

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First Quarter ended		Cumulative Quarter ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Rental income	125,091	117,699	125,091	117,699
Other operating income	3,788	3,517	3,788	3,517
Gross revenue	128,879	121,216	128,879	121,216
Quit rent, assessment and insurance	(3,437)	(3,576)	(3,437)	(3,576)
Other property operating expenses	(29,377)	(27,698)	(29,377)	(27,698)
Property operating expenses	(32,814)	(31,274)	(32,814)	(31,274)
Net property income	96,065	89,942	96,065	89,942
Other income	921	4,941	921	4,941
Net investment income	96,986	94,883	96,986	94,883
Manager's fee	(7,845)	(7,630)	(7,845)	(7,630)
Trustee's fee	(307)	(303)	(307)	(303)
Finance costs	(21,757)	(21,485)	(21,757)	(21,485)
Other expenses	(2,934)	(952)	(2,934)	(952)
	(32,843)	(30,370)	(32,843)	(30,370)
Profit before tax	64,143	64,513	64,143	64,513
Income tax expense	-	-	-	-
Profit for the period	64,143	64,513	64,143	64,513
Profit for the period comprise the following:				
Realised	66,732	60,565	66,732	60,565
Unrealised	(2,589)	3,948	(2,589)	3,948
	64,143	64,513	64,143	64,513
Earnings per unit (sen)				
- realised	2.24	2.06	2.24	2.06
- unrealised	(0.09)	0.13	(0.09)	0.13
	2.15	2.19	2.15	2.19
Proposed/declared distribution per unit (sen)	2.27	2.12	2.27	2.12

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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period	64,143	64,513	64,143	64,513
Other comprehensive income				
Cash flow hedge - fair value of derivative ¹	12,130	62,679	12,130	62,679
Cash flow hedge reserve recycled to profit or loss ²	(10,400)	(61,000)	(10,400)	(61,000)
Total comprehensive income for the period	65,873	66,192	65,873	66,192

¹ Please refer to Note B15 for details.

² Please refer to Note A14 for details.

Income distribution

	First Quarter ended		Cumulative Quarter ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	66,732	60,565	66,732	60,565
Add: Surplus cash arising from Manager's fee paid/payable in Units ³ (1Q2016: 25%)	-	1,908	-	1,908
Total available for income distribution for the period	66,732	62,473	66,732	62,473
Brought forward undistributed income available for distribution	513	414	513	414
Total available for income distribution	67,245	62,887	67,245	62,887
Less: Proposed/declared income distribution	(66,853)	(62,330)	(66,853)	(62,330)
Balance undistributed arising from rounding difference	392	557	392	557

³ The Manager's fee paid/payable in Units has ceased with effect from 1Q2017.

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 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.09.2016 (Unaudited)	As At 30.06.2016 (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	9,088	8,698
Investment properties	6,458,982	6,433,000
	<u>6,468,070</u>	<u>6,441,698</u>
Current assets		
Receivables, deposits and prepayments	31,333	25,842
Cash and bank balances	80,378	69,719
	<u>111,711</u>	<u>95,561</u>
	<u>6,579,781</u>	<u>6,537,259</u>
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,727,829	2,725,933
Undistributed income	1,328,759	1,325,297
Total Unitholders' funds	<u>4,056,588</u>	<u>4,051,230</u>
Non-current liabilities		
Borrowings	1,413,550	1,403,150
Long term liabilities	63,189	56,256
Deferred tax liability	5,896	5,896
Derivatives	12,665	22,189
	<u>1,495,300</u>	<u>1,487,491</u>
Current liabilities		
Trade and other payables	230,493	226,138
Borrowings	797,400	772,400
	<u>1,027,893</u>	<u>998,538</u>
	<u>6,579,781</u>	<u>6,537,259</u>
Number of units in circulation ('000 units)	2,945,078	2,943,918
NET ASSET VALUE ("NAV")		
- Before income distribution	4,056,588	4,051,230
- After income distribution	3,989,735	3,988,819
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.3774	1.3761
- After income distribution ²	1.3547	1.3549

¹ Before the 1Q2017 proposed income distribution of 2.27 sen per unit (4Q2016: 2.12 sen per unit).

