who occupied 46,000 sq. ft. (16% of total NLA) since December 2015. New tenants for approximately 32,500 sq. ft. (11% of total NLA) have commenced in 4Q2016 and the asset manager continues to seek for more replacement tenants for the remaining vacant space.

The lower occupancy at Sunway Tower was attributable to non-renewal by an anchor tenant who occupied 129,000 sq. ft. (48% of total NLA) since July 2015. New tenants for approximately 35,000 sq. ft. (13% of total NLA) have commenced in 3Q2016 and 4Q2016, and the asset manager is actively seeking for more replacement tenants.

Gross revenue for Sunway Putra Tower was marginally higher by RM0.1 million for 4Q2016 compared to 4Q2015 mainly due to marginally higher average net rent per sq. ft. but partially offset by non-renewal of a tenant who occupied approximately 10,700 sq. ft. since June 2015. New tenants have been secured for approximately 27,100 sq. ft. (9% of total NLA) to commence in FY2017 and the asset manager continues to seek for more replacement tenants.

Property operating expenses of the office segment for 4Q2016 was maintained at RM3.6 million.

Net property income stood at RM3.9 million, a decline of 35.3% or RM2.2 million compared to the preceding year corresponding quarter.

Others

Sunway Medical Centre contributed RM5.4 million revenue and net property income for 4Q2016, an increase of 3.5% compared to 4Q2015 mainly due to rental reversion in accordance with the Master Lease Agreement.

Note: Sunway Medical Centre was acquired on 31 December 2012 and leased to Sunway Medical Centre Sdn Bhd on even date on a 10-year master lease agreement at an annual rental of RM19 million and with a 3.5% rental reversion per annum. The lease is based on a triple net basis whereby all the property operating expenses, quit rent, assessment and insurance will be borne by the lessee.

Profit before tax

Finance costs for 4Q2016 was RM21.5 million, higher by 7.5% or RM1.5 million compared to 4Q2015 primarily attributable to a higher principal loan amount to fund capital expenditure, as well as the cessation of interest capitalisation on completion of refurbishment for Sunway Putra Mall in May 2015.

Net profit for 4Q2016 was RM122.9 million (4Q2015: RM357.9 million) comprising realised profit of RM60.6 million (4Q2015: RM56.7 million) and unrealised profit of RM62.3 million (4Q2015: RM301.2 million).

The increase in realised profit by 6.9% or RM3.9 million in the current quarter was mainly due to higher net property income from the retail segment, but partially offset by higher finance costs and lower contribution from the hotel and office segment.

The unrealised profit in 4Q2016 was mainly attributable to fair value gain on investment properties of RM63.5 million, after accounting for capital expenditure incurred, and partially offset by fair value loss on interest rate swap amounting to RM1.2 million. The higher net fair value gain for the previous year was mainly attributable to Sunway Pyramid Shopping Mall which achieved strong growth in revenue and net property income of 9.8% and 11.8% respectively. In addition, the current year fair value gain was adversely affected by lower valuation of Sunway Tower of RM31 million.

A8. Segmental Reporting (Cont'd)

b) Review of Cumulative Quarter Results

Retail segment

The retail segment registered gross revenue of RM382.8 million for the financial year ended 30 June 2016 (YTD 2016), an increase of 15.1% or RM50.2 million compared to the preceding financial year (YTD 2015). This was mainly attributable to a full year contribution from Sunway Putra Mall which re-opened on 28 May 2015 as well as better performance from both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall as mentioned in Note A8(a) above.

Property operating expenses of the retail segment for YTD 2016 was RM95.8 million, increased by 18.4% or RM17.6 million primarily due to Sunway Putra Mall, which re-opened on 28 May 2015 after a 2-year closure for major refurbishment.

Net property income of the retail segment for YTD 2016 was RM269.4 million, higher by 13.7% or RM32.6 million compared to YTD 2015.

Hotel segment

The hotel segment recorded gross revenue of RM72.8 million for YTD 2016, an increase of 18.7% or RM11.5 million compared to YTD 2015 attributable to higher contribution from SRHS, Sunway Putra Hotel post completion of refurbishment and full year contribution from Sunway Hotel Georgetown, with the exception of SPE and Sunway Hotel Seberang Jaya ("SHSJ").

SRHS achieved a better performance for YTD 2016 mainly due to both higher average occupancy rate and average daily rate. The contribution from SPE for the current financial year was affected by progressive closure in March 2016 for the hotel's refurbishment and softer corporate demand. Gross revenue for SHSJ was lower by RM0.5 million for YTD 2016 due to the reasons as mentioned in Note A8(a) above.

Net property income of the hotel segment for YTD 2016 was RM68.8 million, higher by 17.1% or RM10.0 million, in line with revenue.

Office segment

Gross revenue for the office segment stood at RM30.3 million for YTD 2016, a decline of 22.6% or RM8.8 million compared to YTD 2015 due to the reasons mentioned in Note A8(a).

