

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First Quarter ended		Cumulative Quarter ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Rental income	117,699	111,026	117,699	111,026
Other operating income	3,517	2,786	3,517	2,786
Gross revenue	121,216	113,812	121,216	113,812
Quit rent, assessment and insurance	(3,576)	(1,768)	(3,576)	(1,768)
Other property operating expenses	(27,698)	(25,552)	(27,698)	(25,552)
Property operating expenses	(31,274)	(27,320)	(31,274)	(27,320)
Net property income	89,942	86,492	89,942	86,492
Other income	4,941	738	4,941	738
Net investment income	94,883	87,230	94,883	87,230
Manager's fee	(7,630)	(6,893)	(7,630)	(6,893)
Trustee's fee	(303)	(280)	(303)	(280)
Finance costs	(21,485)	(16,342)	(21,485)	(16,342)
Other expenses	(952)	(264)	(952)	(264)
	(30,370)	(23,779)	(30,370)	(23,779)
Profit before tax	64,513	63,451	64,513	63,451
Income tax expense	-	-	-	-
Profit for the period	64,513	63,451	64,513	63,451
Profit for the period comprise the following:				
Realised	60,565	63,435	60,565	63,435
Unrealised	3,948	16	3,948	16
	64,513	63,451	64,513	63,451
Earnings per unit (sen)				
- realised	2.06	2.17	2.06	2.17
- unrealised	0.13	-	0.13	-
	2.19	2.17	2.19	2.17
Proposed/declared distribution per unit (sen)	2.12	2.28	2.12	2.28

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)

	First Quarter ended		Cumulative Quarter ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period	64,513	63,451	64,513	63,451
Other comprehensive income				
Cash flow hedge - fair value of derivative ¹	62,679	5,424	62,679	5,424
Cash flow hedge reserve recycled to profit or loss ²	(61,000)	(6,100)	(61,000)	(6,100)
Total comprehensive income for the period	66,192	62,775	66,192	62,775

¹ Please refer to Note B15 for details.

² Please refer to Note A14 for details.

Income distribution

	First Quarter ended		Cumulative Quarter ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	60,565	63,435	60,565	63,435
Add: Surplus cash arising from 25% Manager's fee paid/payable in Units (1Q2015: 50%)	1,908	3,446	1,908	3,446
Total available for income distribution for the period	62,473	66,881	62,473	66,881
Brought forward undistributed income available for distribution	414	484	414	484
Total available for income distribution	62,887	67,365	62,887	67,365
Less: Proposed/declared income distribution	(62,330)	(66,826)	(62,330)	(66,826)
Balance undistributed arising from rounding difference	557	539	557	539

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 FIRST QUARTER ENDED 30 SEPTEMBER 2015 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.9.2015 (Unaudited)	As At 30.6.2015 (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	7,040	5,268
Investment properties	6,341,438	6,324,000
	<u>6,348,478</u>	<u>6,329,268</u>
Current assets		
Receivables, deposits and prepayments	19,249	20,174
Derivatives	79,454	14,358
Cash and bank balances	72,469	66,218
	<u>171,172</u>	<u>100,750</u>
	<u>6,519,650</u>	<u>6,430,018</u>
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,720,128	2,716,456
Undistributed income	1,271,772	1,265,804
Total Unitholders' funds	<u>3,991,900</u>	<u>3,982,260</u>
Non-current liabilities		
Borrowings	1,439,550	1,378,550
Long term liabilities	58,932	75,585
Deferred tax liability	5,896	5,896
Derivatives	-	1,513
	<u>1,504,378</u>	<u>1,461,544</u>
Current liabilities		
Trade and other payables	238,094	222,826
Borrowings	785,278	763,388
	<u>1,023,372</u>	<u>986,214</u>
	<u>6,519,650</u>	<u>6,430,018</u>
Number of units in circulation ('000 units)	2,940,079	2,937,777
NET ASSET VALUE ("NAV")		
- Before income distribution	3,991,900	3,982,260
- After income distribution	3,929,570	3,922,036
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.3578	1.3555
- After income distribution ²	1.3366	1.3350

¹ Before the 1Q 2016 proposed income distribution of 2.12 sen per unit (4Q 2015: 2.05 sen per unit).