² After the 1Q2017 proposed income distribution of 2.27 sen per unit (4Q2016: 2.12 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 2016 (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 2016	2,725,933	(4,688)	1,329,985	4,051,230
Total comprehensive income				
Profit for the period	-	66,732	(2,589)	64,143
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	12,130	12,130
- Cash flow hedge reserve recycled to profit or loss	-	-	(10,400)	(10,400)
Total comprehensive income, representing the increase in net assets resulting from operations	2,725,933	62,044	1,329,126	4,117,103
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	1,896	-	-	1,896
Distribution to unitholders				
- Income distribution declared and paid in current period	-	-	-	-
- Income distribution proposed in prior year but paid in current period	-	(62,411)	-	(62,411)
Increase/(decrease) in net assets resulting from unitholders' transactions	1,896	(62,411)	-	(60,515)
As at 30 September 2016 (Unaudited)	2,727,829	(367)	1,329,126	4,056,588

	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 year	-	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 year	-	(207,664)	-	(207,664)
- Income distribution proposed in prior year but paid in current year	-	(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

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 2016 (UNAUDITED)**

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

¹ Issue of new units comprise the following:

	30.09.2016	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 25% Manager's fee paid in units:		
- at RM1.6348 per unit for the quarter ended 30 June 2016	1,160	1,896
Total Manager's fee paid in units	<u>1,160</u>	<u>1,896</u>
	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>

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 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	139,105	135,176
Refundable security deposits from customers	1,481	4,032
Cash paid for operating expenses	(59,718)	(52,954)
Net cash generated from operating activities	<u>80,868</u>	<u>86,254</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(823)	(1,153)
Subsequent expenditure of investment properties	(13,994)	(20,642)
Interest received	780	714
Net cash used in investing activities	<u>(14,037)</u>	<u>(21,081)</u>
FINANCING ACTIVITIES		
Issuance of commercial papers	-	76,000
Drawdown of revolving loans	1,635,800	2,226,200
Repayment of commercial papers	-	(96,000)
Repayment of revolving loans	(1,610,800)	(2,184,200)
Interest paid	(18,761)	(20,698)
Distribution paid	(62,411)	(60,224)
Net cash used in financing activities	<u>(56,172)</u>	<u>(58,922)</u>
Net increase in cash and bank balances	10,659	6,251
Cash and bank balances at beginning of year	69,719	66,218
Cash and bank balances at end of period	<u>80,378</u>	<u>72,469</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	80,378	72,469
Deposits placed with licensed financial institutions	-	-
Cash and bank balances	<u>80,378</u>	<u>72,469</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 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 period ended 30 September 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 2016 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 2016 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 2016.

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 2016.

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

Sunway REIT has issued 1,159,600 new units at RM1.6348* per unit on 30 August 2016, being 25% payment of the Manager's fee for the quarter ended 30 June 2016. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 1 September 2016.

* Based on the 10-day volume weighted average price ("VWAP") of the units up to 30 June 2016.

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

Sunway REIT's fund size increased from 2,943.9 million units as at 30 June 2016 to 2,945.1 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 2016 (UNAUDITED)**

A8. Segmental Reporting

By segment

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

First/Cumulative Quarter

	First/Cumulative Quarter ended 30.09.2016					First/Cumulative Quarter ended 30.09.2015				
	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	99,694	16,381	7,427	5,377	128,879	87,079	20,601	8,342	5,194	121,216
Net property income	71,532	15,420	3,736	5,377	96,065	61,003	19,646	4,099	5,194	89,942
Other income					921					4,941
Trust and other expenses					(11,086)					(8,885)
Finance costs					(21,757)					(21,485)
Profit before tax					64,143					64,513
Income tax expense					-					-
Profit for the period					64,143					64,513

A8. Segmental Reporting (Cont'd)