Property operating expenses of the office segment for YTD 2016 was RM15.8 million, higher by 10.4% or RM1.5 million compared to YTD 2015, mainly contributed by Wisma Sunway which was acquired in March 2015 and partially mitigated by lower operating expenses for Sunway Tower due to lower occupancy.

Correspondingly, net property income of the office segment for YTD 2016 was RM14.5 million, lower by 41.6% or RM10.3 million.

Others

Sunway Medical Centre contributed RM21.1 million of revenue and net property income for YTD 2016, an increase of 3.7% compared to YTD 2015 due to the reason mentioned in Note A8(a).

Profit before tax

Finance costs for YTD 2016 was RM86.2 million, higher by 21.9% or RM15.5 million compared to YTD 2015 mainly due to the reasons mentioned in Note A8(a).

Net profit for YTD 2016 was RM323.7 million (YTD 2015: RM541.4 million) comprising realised profit of RM262.5 million (YTD 2015: RM242.0 million) and unrealised profit of RM61.2 million (YTD 2015: RM299.4 million). Realised profit for YTD 2016 was higher by 8.4% or RM20.4 million compared to YTD 2015 due to the reasons mentioned in Note A8(a) and the recognition of a one-off RM6.2 million court award (please see further explanation in Note B11(2)), under other income in 2Q2016.

The unrealised profit for YTD 2016 was RM61.2 million, lower by RM238.2 million compared to RM299.4 million for YTD 2015 mainly attributable to lower fair value gain on investment properties after accounting for capital expenditure incurred.

A9. Seasonality of Operations

The quarterly results were not materially affected by seasonal or cyclical factors except for the hotel segment, which will typically enjoy better performance from July to December due to higher leisure and business activities and year end corporate functions.

A10. Profit Before Tax

Included in the profit before tax are the following items:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Interest Income	(1,066)	(801)	(3,801)	(3,329)
Net changes in fair value of long term liabilities	(30)	(21)	41	(71)
Unrealised foreign exchange loss - hedged item	12,950	8,200	18,100	58,950
Cash flow hedge reserve recycled to profit or loss	(12,950)	(8,200)	(18,100)	(58,950)
Net changes in fair value of derivative financial instrument	1,232	(352)	2,218	1,513
(Reversal of)/Allowance for impairment of trade receivables	(548)	(1,819)	467	(620)
Bad debts written off	138	1,158	432	1,718
Depreciation of plant and equipment	566	247	1,382	682

A11. Income Tax ExpenseTaxation 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.

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ended 30 June 2016.

Taxation of the Unitholders

Pursuant to Section 109D(2) of 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:

Unitholders	Withholding tax rate
Individuals & all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24% for year of assessment 2016

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

A12. Income Distribution

For the quarter ended 30 June 2016, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM62.411 million or 2.12 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.31 sen per unit and 0.81 sen per unit respectively. This amount includes surplus cash arising from 25% Manager's fee payable in units of RM1.896 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 29 August 2016 and 13 September 2016 respectively.

A13. Valuation of Investment properties

Investment properties are valued by independent registered valuer, C H Williams Talhar & Wong. The difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise.

Property	Fair value		Increase/ (Decrease) RM'000
	As at 30.6.2016 * RM'000	As at 30.6.2015 ^ RM'000	
Retail			
Sunway Pyramid Shopping Mall	3,300,000	3,200,000	100,000
Sunway Carnival Shopping Mall	380,000	340,000	40,000
SunCity Ipoh Hypermarket	61,000	60,000	1,000
Sunway Putra Mall	595,000	588,000	7,000
	<u>4,336,000</u>	<u>4,188,000</u>	<u>148,000</u>
Hotel			
Sunway Resort Hotel & Spa	530,000	530,000	-
Sunway Pyramid Hotel East (formerly known as Pyramid Tower East)	295,000	295,000	-
Sunway Hotel Seberang Jaya	68,000	75,000	(7,000)
Sunway Putra Hotel	335,000	335,000	-
Sunway Hotel Georgetown	72,000	74,000	(2,000)
	<u>1,300,000</u>	<u>1,309,000</u>	<u>(9,000)</u>
Office			
Menara Sunway	164,000	164,000	-
Sunway Tower	135,000	166,000	(31,000)
Sunway Putra Tower	110,000	110,000	-
Wisma Sunway	62,000	62,000	-
	<u>471,000</u>	<u>502,000</u>	<u>(31,000)</u>
Others			
Sunway Medical Centre	326,000	325,000	1,000
	<u>326,000</u>	<u>325,000</u>	<u>1,000</u>
TOTAL PORTFOLIO	<u>6,433,000</u>	<u>6,324,000</u>	<u>109,000</u>
Less: Capital expenditure			(45,518)
Fair value gain			<u>63,482</u>

* Appraised value based on valuation carried out on 30 June 2016.

^ Appraised value based on valuation carried out on 30 June 2015.