² After the 1Q 2016 proposed income distribution of 2.12 sen per unit (4Q 2015: 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 FIRST QUARTER ENDED 30 SEPTEMBER 2015 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised 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	-	60,565	3,948	64,513
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	62,679	62,679
- Cash flow hedge reserve recycled to profit or loss	-	-	(61,000)	(61,000)
Total comprehensive income, representing the increase in net assets resulting from operations	2,716,456	61,292	1,270,704	4,048,452
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	3,672	-	-	3,672
Distribution to unitholders				
- Income distribution declared and paid in current period	-	-	-	-
- Income distribution proposed in prior year but paid in current period	-	(60,224)	-	(60,224)
Increase/(decrease) in net assets resulting from unitholders' transactions	3,672	(60,224)	-	(56,552)
As at 30 September 2015 (Unaudited)	2,720,128	1,068	1,270,704	3,991,900

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised 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 FIRST QUARTER ENDED 30 SEPTEMBER 2015 (UNAUDITED)**

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

¹ Issue of new units comprise the following:

	30.9.2015	
	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
Total Manager's fee paid in units	<u>2,302</u>	<u>3,672</u>
	30.6.2015	
	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 FIRST QUARTER ENDED 30 SEPTEMBER 2015 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.9.2015	30.9.2014
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	135,176	112,929
Refundable security deposits from customers	4,032	7,095
Cash paid for operating expenses	(52,954)	(30,345)
Net cash generated from operating activities	<u>86,254</u>	<u>89,679</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(1,153)	(467)
Subsequent expenditure of investment properties	(20,642)	(54,968)
Interest received	714	542
Net cash used in investing activities	<u>(21,081)</u>	<u>(54,893)</u>
FINANCING ACTIVITIES		
Issuance of commercial papers	76,000	67,300
Drawdown of revolving loans	2,226,200	1,335,500
Repayment of commercial papers	(96,000)	(66,500)
Repayment of revolving loans	(2,184,200)	(1,269,000)
Interest paid	(20,698)	(16,643)
Distribution paid	(60,224)	(59,453)
Net cash used in financing activities	<u>(58,922)</u>	<u>(8,796)</u>
Net increase in cash and bank balances	6,251	25,990
Cash and bank balances at beginning of year	66,218	54,607
Cash and bank balances at end of period	<u>72,469</u>	<u>80,597</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	72,469	71,792
Deposits placed with licensed financial institutions	-	8,805
Cash and bank balances	<u>72,469</u>	<u>80,597</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 FIRST QUARTER ENDED 30 SEPTEMBER 2015 (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 period ended 30 September 2015 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 September 2015.

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

Sunway REIT has issued 2,301,700 new units at RM1.5953* per unit on 27 August 2015, being 50% payment of the Manager's fee for the quarter ended 30 June 2015. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 28 August 2015.

* Based on the 10-day volume weighted average price ("VWAP") of the units up to 30 June 2015.

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

Sunway REIT's fund size increased from 2,937.8 million units as at 30 June 2015 to 2,940.1 million units with the issuance of new units as mentioned in Note A6.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015 (UNAUDITED)**

A8. Segmental Reporting

By segment

Segmental results for the quarter ended 30 September 2015 are as follows:

First/Cumulative Quarter

	First/Cumulative Quarter ended 30.09.2015					First/Cumulative Quarter ended 30.09.2014				
	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	87,079	20,601	8,342	5,194	121,216	81,168	16,974	10,693	4,977	113,812
Net property income	61,003	19,646	4,099	5,194	89,942	57,421	16,803	7,291	4,977	86,492
Other income					4,941					738
Trust and other expenses					(8,885)					(7,437)
Finance costs					(21,485)					(16,342)
Profit before tax					64,513					63,451
Income tax expense					-					-
Profit for the period					64,513					63,451

A8. Segmental Reporting (Cont'd)