By property

Properties	Gross Revenue			Net Property Income		
	First/Cumulative Quarter			First/Cumulative Quarter		
	30.09.2016	30.09.2015	Change	30.09.2016	30.09.2015	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Retail						
Sunway Pyramid Shopping Mall	74,366	71,971	3.3%	56,637	54,403	4.1%
Sunway Carnival Shopping Mall	11,725	10,516	11.5%	7,382	6,781	8.9%
SunCity Ipoh Hypermarket	1,250	1,250	0.0%	1,195	1,198	-0.3%
Sunway Putra Mall	12,353	3,342	269.6%	6,318	(1,379)	558.2%
	99,694	87,079	14.5%	71,532	61,003	17.3%
Hotel						
Sunway Resort Hotel & Spa	11,909	11,417	4.3%	11,533	11,044	4.4%
Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East)	49	6,097	-99.2%	(56)	5,981	-100.9%
Sunway Hotel Seberang Jaya	816	895	-8.8%	764	843	-9.4%
Sunway Putra Hotel	2,477	1,367	81.2%	2,102	1,010	108.1%
Sunway Hotel Georgetown	1,130	825	37.0%	1,077	768	40.2%
	16,381	20,601	-20.5%	15,420	19,646	-21.5%
Office						
Menara Sunway	4,014	4,394	-8.6%	2,732	3,147	-13.2%
Sunway Tower	827	1,408	-41.3%	(199)	221	-190.0%
Sunway Putra Tower	928	893	3.9%	204	(282)	172.3%
Wisma Sunway	1,658	1,647	0.7%	999	1,013	-1.4%
	7,427	8,342	-11.0%	3,736	4,099	-8.9%
Others						
Sunway Medical Centre	5,377	5,194	3.5%	5,377	5,194	3.5%
	5,377	5,194	3.5%	5,377	5,194	3.5%
TOTAL PORTFOLIO	128,879	121,216	6.3%	96,065	89,942	6.8%

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

Retail segment

The retail segment achieved gross revenue of RM99.7 million for the current quarter ended 30 September 2016 (1Q2017), an increase of 14.5% or RM12.6 million compared to the preceding year corresponding quarter (1Q2016). The increase was mainly contributed by Sunway Putra Mall which recorded lower revenue in 1Q2016 as tenants were given approximately a 2.5 months rent-free period, from July to mid-September 2015.

Sunway Pyramid Shopping Mall registered gross revenue growth of 3.3% or RM2.4 million for 1Q2017 compared to 1Q2016 mainly due to higher average net rent per sq. ft.

Gross revenue for Sunway Carnival Shopping Mall was higher by 11.5% or RM1.2 million for 1Q2017 compared to the preceding year corresponding quarter mainly due to completion of remodelling of the 2nd floor new food and beverage ("F&B") area with net lettable area ("NLA") of approximately 16,000 sq. ft. (3% of total NLA) which have progressively opened since 4Q2016. The new F&B area is currently 90% tenanted.

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

Sunway Putra Mall contributed gross revenue of RM12.4 million for 1Q2017, with an average occupancy of 85.2% as at 30 September 2016.

Property operating expenses of the retail segment for 1Q2017 was RM28.2 million, an increase of 8.0% or RM2.1 million mainly attributable to higher operating expenses at Sunway Putra Mall and higher allowance for doubtful debts for miscellaneous charges for Sunway Carnival Shopping Mall.

Net property income of the retail segment for 1Q2017 stood at RM71.5 million, an increase of 17.3% or RM10.5 million compared to 1Q2016.

Hotel segment

The hotel segment recorded gross revenue of RM16.4 million for 1Q2017, lower by 20.5% or RM4.2 million compared to 1Q2016, primarily attributable to the closure of Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East) ("SPRH") for refurbishment since April 2016.

Gross revenue for Sunway Resort Hotel & Spa was higher by 4.3% or RM0.5 million in the current quarter due to better performance contributed by the Middle Eastern holiday season.