A14. Borrowings and Debt Securities

	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial papers	-	20,000
Unsecured		
- Revolving loan	772,400	743,400
Total gross short term borrowings	<u>772,400</u>	<u>763,400</u>
Less: Discount on commercial papers	-	(12)
Total short term borrowings	<u>772,400</u>	<u>763,388</u>
<u>Long term borrowings</u>		
Secured		
- Term loans	403,150	378,550
- Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,403,150</u>	<u>1,378,550</u>
Total borrowings	<u>2,175,550</u>	<u>2,141,938</u>

Included in the long term borrowings for 30 June 2016 is a secured 3-year term loan of USD100 million, hedged with a 2-years cross currency swap contract, upon maturity of the earlier 1-year contract, to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation.

As at 30 June 2016, the cumulative unrealised foreign exchange gain from the translation of the USD100 million loan amounted to RM18.9 million (30.6.2015: loss of RM17.7 million). For 4Q2016 and YTD 4Q2016, the unrealised foreign exchange loss reflected in the statement of comprehensive income were RM13.0 million (4Q2015: RM8.2 million) and RM18.1 million (YTD 4Q2015: RM59.0 million) respectively.

A15. 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 input that is significant to the fair value measurement is unobservable.

A15. 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 2016				
Financial assets				
Investment properties	-	-	6,433,000	6,433,000
Financial liability				
Derivatives	-	(22,189)	-	(22,189)
At 30 June 2015				
Financial assets				
Investment properties	-	-	6,324,000	6,324,000
Derivatives	-	14,358	-	14,358
Financial liability				
Derivatives	-	(1,513)	-	(1,513)

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

A16. Material Event

There were no material events since the end of the last annual reporting period, except for the following:

Proposed acquisition

On 20 June 2016, Kenanga Investment Bank Berhad ("Kenanga") announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, the Manager for Sunway REIT ("SunREIT"), represented by its trustee, RHB Trustees Berhad, had on even date entered into a conditional sale and purchase agreement with Commercial Parade Sdn Bhd, an indirect subsidiary of Sunway Berhad, to acquire a parcel of vacant land ("Proposed Acquisition") held under Pajakan Negeri 1814, Lot 5493, Mukim 1, Seberang Perai Tengah, Pulau Pinang which is adjacent to Sunway Carnival Shopping Mall ("Sunway Carnival") for a purchase price of RM17.2 million. The Proposed Acquisition is to facilitate the plans of the Manager to expand the existing Sunway Carnival Shopping Mall.

The completion of the sale of Lot 5493 is conditional upon fulfilling the following conditions precedent:

- (i) State Authority approval;
- (ii) the Securities Commission's ("SC") approval for the waiver of Clause 8.44(b) and Clause 8.44(c) of the Guidelines on Real Estate Investment Trusts ("REIT Guidelines")¹; and
- (iii) any other approvals of any authority as may be deemed necessary by the parties

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

¹ Clause 8.44(b) and Clause 8.44(c) of the REIT Guidelines state that a fund is not permitted to conduct property development activities and/or acquire vacant land.

A17. Material Events Subsequent to the end of the Current Quarter

There were no material events subsequent to the quarter ended 30 June 2016.

A18. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 30 June 2016 were as follows:

	As at 30.06.2016 RM'000
Approved and contracted for	91,582
Approved but not contracted for	34,218
	<u>125,800</u>

The capital commitment approved and contracted for is mainly in relation to the refurbishment of SPE, which commenced in April 2016. Similarly, the amount approved but not contracted for mainly relates to the refurbishment of SPE and various minor asset enhancement works for most of the properties.

A19. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 30 June 2016.

A20. 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 2016 and 30 June 2015 as well as the balances with the parties related to the Manager as at 30 June 2016 and 30 June 2015:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(30,775)	(30,676)	(137,737)	(124,944)
- Purchases	18,657	79,040	84,676	413,653
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(146)	(156)	(542)	(575)

Included in the purchases from Sunway Berhad Group for YTD 2015 is the acquisition of Sunway Hotel Georgetown and Wisma Sunway amounting to RM134 million.

	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
<u>Amount owed by parties related to Manager:</u>		
(a) Sunway Berhad Group	6,406	4,584
(b) Sunway Technology Sdn. Bhd. Group	-	3
	<u>6,406</u>	<u>4,587</u>
	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
<u>Amount owed to parties related to Manager:</u>		
(a) Sunway Berhad Group	30,279	36,670

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

B1. Review of Performance

Explanatory comment on the performance of each of the Group's business segment is provided in Note A8.