By property

Properties	Gross Revenue			Net Property Income		
	First/Cumulative Quarter			First/Cumulative Quarter		
	30.9.2015	30.9.2014	Change	30.9.2015	30.9.2014	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Retail						
Sunway Pyramid Shopping Mall	71,971	69,109	4.1%	54,403	50,275	8.2%
Sunway Carnival Shopping Mall	10,516	10,628	-1.1%	6,781	6,661	1.8%
Suncity Ipoh Hypermarket	1,250	1,250	0.0%	1,198	1,188	0.8%
Sunway Putra Mall	3,342	181	1746.4%	(1,379)	(703)	96.2%
	87,079	81,168	7.3%	61,003	57,421	6.2%
Hotel						
Sunway Resort Hotel & Spa	11,417	9,065	25.9%	11,044	8,787	25.7%
Pyramid Tower East (formerly known as Pyramid Tower Hotel)	6,097	5,503	10.8%	5,981	5,410	10.6%
Sunway Hotel Seberang Jaya	895	1,221	-26.7%	843	1,167	-27.8%
Sunway Putra Hotel	1,367	1,185	15.4%	1,010	1,439	-29.8%
Sunway Hotel Georgetown	825	-	100.0%	768	-	100.0%
	20,601	16,974	21.4%	19,646	16,803	16.9%
Office						
Menara Sunway	4,394	4,501	-2.4%	3,147	3,166	-0.6%
Sunway Tower	1,408	3,635	-61.3%	221	2,344	-90.6%
Sunway Putra Tower	893	2,557	-65.1%	(282)	1,781	-115.8%
Wisma Sunway	1,647	-	100.0%	1,013	-	100.0%
	8,342	10,693	-22.0%	4,099	7,291	-43.8%
Others						
Sunway Medical Centre	5,194	4,977	4.4%	5,194	4,977	4.4%
	5,194	4,977	4.4%	5,194	4,977	4.4%
TOTAL PORTFOLIO	121,216	113,812	6.5%	89,942	86,492	4.0%

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015 (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/Cumulative Quarter Results

Retail segment

The retail segment registered gross revenue of RM87.1 million for the current quarter ended 30 September 2015 (1Q 2016), higher by 7.3% or RM5.9 million compared to the preceding year corresponding quarter (1Q 2015) primarily contributed by the resilient performance from Sunway Pyramid Shopping Mall and contribution from Sunway Putra Mall post its soft opening on 28 May 2015.

Sunway Pyramid Shopping Mall achieved gross revenue growth of 4.1% or RM2.9 million for 1Q 2016 compared to 1Q 2015 mainly due to higher average net rent per sq. ft.

Sunway Carnival Shopping Mall recorded a slight decrease in gross revenue by 1.1% or RM0.1 million for 1Q 2016 as compared to the preceding year corresponding quarter. This is due to lower occupancy arising from remodelling of the 2nd floor area of approximately 21,000 sq ft (equivalent to 4% of NLA) into food and beverage ("F&B") area which is targeted to commence operation in 3Q FY2016.

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

Sunway Putra Mall registered gross revenue of RM3.3 million for 1Q 2016, with tenants given approximately a 2.5-months rent free period, from July to mid-September 2015. The secured occupancy as at 30 September 2015 was 83.9%.

Property operating expenses of the retail segment for 1Q 2016 was RM26.1 million, an increase of 9.8% or RM2.3 million mainly contributed by 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 1Q 2016 was RM61.0 million, higher by 6.2% or RM3.6 million compared to 1Q 2015.

Hotel segment

The hotel segment achieved gross revenue of RM20.6 million for 1Q 2016, a strong growth of 21.4% or RM3.6 million compared to 1Q 2015 due to better performance of all the hotels, except Sunway Hotel Seberang Jaya, and new contribution from Sunway Hotel Georgetown which was acquired in January 2015.

Sunway Resort Hotel & Spa recorded a growth in gross revenue of 25.9% or RM2.4 million in 1Q 2016 due to better performance during the Middle Eastern holiday season. Pyramid Tower East (formerly known as Pyramid Tower Hotel) achieved a higher gross revenue by 10.8% or RM0.6 million in 1Q 2016 compared to the preceding year corresponding quarter. This is mainly due to an adjustment for the previous quarter's lease rental not recognised despite a stable performance (lower occupancy was mitigated by a higher average daily rate).

Gross revenue for Sunway Putra Hotel improved by RM0.2 million in 1Q 2016 compared to 1Q 2015 with the re-opening of Sunway Putra Mall and the hotel's major refurbishment works are in the final stage of completion. The full completion is targeted in 2Q FY2016.