The average occupancy rate for Sunway Putra Hotel has improved to 69.0% in 1Q2017 compared to 36.5% in 1Q2016 as the hotel was still undergoing refurbishment during the same period last year. Post completion of refurbishment in 2Q2016, the hotel has embarked on active marketing activities and promotional rates to regain market shares across all segments.

Sunway Hotel Georgetown recorded higher gross revenue by RM0.3 million for 1Q2017 on the back of higher average occupancy 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 increased competition from new hotels in Georgetown and weak consumer sentiment.

Net property income of the hotel segment for 1Q2017 was RM15.4 million, lower by 21.5% or RM4.2 million, as compared to 1Q2016.

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.

A8. Segmental Reporting (Cont'd)

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

Office segment

Gross revenue for the office segment was lower by 11.0% or RM0.9 million for 1Q2017 compared to 1Q2016 due to lower average occupancy of all office properties but mitigated by higher average net rent per sq. ft. for Sunway Putra Tower and Wisma Sunway.

Menara Sunway recorded lower gross revenue of RM4.0 million, a decrease of 8.6% 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.

The lower occupancy at Sunway Tower in 1Q2017 compared to the preceding year corresponding quarter 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.

Gross revenue for Sunway Putra Tower was higher by 3.9% for 1Q2017 compared to 1Q2016 contributed by higher average net rent per sq. ft. but partially offset by lower average occupancy. New tenants have been secured for approximately 64,500 sq. ft. (20% of total NLA) to commence in 2Q2017 and 3Q2017.

Wisma Sunway registered a marginal increase in gross revenue by 0.7% for 1Q2017 due to higher average net rent per sq. ft. but partially offset by lower average occupancy due to non-renewal by a tenant occupying approximately 3,300 sq ft (2% of total NLA) since 4Q2016.

Property operating expenses of the office segment for 1Q2017 was lower by 13.0% or RM0.6 million mainly attributable to the lower occupancy at Sunway Tower and Sunway Putra Tower.

Net property income of the office segment in 1Q2017 was RM3.7 million, lower by 8.9% or RM0.4 million compared to the preceding year corresponding quarter.

Others

Sunway Medical Centre contributed RM5.4 million revenue and net property income for 1Q2017, an increase of 3.5% compared to 1Q2016 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 1Q2017 was RM21.8 million, higher by 1.3% or RM0.3 million compared to 1Q2016 mainly due to a higher principal loan amount to fund capital expenditure.

Net profit for 1Q2017 was RM64.1 million (1Q2016: RM64.5 million) comprising realised profit of RM66.7 million (1Q2016: RM60.6 million) and unrealised loss of RM2.6 million (1Q2016: unrealised gain of RM3.9 million).

The increase in realised profit by 10.2% or RM6.2 million in the current quarter was mainly due to higher net property income from the retail segment, but partially offset by lower contribution from the hotel and office segment.

The unrealised loss in 1Q2017 was mainly attributable to fair value loss on interest rate swap amounting to RM2.6 million compared to a fair value gain on interest rate swap of RM3.9 million in 1Q2016.

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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Interest Income	(903)	(993)	(903)	(993)
Net changes in fair value of long term liabilities	(18)	(18)	(18)	(18)
Unrealised foreign exchange loss - hedged item	10,400	61,000	10,400	61,000
Cash flow hedge reserve recycled to profit or loss	(10,400)	(61,000)	(10,400)	(61,000)
Net changes in fair value of derivative financial instrument	2,607	(3,930)	2,607	(3,930)
Allowance for impairment of trade receivables	1,216	189	1,216	189
Bad debts written off	-	234	-	234
Depreciation of plant and equipment	362	217	362	217

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 2017.

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%

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 September 2016, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM66.853 million or 2.27 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.83 sen per unit and 0.44 sen per unit respectively.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 14 November 2016 and 29 November 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. There was no valuation performed during the quarter under review.