B2. Maintenance Costs and Major Capital Expenditure

There was no unusual maintenance costs during the quarter under review. Sunway REIT incurred capital expenditure of approximately RM5.7 million for 4Q2016, mainly for the refurbishment of SPE. Capital expenditure for YTD 2016 of RM45.5 million was mainly for the refurbishment at Sunway Putra Hotel. □

B3. Material Changes in Quarterly Results

	Current Quarter Ended 30.06.2016 RM'000	Immediate Preceding Quarter Ended 31.03.2016 RM'000
Realised profit	60,618	67,714
Unrealised profit/(loss)	62,279	(2,948)
Profit for the quarter	<u>122,897</u>	<u>64,766</u>

Sunway REIT recorded a realised profit of RM60.6 million for 4Q2016, which was RM7.1 million or 10.5% lower compared to the immediate preceding quarter (3Q2016) of RM67.7 million, mainly due to lower contribution from the retail and hotel segment.

Unrealised profit for the current quarter stood at RM62.3 million, mainly contributed by fair value gain on investment properties of RM63.5 million but mitigated by fair value loss from the derivative financial instrument of RM1.2 million. Unrealised loss for the previous quarter (3Q2016) of RM2.9 million was mainly due to fair value loss from the derivative financial instrument.

B4. Commentary on Prospects

The world's economy struggles to regain momentum as growth continues to falter in advanced economies while divergence in growth in emerging economies was observed. In Asia, China is the epicenter of growth. The gradual slowdown in China reflects the continuation of economic structural rebalancing and the deleveraging endeavour to support long-term growth. Generally, economic activity in Asia is expanding at a slower pace largely due to continuous weakness in external trades.

Looking ahead, global growth prospects remain muted. The World Bank projected global economy to expand at a slower pace of 2.4% and 2.8% in CY2016 and CY2017 respectively.

We see heightened risks that may impede economic recovery, including slower than expected growth, volatile commodity prices and heightened geo-political tension. Global investors are reeling with the recent Brexit shock causing elevated financial market volatility globally.

On the domestic front, the Malaysian economy moderated further in 1Q CY2016. The first quarter of CY2016 saw the economy softened to 4.2% (4Q CY2015: 4.5%), reflecting cautious spending by the private sector and persistently weak external trades. Bank Negara Malaysia ("BNM") projects the Malaysian economy to remain on a sustained growth path of 4.0% to 4.5% in 2016 despite the challenging global and domestic economic environment. Meanwhile, consumers are adjusting to the higher cost of living and businesses remain cautious in their investments and spending.

In the most recent development, BNM has decided to announce an earlier than expected 25bps reduction in the Overnight Policy Rate (OPR) to 3.00%. The easing of monetary policy stance is to support economic growth, however, this may point towards more challenging times ahead.

Inflation is on an upward trend where consumer price index (CPI) increased by 2.7% y-o-y in the first half of 2016 as consumers are grappling with higher utility and living cost. On a brighter note, transportation-related inflation retreated due to lower crude oil price. Inflation is expected to be contained within 2.0% to 3.0% in CY2016, barring any unforeseen circumstances.

Source: World Bank and Bank Negara Malaysia

B4. Commentary on Prospects (Cont'd)

Despite the challenging operating environment, Sunway REIT delivered a moderate DPU growth in FY2016. The financial year ahead is expected to remain difficult as consumer sentiment and business confidence remain fragile. In addition, the intensified competition in the property sub-sectors arising from oversupply situation will pose pressures on rental reversion prospects. The Manager expects a dip in DPU in FY2017 compared to FY2016 on the back of:

- (i) Lower contribution from the hotel segment due to the closure of Sunway Pyramid Hotel East to undertake refurbishment
- (ii) Cessation of payment of Manager's fees in units with effect from FY2017
- (iii) Absence of an extraordinary item in FY2017. In FY2016, there was a one-off court award from Sunway Putra amounting to RM6.189 million.

The Manager has received RM3.184 million court award relating to Sunway Putra which has yet to be recognised. The Manager expects that this will be recognised in FY2017, pending confirmation of the legal case closure by our lawyer.

The Manager is committed to distribute 100% of its distributable net income for FY2017.

Review of retail market

The Malaysian retail industry recorded a 4.4% fall in sales in 1Q CY2016 compared to a 4.6% growth a year ago, according to Retail Group Malaysia ("RGM"). The fall was attributable to higher pre-GST sales a year ago, as well as weak Chinese New Year sales in February 2016. RGM maintains its forecast of 4% growth rate for the Malaysian retail industry in CY2016.

On the supply side, the estimated scheduled completion of approximately 11 million sq.ft. in CY2016 is expected to intensify the competition level of the retail sub-sector. Newly completed retail malls are also grappling to achieve satisfactory occupancy rates as pre-commitments from retailers are dwindling, especially for the smaller neighbourhood retail malls with limited target catchments. Nevertheless, the overall occupancy rate of prime grade retail space was higher compared with secondary grade space.

Prime retail malls in strategic locations are expected to be resilient, albeit registering slower rental growth. These prime malls are able to attract retailers as they offer extensive and a well-balanced tenancy mix which appeal to numerous segments of consumers.