Sunway Hotel Seberang Jaya registered lower gross revenue by RM0.3 million in 1Q 2016 compared to the preceding year corresponding quarter on the back of soft market demand and competition from newly opened hotels in Penang.

A8. Segmental Reporting (Cont'd)

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

Hotel segment (Cont'd)

Net property income of the hotel segment for 1Q 2016 was RM19.6 million, a growth of 16.9% or RM2.8 million, in line with revenue except for Sunway Putra Hotel (SPH). SPH recorded a higher net property income in the preceding year corresponding quarter due to a reversal of over-provision for assessment pursuant to confirmation of final increase.

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

The office segment registered gross revenue of RM8.3 million in 1Q 2016, lower by 22.0% or RM2.4 million compared to 1Q 2015 due to lower average occupancy of all office properties, but partially mitigated by new contribution from Wisma Sunway which was acquired in March 2015.

Menara Sunway recorded lower gross revenue of RM4.4 million, a decrease of 2.4% or RM0.1 million, in the current quarter due to non-renewal expired lease of a tenant. The asset manager is actively seeking for replacement tenant.

Average occupancy of Sunway Tower and Sunway Putra Tower slipped to 29.9% and 26.7% respectively in 1Q 2016 compared to 76.1% and 76.9% respectively in the preceding year corresponding quarter on the back of non-renewal by the anchor tenants at both the offices. As a result, revenue from Sunway Tower and Sunway Putra Tower declined by RM2.2 million and RM1.7 million respectively compared to 1Q 2015.

Property operating expenses of the office segment for 1Q 2016 stood at RM4.2 million, higher by 24.7% or RM0.8 million compared to 1Q 2015. Property operating expenses was lower in 1Q 2015 due to reversal of over-provision for assessment of Sunway Tower and Sunway Putra Tower pursuant to confirmation of final increase.

Net property income of the office segment for 1Q 2016 was RM4.1 million, a decrease of 43.8% or RM3.2 million.

Others

Sunway Medical Centre contributed RM5.2 million revenue and net property income for 1Q 2016, an increase of 4.4% compared to 1Q 2015 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 1Q 2016 was RM21.5 million, higher by 31.5% or RM5.1 million compared to 1Q 2015 primarily attributable to a higher principal loan amount to fund capital expenditure and acquisition of Sunway Hotel Georgetown and Wisma Sunway in FY2015, as well as the cessation of interest capitalisation on completion of refurbishment for Sunway Putra Mall.

Net profit for 1Q 2016 was RM64.5 million (1Q 2015: RM63.5 million) comprising realised profit of RM60.6 million (1Q 2015: RM63.4 million) and unrealised profit of RM3.9 million (1Q 2015: RM0.02 million). The decrease in realised profit of 4.5% or RM2.9 million in the current quarter is mainly due to higher finance costs and lower contribution from the office segment but mitigated by an increase in net property income from the retail and hotel segment. The unrealised profit in 1Q 2016 was mainly due to fair value gain from the derivative financial instrument.

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:

	First Quarter ended		Cumulative Quarter ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Interest Income	(993)	(698)	(993)	(698)
Net changes in fair value of long term liabilities	(18)	(16)	(18)	(16)
Unrealised foreign exchange loss/(gain) - hedged item	61,000	6,100	61,000	6,100
Cash flow hedge reserve recycled to profit or loss	(61,000)	(6,100)	(61,000)	(6,100)
Net changes in fair value of derivative financial instrument	(3,930)	-	(3,930)	-
Allowance for impairment of trade receivables	189	753	189	753
Bad debts written off	234	32	234	32
Depreciation of plant and equipment	217	126	217	126

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 ending 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	25%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 25%.

A12. Income Distribution

For the quarter ended 30 September 2015, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM62.330 million or 2.12 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.67 sen and 0.45¹ sen per unit respectively. This amount includes surplus cash arising from 25% Manager's fee payable in units of RM1.907 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 16 November 2015 and 1 December 2015 respectively.