A14. Borrowings and Debt Securities

	As at 30.09.2016 RM'000	As at 30.06.2016 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial papers	-	-
Unsecured		
- Revolving loan	797,400	772,400
Total gross short term borrowings	<u>797,400</u>	<u>772,400</u>
Less: Discount on commercial papers	-	-
Total short term borrowings	<u>797,400</u>	<u>772,400</u>
<u>Long term borrowings</u>		
Secured		
- Term loans	413,550	403,150
- Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,413,550</u>	<u>1,403,150</u>
Total borrowings	<u>2,210,950</u>	<u>2,175,550</u>

Included in the long term borrowings for 30 September 2016 is a secured 3-year term loan of USD100 million, hedged with a 2-year 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 September 2016, the cumulative unrealised foreign exchange gain from the translation of the USD100 million loan amounted to RM8.5 million (30.6.2016: RM18.9 million). For 1Q2017, the unrealised foreign exchange loss reflected in the statement of comprehensive income was RM10.4 million (1Q2016: RM61.0 million).

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 September 2016				
Financial assets				
Investment properties	-	-	6,458,982	6,458,982
Financial liability				
Derivatives	-	(12,665)	-	(12,665)
At 30 June 2016				
Financial assets				
Investment properties	-	-	6,433,000	6,433,000
Financial liability				
Derivatives	-	(22,189)	-	(22,189)

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 September 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 September 2016 were as follows:

	As at 30.09.2016 RM'000
Approved and contracted for	99,200
Approved but not contracted for	25,405
	<u>124,605</u>

The capital commitment approved and contracted for is mainly in relation to the refurbishment of SPRH, which commenced in April 2016. Similarly, the amount approved but not contracted for mainly relates to the refurbishment of SPRH 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 September 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 September 2016 and 30 September 2015 as well as the balances with the parties related to the Manager as at 30 September 2016 and 30 June 2016:

	First Quarter ended		Cumulative Quarter ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(32,578)	(35,519)	(32,578)	(35,519)
- Purchases	32,094	23,288	32,094	23,288
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(121)	(135)	(121)	(135)
	<hr/>		<hr/>	
			As at 30.09.2016 RM'000	As at 30.06.2016 RM'000
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			10,088	6,406
(b) Sunway Technology Sdn. Bhd. Group			1	-
			<hr/>	
			As at 30.09.2016 RM'000	As at 30.06.2016 RM'000
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			28,410	30,279
			<hr/>	

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 RM26.0 million for 1Q2017, mainly for the refurbishment of Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East).

B3. Material Changes in Quarterly Results

	Current Quarter Ended 30.09.2016 RM'000	Immediate Preceding Quarter Ended 30.06.2016 RM'000
Realised profit	66,732	60,618
Unrealised (loss)/profit	(2,589)	62,279
Profit for the quarter	<u>64,143</u>	<u>122,897</u>

Sunway REIT registered a realised profit of RM66.7 million for 1Q2017, which was RM6.1 million or 10.1% higher compared to the immediate preceding quarter (4Q2016) of RM60.6 million, mainly due to higher contribution from the retail and hotel segment, but partially offset by the office segment.

Unrealised loss for the current quarter of RM2.6 million was mainly due to fair value loss from the derivative financial instrument. Unrealised profit for the previous quarter (4Q2016) of RM62.3 million was primarily contributed by fair value gain on investment properties of RM63.5 million but partially offset by fair value loss from the derivative financial instrument of RM1.2 million.

B4. Commentary on Prospects

Global growth prospects has turned more fragile to reflect a more subdued outlook for advanced economies following the United Kingdom's decision to leave the European Union ("Brexit") and the persistent soft growth in the United States. Although Brexit has not caused turbulence in the economy, financial markets are vulnerable to heightened uncertainties and volatility. The World Bank expects the world economy to maintain its' CY2015 growth of 2.4% in CY2016 and global growth to improve to 2.8% in CY2017.