The average occupancy rate at Sunway Pyramid Shopping Mall improved marginally from 98.1% for FY2015 to 98.3% for FY2016. A total of 378,984 sq.ft. of net lettable area (NLA) was renewed for FY2016 at a single-digit rental reversion rate over the three-year tenancy term. 54.0% of total NLA is due for rental reversion in FY2017 commencing September 2016.

The average occupancy rate for Sunway Carnival Shopping Mall was lower at 94.4% for FY2016 versus 97.3% for FY2015 due to remodelling of 2nd floor area of approximately 21,000 sq.ft. (equivalent to 4% of total NLA) into food and beverage ("F&B") area. The new F&B area with NLA of 16,000 sq.ft. has progressively opened since 4Q FY2016. A total of 160,727 sq.ft. of NLA was renewed at a double-digit rental reversion rate over the three-year tenancy term for FY2016. 72.0% of total NLA is due for rental reversion in FY2017 commencing July 2016.

Sunway Putra Mall registered an average occupancy rate of 74.9% in FY2016. There is no comparative information for FY2015 as the mall was re-opened on 28 May 2015. Secured occupancy rate inched higher to 85.7% as at 30 June 2016 compared to 84.3% as at 31 March 2016.

The Manager is cautious on the growth prospects of the retail segment in view of the oversupply of retail space. On the demand side, retailers are highly selective on expansion amidst weak consumer sentiment and escalated cost of doing business. Persistently challenging retail landscape will pose pressure on rental reversion prospect. The Manager expects the retail segment to register moderate growth for FY2017.

B4. Commentary on Prospects (Cont'd)

Review of hotel market

Global and domestic uncertainties have resulted in lower tourism activities and tourism spending. Businesses are more prudent on business travelling and MICE activities. CY2016 is expected to be a challenging year taking into consideration the impact of slowing domestic economy, weak business confidence and consumer sentiment.

The average occupancy rate for Sunway Resort Hotel & Spa was largely unchanged at 73.6% in 4Q FY2016 (4Q FY2015: 74.0%). The timing of fasting month which fell in early June 2016 (FY2015: mid-June 2015) has caused a reduction in travelling and business meetings.

Sunway Pyramid Hotel East is currently undergoing refurbishment. In view of that, there is no comparative information for 4Q FY2016 following its full closure in April 2016. The hotel is expected to re-open in 3Q FY2017. The minimum guaranteed rental by the lessee of RM31.6 million for both hotels for was not triggered as the total rental received for the current financial year on a combined basis for Sunway Resort Hotel & Spa was higher at RM52.1 million.

The business performance of Sunway Putra Hotel improved further where average occupancy rate increased to 61.5% in 4Q FY2016 following the completion of refurbishment of the hotel in 2Q FY2016.

Sunway Hotel Seberang Jaya registered higher average occupancy rate of 76.0% in 4Q FY2016 (4Q FY2015: 69.7%) due to tactical strategy in boosting leisure demand amidst soft demand from the corporate segment and increased competition from new hotels in Penang.

Likewise, Sunway Hotel Georgetown has embarked on similar tactical strategy to mitigate the impact from increased competition from new hotels in Georgetown, weak consumer sentiment and lower tourist arrivals. The average occupancy rate for Sunway Hotel Georgetown improved to 82.6% in 4Q FY2016 compared to 70.2% in 4Q FY2015.

Despite the commendable performance of the hotel segment reported in FY2016, the Manager expects the performance of the hotel segment to soften in FY2017 on the back of closure of Sunway Pyramid Hotel East to undertake refurbishment since April 2016 and continued soft corporate demand.

Review of office market

The office supply in the Klang Valley has substantially increased over the years. The office stock stood at 111 million sq.ft. in 1Q CY2016. An estimated 11.8 million sq.ft. of office space is expected to be available between 2Q CY2016 to 2018 in the Klang Valley which is considered excessive based on the current state of the economy and the anticipated slower demand for office space.

The continued abundance of supply and modest office space inquiries have led to a consolidated "tenant market" situation where year-on-year occupancy has declined from 82% in 4Q CY2015 to 80% in 1Q CY2016. This would further put pressure on occupancy and rental rates.

Menara Sunway reported a lower average occupancy rate of 89.3% for FY2016 compared to 97.1% for FY2015 mainly due to non-renewal of tenants who occupied 46,000 sq.ft. (equivalent to 16% of total NLA). The asset manager has secured replacement tenants for approximately 32,500 sq.ft. (equivalent to 11% of total NLA) commencing their tenancies in 4Q FY2016 and continues to seek for replacement tenants for the remaining vacant space.

The average occupancy rate for Sunway Tower has declined to 19.6% for FY2016 (FY2015: 66.9%) due to non-renewal by an anchor tenant who occupied 129,700 sq.ft (equivalent to 48% of total NLA) in 1Q FY2016. New tenants totaling approximately 35,000 sq.ft. (equivalent to 13% of NLA) have commenced in 3Q FY2016 and 4Q FY2016. The asset manager is actively seeking for more replacement tenants.