¹ Based on Public Ruling No. 9/2012 dated 26 November 2012, a real estate investment trust ("REIT") has to operate the hotel on its own to be entitled for the Industrial Building Allowance ("IBA") claims. The Manager has appealed against this treatment and was rejected by the Inland Revenue Board ("IRB"). Subsequently, the Manager proceeded to file an action in the High Court (Appellate and Special Powers Division) for judicial review on 24 March 2014. Pending the decision by the High Court, the Manager has taken a prudent approach in computing the taxable distribution to its unitholders by not claiming for IBA on hotel properties which resulted in a lower non-taxable portion of income distribution paid for the period from 1 January 2013 to 30 June 2015 ("Affected Distributions").

On 8 May 2015, the High Court decided in favour of the Manager and IRB appealed to the Court of Appeal. However, IRB withdrew their appeal and on 28 August 2015, the Court of Appeal confirmed the discontinuance of the appeal by IRB. Hence, the Manager will compute income distribution by claiming IBA on hotel properties, effective from first quarter financial year 2016, which will result in a higher non-taxable income distribution to be paid, as announced on 28 October 2015.

A13. Valuation of Investment properties

Investment properties are valued by independent registered valuers, Knight Frank and 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. There was no valuation performed during the quarter under review.

A14. Borrowings and Debt Securities

	As at 30.9.2015 RM'000	As at 30.6.2015 RM'000
<u>Short term borrowings</u>		
Secured		
- Term loans	-	-
- Commercial papers	54,000	20,000
Unsecured		
- Revolving loan	731,400	743,400
Total gross short term borrowings	<u>785,400</u>	<u>763,400</u>
Less: Discount on commercial papers	(122)	(12)
Total short term borrowings	<u>785,278</u>	<u>763,388</u>
<u>Long term borrowings</u>		
Secured		
- Term loans	439,550	378,550
- Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,439,550</u>	<u>1,378,550</u>
Total borrowings	<u>2,224,828</u>	<u>2,141,938</u>

Included in the long term borrowings for 30 September 2015 is a secured 3-year term loan of USD100 million, hedged with a 1-year cross currency swap contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation.

As at 30 September 2015, the total unrealised foreign exchange loss from the translation of the USD100 million loan amount to RM78.7 million (30.6.2015 : RM17.7 million), of which RM61.0 million relates to the current quarter (1Q 2015 : RM6.1 million) and is reflected in the statement of comprehensive income.

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.

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

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
At 30 September 2015				
Financial assets				
Investment properties	-	-	6,341,438	6,341,438
Derivative	-	79,454	-	79,454
<hr/>				
At 30 June 2015				
Financial assets				
Investment properties	-	-	6,324,000	6,324,000
Derivative	-	14,358	-	14,358
<hr/>				
Financial liability				
Derivative	-	(1,513)	-	(1,513)
<hr/>				

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.

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

There were no material events subsequent to the quarter ended 30 September 2015.

A18. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 30 September 2015 were as follows:

	As at
	30.9.2015
	RM'000
Approved and contracted for	37,633
Approved but not contracted for	33,341
	<hr/>
	70,974
	<hr/>

The capital commitment approved and contracted for is mainly in relation to the major refurbishment of Sunway Putra Hotel. The amount approved but not contracted for relates to 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 September 2015.

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 September 2015 and 30 September 2014 as well as the balances with the parties related to the Manager as at 30 September 2015 and 30 June 2015:

	First Quarter ended		Cumulative Quarter ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(35,519)	(32,531)	(35,519)	(32,531)
- Purchases	23,288	51,535	23,288	51,535
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(135)	(138)	(135)	(138)
			As at	As at
			30.9.2015	30.6.2015
			RM'000	RM'000
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			3,405	4,584
(b) Sunway Technology Sdn. Bhd. Group			-	3
			As at	As at
			30.9.2015	30.6.2015
			RM'000	RM'000
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			10,935	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 RM17.4 million for 1Q 2016 mainly involving major refurbishment at Sunway Putra Hotel.