The Malaysian economy continued to be in its moderation trajectory. Malaysia's gross domestic product ("GDP") growth narrowed for the fifth consecutive quarter since 2Q CY2015. In the second quarter of 2016 ("2Q CY2016"), the GDP expanded at a slower pace of 4.0% compared to 4.2% in the first quarter of 2016 ("1Q CY2016"). The strong growth in domestic demand was weighed down by the continued decline in net exports and drawdown in stocks, mainly attributable to lower production in agriculture and manufactured products.

Correspondingly, the GDP growth for the Malaysian economy softened to 4.1% y-o-y for the first half of 2016 ("1H CY2016"), from 5.3% during the same period last year. In the recent Federal Budget 2017 announcement, the Government is projecting a narrower GDP growth of between 4.0% to 4.5% (from 4.0% to 5.0% previously). However, uncertainties in the external environment may pose downside risks to the economy's growth prospects.

BNM has maintained the Overnight Policy Rate ("OPR") at 3.00% at the recent Monetary Policy Committee ("MPC") meeting on 7 September 2016. BNM remains accommodative in its monetary policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation and supported by continued healthy financial intermediation in the economy. In an environment of elevated downside risk to global growth, further easing in monetary policy is possible in CY2016 and CY2017.

Headline inflation inched marginally to 1.5% in August 2016 (July 2016: 1.1%) on the back of increase in food and non-alcoholic beverages, alcoholic beverages and tobacco and smaller margin of decline in transportation costs. Year-to-date 8M CY2016 inflation stood at 2.3%, in line with the government's expectation of between 2.0% and 2.5% in CY2016. BNM expects inflation to remain relatively stable in CY2017.

B4. Commentary on Prospects (Cont'd)

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 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 RM3.189 million court award relating to Sunway Putra which will be recognised in 2Q FY2017 following 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 lower-than-expected growth rate of 7.5% in retail sales in the 2Q CY2016, according to Retail Group Malaysia ("RGM"). Malaysian retailers suffered the worst quarterly decline since 1999 of 11.9% in 2Q CY2015. Marking the first anniversary of the implementation of Goods & Services Tax (GST), the rebound in retail sales reflects the low base effect from a year ago.

For the first half of CY2016, retail sales was flattish at 0.5%. RGM projects the Malaysian retail industry to grow by 3.5% in CY2016, underpin by festivities in the second half of CY2016 and increase in minimum wages in July 2016.

A total of 12 retail malls with a combined net lettable area ("NLA") of approximately 2.82 million sq.ft., were completed and / or opened in the 1H CY2016. Cumulatively, retail space in the Klang Valley has increased to 52.72 million sq.ft. in 1H CY2016. The oversupply situation is expected to worsen in view that an estimated 17 million sq.ft. of retail space are expected to enter the Klang Valley between now and CY2019.

The average occupancy rate at Sunway Pyramid Shopping Mall was largely stable at 97.9% in 1Q FY2017 compared to 98.3% in FY2016. Based on the total of 979,276 sq.ft. of NLA which is due for renewal in this financial year, a total of 584,033 sq.ft. of NLA was renewed in 1Q FY2017 at a single-digit rental reversion rate over the three-year tenancy term. The renewal has included the two anchor tenants in the mall.

Following the completion of the remodeling of 2nd floor area with NLA of approximately 16,000 sq.ft. (equivalent to 3% of total NLA) into food and beverage ("F&B") area, the average occupancy rate for Sunway Carnival Shopping Mall has improved to 96.4% in 1Q FY2017 (FY2016: 94.4%). Based on the total of 327,408 sq.ft. of NLA which is due for renewal in this financial year, a total of 199,153 sq.ft. of NLA was renewed in 1Q FY2017 at a single-digit rental reversion rate over the three-year tenancy term. The renewal has included the anchor tenant in the mall.

Sunway Putra Mall has registered a higher average occupancy rate of 85.2% in 1Q FY2017 compared to 74.9% in FY2016.

The Manager remains cautious on the growth prospects for the retail segment in FY2017 on the back of the subdued sentiment in the retail sub-sector caused by uncertainty in the economy and oversupply retail market condition. Notably, GST impact is normalizing as consumers are gradually adjusting to the new tax regime.