The average occupancy rate for Sunway Putra Tower has declined to 26.4% for FY2016 (FY2015: 52.8%) due to non-renewal by an anchor tenant who occupied 143,000 sq.ft. (45% of total NLA) in 2Q2015. New tenants have been secured for approximately 27,100 sq.ft. (9% of total NLA) to commence in FY2017. The asset manager continues to proactively seek new tenants in order to improve the occupancy of the office tower.

The average occupancy rate for Wisma Sunway was stable at 90.1% for FY2016, compared to 89.8% for FY2015.

The Manager is of the opinion that the worst is over for Sunway REIT's office segment where occupancy rates had declined to the lowest levels. Going forward, the Manager expects a marginal improvement for the office segment.

B5. Investment Objectives

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

The Manager is confident of providing stable cash distributions going forward and will endeavour to grow the net asset value over a longer period of time. There was no change in the objectives during the period under review.

B6. Performance Benchmark

Performance indicators	Period ended 30.06.2016	Year ended 30.06.2015
a) Management expense ratio	0.88%	0.80%
b) Total returns	13.3%	12.6%
c) Average annual returns (5 years)	14.4%	17.6%
d) Distribution yield	5.5%	5.7%
e) NAV per unit (after income distribution) (RM)	1.3549	1.3350

- a) The ratio of expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus annualised distribution yield for the year.
- c) Average annual return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on DPU of 9.18 sen divided by its closing price as at 30 June 2016 of RM1.66 (30 June 2015 - DPU: 8.73 sen; Closing price: RM1.54).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, 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

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

B8. Manager's Fee

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

- a) Base fee of 0.3% per annum on the total assets value;
- b) Performance fee of 3% per annum of net property income, but before deduction of fees payable to the Property Manager pursuant to the Property Management Agreement;
- c) Acquisition fee of 1% of the acquisition price of any future assets of Sunway REIT or a Single-Purpose Company acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest in Real Estate or Single-Purpose Company purchased by the Trustee for Sunway REIT); and
- d) Divestment fee of 0.5% of the sale price of any future Assets of Sunway REIT or a Single-Purpose Company sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the Assets of Sunway REIT sold).

B8. Manager's Fee (Cont'd)

The Manager's fee shall be net of all applicable tax, duties and levies imposed by the relevant authorities in Malaysia. The Manager shall be paid the base fee and performance fee which 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 applicable proportion, with effect from FY2016, is 75% in the form of cash and 25% in the form of new Units. In the previous financial years, the proportion of Manager's fee was 50% in the form of cash and 50% in the form of new Units.

Total fees accrued to the Manager for the current quarter and cumulative quarter ended 30 June 2016 were RM7.6 million and RM30.8 million respectively compared to the preceding year corresponding quarter and cumulative quarter ended 30 June 2015 of RM7.3 million and RM29.4 million respectively. Included in the total fees accrued to the Manager for 30 June 2015 of RM29.4 million was an acquisition fee of RM1.3 million paid to the Manager for the acquisition of Sunway Hotel Georgetown and Wisma Sunway and this fee was capitalised as part of the acquisition costs during the period under review.

B9. Trustee's Fee

Pursuant to the Deed constituting Sunway REIT, the Trustee is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months. The total Trustee's fee for the current quarter and cumulative quarter ended 30 June 2016 were RM0.3 million and RM1.2 million respectively, similar to the fees for the preceding year corresponding quarter and cumulative quarter ended 30 June 2015.

B10. Status of Corporate Proposals

There was no corporate proposal that has been announced but not completed as at the date of this report, except for the Proposed Acquisition as disclosed in Note A16.

On 13 July 2016, Kenanga announced on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, the manager of SunREIT, that the SC had vide its letter dated 13 July 2016, resolved to approve the application submitted on 29 June 2016 for the proposed exemption from Paragraph 8.44(b) and (c) of the REIT Guidelines ("Exemption").

The approval granted by the SC for the Exemption is subject to the condition that SunREIT continues to hold the expanded Sunway Carnival for at least 2 years from the date of completion of the construction of the extension to the existing mall.

The above approval is one of the conditions precedent to be met for the Proposed Acquisition, as disclosed in Note A16.

B11. Material Litigation

1. Sunway Putra (formerly known as Putra Place) - Assessment for Damages (High Court Originating Summons No. 24NCVC-1255-2011, Court of Appeal W-02(NCVC)-1680-2011 and W-02(NCVC)-1773)-2011, Federal Court Leave to Appeal 08(f)-425-09-2011) and Rayuan Sivil No. W-03(IM)(NCVC)-8-01/20-15]

After the Federal Court has on 20 February 2012 dismissed Metroplex Holdings Sdn Bhd's ("MHSB") application for leave to appeal, RHB Trustees Berhad (as trustee of Sunway REIT) ("Trustee") and Sunway REIT Management Sdn Bhd ("Manager") proceeded with the enforcement of the remaining parts of the Orders made by the High Court that have not been enforced, *inter alia*, the damages awarded to the Trustee.