B3. Material Changes in Quarterly Results

	Current Quarter Ended 30.9.2015 RM'000	Immediate Preceding Quarter Ended 30.06.2015 RM'000
Realised profit	60,565	56,680
Unrealised profit	3,948	301,227
Profit for the quarter	<u>64,513</u>	<u>357,907</u>

Sunway REIT achieved a realised profit of RM60.6 million, higher by RM3.9 million or 6.9% compared to the immediate preceding quarter of RM56.7 million mainly due to higher net property income contribution from the retail and hotel segment but partially mitigated by lower office segment and higher finance costs as explained in Note A8(a).

Unrealised profit for the current quarter of RM3.9 million is mainly due to fair value gain from the derivative financial instrument. Included in the unrealised profit for 4Q 2015 was fair value gain on investment properties of RM306.8 million less deferred taxation of RM5.9 million.

B4. Commentary on Prospects

The strength of global economy has softened in the first half of CY2015, reflecting a further slowdown in the emerging markets and weaker recovery in the advanced economies. Based on preliminary data, global economic growth is estimated at 2.9% in the first half of CY2015. According to the International Monetary Fund ("IMF"), downside risks to outlook have risen, particularly for emerging markets and developing economies in view of lower commodity prices, depreciating emerging market currencies and heightened financial market volatility. The IMF has revised global growth to 3.1% for CY2015, 20bps lower from the forecast in July 2015.

The Malaysian economy has moderated to 4.9% y-o-y in the second quarter of CY2015 (1Q CY2015: 5.6%), supported by private sector demand and public consumption. Economic growth for the first half of CY2015 remained resilient at 5.3% y-o-y (1H CY2014: 5.6%). The domestic economy is expected to moderate further in the second half of CY2015 amidst weak business and consumers sentiment, low commodity prices and weak currency. Bank Negara Malaysia ("BNM") has maintained a GDP growth of 4.5% - 5.5% for CY2015 (CY2014: 6.0%).

After the recent peak in July 2015, headline inflation has eased marginally to 3.1% in August 2015. YTD August 2015 inflation remained benign at 1.8% due to the low inflationary regime in 1Q CY2015. BNM expects headline inflation to average between 2.0% to 3.0% in CY2015 and to peak in early CY2016 to reflect higher domestic fuel prices and impact of GST. Despite the reported headline inflation, the weak currency has adversely impacted consumers spending due to escalated prices especially for imported goods.

BNM remained accommodative in its monetary policy. In the recent Monetary Policy Meeting ("MPC") on 11 September 2015, BNM has maintained the Overnight Policy Rate ("OPR") at 3.25%. In view of the heightened risks in the global economic and financial environment, BNM continues to monitor and assess the implications on macroeconomic stability and the prospect of the Malaysian economy to ensure that the monetary policy stance is consistent with the sustainability of the overall growth prospects.

B4. Commentary on Prospects (Cont'd)

In view of the slower economic outlook, as well as global and domestic uncertainties, Sunway REIT is cautious on the growth prospect for FY2016 and expect flattish DPU growth due to the following:

- (i) Weak consumer and business sentiment affecting all segments
- (ii) Rental rebates provided to Sunway Putra Mall
- (iii) Reduction of manager's fee payable in units from 50% to 25% in FY2016
- (iv) Lower occupancy rate for the office sector

The Manager is committed to distribute 100% of its distributable net income for FY2016.

Review of retail market

Retail Group Malaysia ("RGM") has revised its 2015 retail-sales-growth projection for the fourth time after the second quarter sales plunged by 11.9% from a year ago, the worst quarterly retail growth rate since the 1997/98 Asian financial crisis. Retail sales forecast was revised from 4.0% to 3.1% for CY2015. The outlook is due to weak consumer sentiment impacted by softening of the Ringgit, post GST implementation and domestic uncertainties.

The challenging operating environment has led to some retailers consolidating business operations which may lead to difficulties for newly opened and retail malls scheduled for opening to secure tenants. The business consolidation may also involve closure of outlets in existing malls leading to lower occupancy rate for the affected retail malls.

Rental and occupancy rates in the city centre and suburbs retail malls may come under pressure due to abundance of new supply of retail malls in the pipeline in the short to medium-term as well as the headwinds mentioned above. Well-established and regional retail malls are expected to perform with higher resiliency due to its position backed by good retail tenancy mix, promotions and good mall management team.