The manager expects a modest growth for Sunway REIT's retail assets for FY2017 contributed by the resilient performance from the flagship asset, Sunway Pyramid Shopping Mall and expected gradual improvement in the performance of Sunway Putra Mall.

B4. Commentary on Prospects (Cont'd)

Review of hotel market

Tourist arrivals have shown an improvement in the 1H CY2016. The Tourism and Culture Ministry stated that tourist arrivals rose 5.0% in the 1H CY2016 and on track to meet the target of 30.5 million tourists into the country for CY2016 with a total tourist receipts of RM103 billion.

Despite the encouraging improvement in the leisure segment, the hotel sub-sector is likely to remain challenging dampened by cautious business sentiment and oversupply market condition.

Sunway Resort Hotel & Spa's average occupancy rate rose to 94.3% in 1Q FY2017 compared to 87.4% in 1Q FY2016. The encouraging occupancy was attributable to strong Middle-Eastern tourists during the summer holiday season. The hotel has enjoyed an extended peak period commencing early July this year as opposed to mid-July in the previous year.

Meanwhile, Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East) is undergoing refurbishment during the quarter. The refurbishment is on track and the Manager expects the hotel to progressively re-open from 2Q FY2017.

The average occupancy rate for Sunway Putra Hotel has improved to 69.0% in 1Q FY2017 compared to 36.5% in 1Q FY2016 as the hotel was still undergoing refurbishment during the same period last year. Post completion of refurbishment in 2Q FY2016, the hotel has embarked on active marketing activities and promotional rates to regain market shares across all segments.

In Penang, Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown continued with tactical marketing strategies to compete vigorously in the challenging market amidst weak business sentiment and fierce competition. The average occupancy rate for Sunway Hotel Seberang Jaya improved to 70.2% in 1Q FY2017 compared to 60.2% during the same quarter in the preceding year. Likewise, Sunway Hotel Georgetown reported a higher average occupancy rate of 87.3% in 1Q FY2017 compared to 68.8% in 1Q FY2016.

In all, the Manager expects a lower contribution from the hotel segment in FY2017 primarily due to the closure of Sunway Pyramid Hotel which was closed since April 2016 to undertake an accelerated refurbishment.

Review of office market

The prospects for the office segment remains bleak in CY2016 and beyond. The office supply in the Klang Valley has substantially increased over the years. The office stock stood at 111 million sq.ft. in 2Q CY2016 with approximately additional 14.13 million sq.ft. of office space entering the Klang Valley market between CY2016 and CY2018. Majority of the new completions are located at the fringe of Kuala Lumpur. This would further add pressure on occupancy and rental rates in a highly challenging market landscape.

The average occupancy rate for Menara Sunway was stable at 89.8% in 1Q FY2017 compared to 89.3% in FY2016. Following the non-renewal of a tenant who occupied 46,000 sq.ft. (equivalent to 16% of total NLA) in 2Q FY2016, a total of 32,500 sq.ft. (equivalent to 11% of total NLA) was replaced and commenced their tenancies in 4Q FY 2016.

The average occupancy rate for Sunway Tower inched marginally to 20.7% in 1Q FY2017 compared to 19.6% in FY2016. The marginal improvement was primarily due to commencement of tenancies totaling approximately 35,000 sq.ft. (equivalent to 13% of total NLA) since 3Q FY2016.

Sunway Putra Tower's average occupancy rate was largely stable in 1Q FY2017 at 25.7% (FY2016: 26.4%). The asset manager managed to secure replacement tenants of approximately 64,500 sq.ft. (equivalent to 20% of total NLA) where tenancies will commence progressively in 2Q FY2017 and 3Q FY2017.

The average occupancy rate for Wisma Sunway stood at 87.6% in 1Q FY2017 (FY2016: 90.1%). The marginally lower average occupancy rate was due to non-renewal of a tenant.