The Trustee and the Manager instituted the assessment proceedings to determine the amount of damages to be paid by MHSB.

On 27 August 2014, the court awarded a total of RM3,184,071.67 in damages to be paid to the Trustee being RM2,859,000 for revenue foregone and RM325,071.67 for security costs. The court found that these claims were justified as they were a direct result of MHSB's unlawful possession of Sunway Putra (formerly known as Sunway Putra Place). No costs were awarded by the court.

MHSB had proceeded to file an appeal to the judge in chambers on the decision given above. A decision was delivered by the learned judge on 22 December 2014 in favour of the Trustee and the REIT Manager as the appeal was dismissed with costs. MHSB had on 9 January 2015 filed a notice of appeal in the Court of Appeal to appeal against the decision delivered on 22 December 2014. On 25 June 2015, the judge dismissed the appeal with costs, in favour of the Manager and the Trustee. MHSB proceeded to file a leave for appeal at the Federal Court.

The Manager and Trustee have filed a winding up petition against MHSB for non-payment of the damages awarded by the court amounting to RM3,189,071.67 (including costs of RM5,000) and have proceeded with the winding up procedures. MHSB then filed for a stay of the winding up petition, which was heard on 23 October 2015, and the court allowed the stay until the hearing of the leave of appeal in the Federal Court on 3 November 2015. The court also ordered that the RM3.184 million be placed in a joint stakeholders' account within 14 days of the order.

At the Federal Court hearing for the motion for leave to appeal, the judges dismissed the appeal unanimously.

The winding up application hearing was heard on 11 March 2016 and the decision of the court was delivered on 31 March 2016. The court ordered the release of the monies held in the joint stakeholders' account to the REIT Manager within 21 days. On 19 April 2016, the REIT Manager received a cheque for RM3,189,071.67 from MHSB's lawyers. The money has been transferred from the REIT Manager's account to the Sunway REIT collection account and has yet to be recognised. The REIT Manager expects that this will be recognised in FY2017, pending confirmation of the legal case closure by our lawyer.

Separately, on 26 May 2016, the court clarified that the original assessment order did not provide for interest and therefore, the interest in the joint stakeholders' account belonged to MHSB. The application was dismissed with costs of RM1,000 and ordered that the accrued interest be released to MHSB.

B11. Material Litigation (Cont'd)

2. Sunway Putra (formerly known as Putra Place) - Loss of Actual Income (High Court Originating Summons No. 28NCC-994-12/2012, Court of Appeal Civil No. W-02(IM)(MCC)-622-03/2013 and High Court Companies (Winding Up) No. 28NCC-994-12/2012)

The solicitors for the Trustee and the Manager had on 2 August 2012, issued a section 218 Companies Act notice (winding up) to Metroplex Holdings Sdn Bhd ("MHSB") pursuant to one of the High Court Orders dated 28 June 2011 where MHSB is required to provide all accounting records and a true account of all income and receipts derived or received by it from Putra Place since 19 April 2011 together with all supporting documents and to pay all such income and receipts to Sunway REIT.

On 2 August 2013, the Kuala Lumpur High Court decided that a joint stakeholder account be opened and RM6,189,000 be deposited in the joint stakeholder account and the amount is to be released pending the outcome of the case on assessment of damages mentioned in Note B11(1) above and committal proceedings.

As such, upon the decision of the court of appeal in Note B11(1) above, the Manager and the Trustee had instructed their lawyers to proceed with a notice of motion to the winding up court to release the money held in the joint stakeholders account. On 14 July 2015, the judge ordered that the amount of RM6,189,000 (without interest) held in the joint stakeholder account with MHSB be released to the Trustee and the REIT Manager within 14 days from the order.

MHSB filed for an appeal at the Court of Appeal on 20 July 2015 against the order made on 14 July 2015 and a stay of the said Order. However, the money in the joint stakeholder account was released to the REIT Manager on 28 July 2015 based on the said Order. The hearing for the stay application for the release of the money to the REIT Manager was dismissed on 20 August 2015. On 3 September 2015, the Court of Appeal judges fixed the hearing for the appeal on 12 November 2015.

The Court of Appeal dismissed the appeal and there was no appeal filed to the Federal Court within the appeal period. This case is now closed.

3. Sunway Putra (formerly known as Putra Place) - Striking out statement of claim on chattels and movable items (Kuala Lumpur High Court Civil Suit No. 22NCVC-523-09/2015)

Metroplex Holdings Sdn Bhd ("MHSB") had filed writ summons and a statement of claim dated 28 September 2015 claiming for various chattels and movable items (e.g. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) which were allegedly acquired and owned by MHSB but not removed by MHSB when the Manager took possession of the hotel at Sunway Putra on 27 September 2011. MHSB has in its statement of claim alleged that the various chattels and moveable items were worth in excess of RM80 million as at September 2011.