Sunway Pyramid Shopping Mall's average occupancy rate inched higher to 98.6% in 1QFY2016 compared to 98.0% in 1QFY2015. A total of 136,041 sq.ft. of net lettable area ("NLA") was renewed in 1QFY2016 at a single-digit rental reversion rate over the three-year tenancy term.

Sunway Carnival Shopping Mall recorded lower average occupancy rate of 94.3% in 1QFY2016 due to reconfiguration of 2nd floor area of approximately 21,000 sq.ft. (equivalent to 4% of NLA) into food and beverage ("F&B") area which is targeted to commence operation in 3QFY2016. During the quarter, a total of 30,152 sq.ft. of NLA was renewed at a double-digit rental reversion rate over the three-year tenancy term.

The secured occupancy for Sunway Putra Mall has increased marginally to 83.9% as at 30 September 2015 compared to 82.4% as at 30 June 2015.

The Manager expects modest growth contribution from the retail segment for FY2016 as rentals are locked in for the retail assets and new income contribution from Sunway Putra Mall. However, the Manager is cautious on the prospects of the retail segment in the mid-term in view of weak consumer sentiment amidst higher cost of living, escalated cost in doing business and intensifying competition.

Review of hotel market

Tourist arrivals and outbound travelling have experienced a massive decline during the first six months of the year. According to the Malaysian Association of Tour and Travel Agents (MATTA), there had been a 30% decline for YTD 1HCY2015 compared to the corresponding period in the previous year.

The Government has recently announced various measures to boost the tourism and health tourism sectors. Amongst the measures are an allocation of RM80 million to intensify promotional activities in ASEAN countries, China and India and exemption of visa applications for group tourists from China from October 2015 to March 2016.

Despite the weak tourist arrivals in the first half of CY2015, Sunway Resort Hotel & Spa continued to enjoy the traditionally strong Middle Eastern holiday season. The average occupancy rate for Sunway Resort Hotel & Spa improved to 87.4% in 1QFY2016, from 80.9% in 1QFY2015. The hotel has enjoyed an extended peak period which commenced in mid- July this year as opposed to late July in the previous year.

B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

Pyramid Tower East (formerly known as Pyramid Tower Hotel)'s average occupancy rate declined to 79.8% in 1QFY2016 compared to 83.7% in 1QFY2015 due to decline in corporate segment arising from slowdown in the domestic economy, uncertainties in global economy and increasing supply of business hotels. However, this was mitigated by higher average daily rate ("ADR") achieved during the Middle Eastern holiday season.

The average occupancy rate at Sunway Putra Hotel was stable at 36.5% in 1QFY2016 compared to 36.4% in 1QFY2015 following the re-opening of Sunway Putra Mall and substantially completed hotel refurbishment. The full completion of the hotel's refurbishment is targeted in 2QFY2016.

Sunway Hotel Seberang Jaya recorded a lower average occupancy rate of 60.2% in 1QFY2016 versus 77.6% in 1QFY2015 due to global market uncertainties, moderation in domestic economy and increased competition arising from new hotels in Penang.

Meanwhile, Sunway Hotel Georgetown's average occupancy rate was stable at 68.8% in 1QFY2016 compared to 68.7%¹ in 1QFY2015.

The Manager expects the hotel segment to register stable growth in FY2016 mainly contributed by Sunway Putra Hotel and new income contribution from Sunway Hotel Georgetown.

Review of office market

Klang Valley's office stock increased marginally from 107.86 million sq.ft. in 1QCY2015 to 108.26 million sq.ft. in 2QCY2015. A large incoming supply of 12 million sq.ft. is slated for completion between 2HCY2015 and 4QCY2017.

The average occupancy rate in the Klang Valley is expected to remain stable, hovering around the 80% mark, in the short to medium-term. The office segment is expected to face a glut by 2017 due to the huge incoming supply of office space.

Office rentals are expected to decline on the back of a weakened economy and oversupply concerns over the next few years.

The average occupancy rate at Menara Sunway has declined from 97.7% in 1QFY2015 to 95.1% in 1QFY2016 due to non-renewal of expired lease of a tenant. The asset manager is actively seeking for replacement tenant.

Sunway Tower's average occupancy rate slipped to 29.3% in 1QFY2016 compared to 76.1% in 1QFY2015 as the anchor tenant has progressively terminated a total of 163,870 sq.ft (61%) during the period.