The asset manager is actively seeking for replacement tenants to improve the occupancy of the office assets while exercising prudent cost containment.

The Manager expects the office segment to remain challenging as reflected by the challenges clouding the office sub-sector in the Klang Valley. However, the Manager expects the performance of Sunway REIT's office segment to gradually improve in FY2017.

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 30.09.2016	Year ended 30.06.2016
a) Management expense ratio *	0.84%	0.88%
b) Total returns *	9.4%	13.3%
c) Average annual returns (5 years) *	10.7%	14.4%
d) Distribution yield *	5.2%	5.5%
e) NAV per unit (after income distribution) (RM)	1.3547	1.3549

* The performance indicators for the period ended 30 September 2016 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 9.01 sen divided by its closing price as at 30 September 2016 of RM1.73 (30 June 2016 - DPU: 9.18 sen; Closing price: RM1.66).
- 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 FY2017, is 100% in the form of cash. In the previous financial year, the proportion of Manager's fee was 75% in the form of cash and 25% in the form of new Units. The Manager made the decision to cease the payment of Manager's fee in units after taking into consideration, amongst others, the implication arising from the implementation of the Goods and Services Tax.

Total fees accrued to the Manager for the current/cumulative quarter ended 30 September 2016 was RM7.8 million compared to the preceding year corresponding quarter/cumulative quarter of RM7.6 million.

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/cumulative quarter ended 30 September 2016 was RM0.3 million, similar to the fees for the preceding year corresponding quarter/cumulative quarter ended 30 September 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.

The completion of the proposal is pending State Authority approval.

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 Sivill 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.

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.

The REIT Manager will recognise the amount received of RM3,189,071.67 in 2Q2017, following confirmation of the legal case closure by our lawyer.

B11. Material Litigation (Cont'd)

2. 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 final case management took place on 6 October 2016 and the matter is fixed 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 30.09.2016	Immediate preceding quarter ended 30.06.2016	% change
Number of units in issue (units)	2,945,078,000	2,943,918,400	0.0%
Realised net income (RM'000)	66,732	60,618	10.1%
Realised earnings per unit (EPU) (sen)	2.24	2.05	9.3%
Income distribution(RM'000)	66,853	62,411	7.1%
Distribution per unit (DPU)(sen)	2.27	2.12	7.1%
Net Asset Value (NAV) (After income distribution) (RM'000)	3,989,735	3,988,819	0.0%
NAV per unit (After income distribution) (RM)	1.3547	1.3549	0.0%
Market price per unit (RM)	1.73	1.66	4.2%

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 30.09.2016	As at 30.06.2016	As at 30.09.2016	As at 30.06.2016
	RM'000	RM'000	RM'000	RM'000
a) Interest rate swap - Less than 3 years	1,072,000	1,072,000	(6,338)	(3,732)
b) Cross currency swap - Less than 2 years	422,000	422,000	(6,327)	(18,457)
	1,494,000	1,494,000	(12,665)	(22,189)

a) Interest rate swap

During the previous financial years, Sunway REIT had entered into several interest rate swap ("IRS") contracts to manage its exposure of the floating rate borrowings. 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 1Q2017 amounted to a loss of RM2.6 million (1Q2016: gain of RM3.9 million). This brings the cumulative total fair value loss of the IRS to RM6.3 million as at 30 September 2016 and reflected as a derivative liability in the balance sheet.

b) Cross currency swap

Sunway REIT had entered into a 2-year cross currency swap ("CCS") contract in February 2016 to manage its exposure in foreign currency risk arising from foreign currency borrowings. The CCS contract was entered into 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 1Q2017 amounted to RM12.1 million (1Q2016: RM62.7 million). This brings the cumulative total fair value loss of the CCS to RM6.3 million as at 30 September 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 2016 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 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 30.09.2016 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	(364)	(4,685)
- unrealised	1,329,126	1,329,985
	<u>1,328,762</u>	<u>1,325,300</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>1,328,759</u>	<u>1,325,297</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 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 27 October 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: 27 October 2016