A striking out application dated 24 November 2015 was filed by the Manager to strike out the said writ summons and statement of claim on the grounds that the claim by MHSB was scandalous, frivolous or vexatious and/or an abuse of the process of the court.

On 1 April 2016, the Manager was informed that the High Court of Malaya at Kuala Lumpur had on 31 March 2016, dismissed the striking out application. The Learned High Court Judge dismissed the Manager's application on the grounds that there are triable issues in the pleadings and that MHSB should be given an opportunity to prove its claim. The latest case management took place on 28 July 2016 where the Learned Judge fixed the next case management date on 8 September 2016 to allow for the parties to finalise the bundle of documents. The Learned Judge also fixed the matter for trial on 10, 11, 24 and 25 November 2016.

If the eventual outcome of this case is not in the Manager's favour, it would not have any impact on the distribution per unit and immaterial impact on the total asset value of Sunway REIT.

B12. Soft commission

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

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

	Current quarter ended 30.06.2016	Immediate preceding quarter ended 31.03.2016	% change
Number of units in issue (units)	2,943,918,400	2,942,684,200	0.0%
Realised net income (RM'000)	60,618	67,714	-10.5%
Realised earnings per unit (EPU) (sen)	2.05	2.33	-12.0%
Income distribution (RM'000)	62,411	69,742	-10.5%
Distribution per unit (DPU) (sen)	2.12	2.37	-10.5%
Net Asset Value (NAV) (After income distribution) (RM'000)	3,988,819	3,928,253	1.5%
NAV per unit (After income distribution) (RM)	1.3549	1.3349	1.5%
Market price per unit (RM)	1.66	1.60	3.7%

B14. Income Distribution

Please refer to Note A12 for details .

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

Derivative financial instruments are recognised in the financial statements in accordance with MFRS139.

Type of Derivatives	Contract/Notional Value		Fair value at reporting date	
	As at 30.06.2016	As at 30.06.2015	As at 30.06.2016	As at 30.06.2015
	RM'000	RM'000	RM'000	RM'000
a) Interest rate swap - Less than 3 years	1,072,000	500,000	(3,732)	(1,513)
b) Cross currency swap - Less than 2 years (30.6.2015: Less than 1 year)	422,000	360,900	(18,457)	14,358
	1,494,000	860,900	(22,189)	12,845

a) Interest rate swap

During the previous financial year, Sunway REIT had entered into several interest rate swap ("IRS") contracts to manage its exposure of the floating rate borrowings. In the current financial year, an additional RM572 million of IRS contracts were entered into. The cumulative IRS contracts to-date amounted to RM1.1 billion. The IRS contracts were entered into to mitigate the risk of increase in interest rate over the hedging period on the floating rate borrowings. The fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as unrealised item as it does not qualify as a cash flow hedge.

The fair value of the IRS recognised in the income statement for 4Q2016 and YTD 4Q2016 amounted to a loss of RM1.2 million (4Q2015: gain of RM0.4 million) and RM2.2 million (YTD 4Q2015: RM1.5 million) respectively. This brings the cumulative total fair value loss of the IRS to RM3.7 million as at 30 June 2016 and reflected as a derivative liability in the balance sheet.

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments (Cont'd)b) Cross currency swap

Sunway REIT had entered into a 1-year cross currency swap ("CCS") contract in February 2015, upon maturity of the previous 3-year CCS, to manage its exposure in foreign currency risk arising from foreign currency borrowings. In February 2016, upon maturity of the 1-year CCS, Sunway REIT had entered into a 2-years CCS to hedge against the foreign currency exposure for the remaining period of the foreign currency borrowings. 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 gain of the CCS recognised in the statement of comprehensive income for 4Q2016 and YTD 4Q2016 amounted to RM11.1 million (4Q2015: RM7.4 million) and RM21.8 million (YTD 4Q2015: RM53.4 million) respectively. This brings the cumulative total fair value loss of the CCS to RM18.5 million as at 30 June 2016 and reflected as a derivative liability in the balance sheet.

B16. Risks and Policies of Derivatives

The Group has Interest Rate Swap contracts and a Cross Currency Swap contract as mentioned in Note B15 above.

The overall risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 2015 except the IRS contracts do not qualify as cash flow hedge and consequently, the fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as an unrealised item.

B17. Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

Please refer to Note A10 for details.

B18. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the retained profits/undistributed income of the Group as at 30 June 2016 into realised and unrealised profits/undistributed income is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Period ended 30.06.2016 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	(4,685)	730
- unrealised	1,329,985	1,265,077
	<u>1,325,300</u>	<u>1,265,807</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>1,325,297</u>	<u>1,265,804</u>

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 2016 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 11 August 2016.

BY ORDER OF THE BOARD

Sunway REIT Management Sdn. Bhd.
(As Manager for Sunway Real Estate Investment Trust)

Tan Kim Aun (MAICSA No.: 7002988)
Chin Soo Ching (MAICSA No.: 7042265)
Company Secretaries

Bandar Sunway
Date: 11 August 2016