Sunway Putra Tower's average occupancy rate declined to 26.7% in 1QFY2016 compared to 76.9% in 1QFY2015 as a result of an anchor tenant that has moved out in December 2014.

The average occupancy rate at Wisma Sunway inched higher to 89.8% in 1QFY2016 compared to 88.3%¹ in 1QFY2015.

The Manager expects income contribution from the office segment to be lower in FY2016 due to the high vacancy rate, anticipated longer time and higher cost to secure new tenancies in an oversupply and weaker market environment. The Manager will remain focus on improving occupancy by offering competitive rental rates.

¹ The historical information for 1QFY2015 is provided by the vendor, Sunway Berhad.

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 30.09.2015	Year ended 30.06.2015
a) Management expense ratio *	0.90%	0.80%
b) Total returns *	6.0%	12.6%
c) Average annual returns (5 years) *	10.8%	17.6%
d) Distribution yield *	5.4%	5.7%
e) NAV per unit (after income distribution)(RM)	1.3366	1.3350

* The performance indicators for the period ended 30 September 2015 was based on annualised results.

- The ratio of expenses incurred 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 year.
- 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.
- Based on annualised DPU of 8.41 sen divided by its closing price as at 30 September 2015 of RM1.55 (30 June 2015 - DPU: 8.73 sen; Closing price: RM1.54).
- 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:

- Base fee of 0.3% per annum on the total assets value;
- Performance fee of 3% per annum of net property income, but before deduction of fees payable to the Property Manager pursuant to the Property Management Agreement;
- Acquisition fee of 1% of the acquisition price of any future 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
- 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/cumulative quarter ended 30 September 2015 were RM7.6 million compared to the preceding year corresponding quarter/cumulative quarter of RM6.9 million.

B9. Trustee 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/cumulative quarter ended 30 September 2015 was RM0.3 million, similar to the fees for the preceding year corresponding quarter/cumulative quarter ended 30 September 2014.

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. 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. 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. The next case management date is fixed on 18 November 2015 to update the court of the outcome of the Federal Court hearing.

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.

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 30.9.2015	Immediate preceding quarter ended 30.06.2015	% change
Number of units in issue (units)	2,940,078,600	2,937,776,900	0.1%
Realised net income (RM'000)	60,565	56,680	6.9%
Realised earnings per unit (EPU) (sen)	2.06	1.93	6.7%
Income distribution(RM'000)	62,330	60,224	3.5%
Distribution per unit (DPU)(sen)	2.12	2.05	3.4%
Net Asset Value (NAV) (After income distribution) (RM'000)	3,929,570	3,922,036	0.2%
NAV per unit (After income distribution) (RM)	1.3366	1.3350	0.1%
Market price per unit (RM)	1.55	1.54	0.6%

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 30.9.2015	As at 30.6.2015	As at 30.9.2015	As at 30.6.2015
	RM'000	RM'000	RM'000	RM'000
Interest rate swap - Less than 3 years	500,000	-	2,417	(1,513)
Cross currency swap contract - Less than 1 year	360,900	360,900	77,037	14,358
	860,900	360,900	79,454	12,845

Interest rate swap contracts

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 and cumulative IRS contracts to-date amounted to RM500 million. 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 gain of the interest rate swap recognised in the current quarter's income statement amounts to RM3.9 million (1Q 2015 : Nil), bringing the cumulative total fair value gain to RM2.4 million as at 30 September 2015.

Cross currency swap contract

Sunway REIT had entered into a 1-year cross currency swap contract in February 2015, upon maturity of the previous 3-year cross currency swap, to manage its exposure in foreign currency risk arising from foreign currency borrowings, which was entered to minimize borrowing cost. 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 cross currency swap recognised in the current quarter's statement of comprehensive income amounts to RM62.7 million (1Q 2015 : RM5.4 million), bringing the cumulative total to RM77.0 million as at 30 September 2015.

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 September 2015 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 30.9.2015 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	1,071	730
- unrealised	1,270,704	1,265,077
	<u>1,271,775</u>	<u>1,265,807</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>1,271,772</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 September 2015 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 29 October 2015.

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: 29 October 2015