

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2014 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Rental income	111,379	107,789	222,405	205,320
Other operating income	2,617	2,524	5,403	5,169
Gross revenue	113,996	110,313	227,808	210,489
Quit rent, assessment and insurance	(2,143)	(2,902)	(3,911)	(5,995)
Other property operating expenses	(25,116)	(22,986)	(50,668)	(42,963)
Property operating expenses	(27,259)	(25,888)	(54,579)	(48,958)
Net property income	86,737	84,425	173,229	161,531
Other income	1,161	648	1,899	1,186
Net investment income	87,898	85,073	175,128	162,717
Manager's fee	(6,985)	(6,561)	(13,878)	(12,890)
Trustee's fee	(281)	(267)	(561)	(534)
Finance costs	(16,810)	(15,954)	(33,152)	(31,502)
Other expenses	(554)	(257)	(818)	(357)
	(24,630)	(23,039)	(48,409)	(45,283)
Profit before tax	63,268	62,034	126,719	117,434
Income tax expense	-	-	-	-
Profit for the period	63,268	62,034	126,719	117,434
Profit for the period comprise the following:				
Realised	62,994	62,016	126,429	117,400
Unrealised	274	18	290	34
	63,268	62,034	126,719	117,434
Earnings per unit (sen)				
- realised	2.15	2.12	4.32	4.02
- unrealised	0.01	-	0.01	-
	2.16	2.12	4.33	4.02
Proposed/declared distribution per unit (sen)	2.27	2.23	4.55	4.23

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)

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	63,268	62,034	126,719	117,434
Other comprehensive income				
Cash flow hedge - fair value of derivative	21,135	2,035	26,559	13,041
Cash flow hedge reserve recycled to profit or loss	(22,350)	(2,400)	(28,450)	(10,300)
Total comprehensive income for the period	62,053	61,669	124,828	120,175

Income distribution

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	62,994	62,016	126,429	117,400
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,493	3,281	6,939	6,445
Total available for income distribution for the period	66,487	65,297	133,368	123,845
Brought forward undistributed income available for distribution	539	288	484	169
Total available for income distribution	67,026	65,585	133,852	124,014
Less: Proposed/declared income distribution	(66,585)	(65,198)	(133,411)	(123,627)
Balance undistributed arising from rounding difference	441	387	441	387

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 SECOND QUARTER ENDED 31 DECEMBER 2014 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.12.2014 (Unaudited)	As At 30.6.2014 (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	3,737	3,039
Investment properties	5,652,110	5,520,000
	5,655,847	5,523,039
Current assets		
Receivables, deposits and prepayments	34,193	16,361
Cash and bank balances	64,639	54,607
Derivative	39,299	12,484
	138,131	83,452
	5,793,978	5,606,491
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,709,514	2,702,788
Undistributed income	983,832	985,283
Total Unitholders' funds	3,693,346	3,688,071
Non-current liabilities		
Borrowings	1,000,000	1,000,000
Long term liabilities	66,846	60,279
	1,066,846	1,060,279
Current liabilities		
Borrowings	924,267	742,042
Trade and other payables	109,519	116,099
	1,033,786	858,141
	5,793,978	5,606,491
Number of units in circulation ('000 units)	2,933,242	2,928,715
NET ASSET VALUE ("NAV")		
- Before income distribution	3,693,346	3,688,071
- After income distribution	3,626,761	3,628,618
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.2591	1.2593
- After income distribution ²	1.2364	1.2390

¹ Before the 2Q 2015 proposed income distribution of 2.27 sen per unit (4Q 2014: 2.03 sen per unit).

² After the 2Q 2015 proposed income distribution of 2.27 sen per unit (4Q 2014: 2.03 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 SECOND QUARTER ENDED 31 DECEMBER 2014 (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 2014	2,702,788	14,087	971,196	3,688,071
Total comprehensive income				
Profit for the period	-	126,429	290	126,719
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	26,559	26,559
- Cash flow hedge reserve recycled to profit or loss	-	-	(28,450)	(28,450)
Total comprehensive income, representing the increase in net assets resulting from operations	2,702,788	140,516	969,595	3,812,899
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	6,726	-	-	6,726
Distribution to unitholders				
- Income distribution declared and paid in current period	-	(66,826)	-	(66,826)
- Income distribution proposed in prior year but paid in current period	-	(59,453)	-	(59,453)
Increase/(decrease) in net assets resulting from unitholders' transactions	6,726	(126,279)	-	(119,553)
As at 31 December 2014 (Unaudited)	2,709,514	14,237	969,595	3,693,346

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
As at 1 July 2013	2,690,002	26,208	790,259	3,506,469
Total comprehensive income				
Profit for the year	-	231,931	179,193	411,124
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	4,944	4,944
- Cash flow hedge reserve recycled to profit or loss	-	-	(3,200)	(3,200)
Total comprehensive income, representing the increase in net assets resulting from operations	2,690,002	258,139	971,196	3,919,337
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	12,786	-	-	12,786
Distribution to unitholders				
- Income distribution declared and paid in current year	-	(185,080)	-	(185,080)
- Income distribution proposed in prior year but paid in current year	-	(58,972)	-	(58,972)
Increase/(decrease) in net assets resulting from unitholders' transactions	12,786	(244,052)	-	(231,266)
As at 30 June 2014 (Unaudited)	2,702,788	14,087	971,196	3,688,071

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 SECOND QUARTER ENDED 31 DECEMBER 2014 (UNAUDITED)**

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

¹ Issue of new units comprise the following:

	31.12.2014	
	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	2,259	3,446
Total Manager's fee paid in units	<u>4,527</u>	<u>6,726</u>
	30.6.2014	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager's fee paid in units:		
- at RM1.5720 per unit for the quarter ended 30 June 2013	2,004	3,149
- at RM1.4013 per unit for the quarter ended 30 September 2013	2,258	3,164
- at RM1.2390 per unit for the quarter ended 31 December 2013	2,648	3,281
- at RM1.3400 per unit for the quarter ended 31 March 2014	2,382	3,192
Total Manager's fee paid in units	<u>9,292</u>	<u>12,786</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 SECOND QUARTER ENDED 31 DECEMBER 2014 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.12.2014	31.12.2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	228,592	217,005
Refundable security deposits from customers	12,755	5,517
Cash paid for operating expenses	(73,652)	(80,131)
Net cash generated from operating activities	<u>167,695</u>	<u>142,391</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(943)	(160)
Deposit for purchase of investment properties	(13,400)	-
Subsequent expenditure of investment properties	(137,675)	(41,317)
Incidental costs on acquisition of investment properties	(491)	-
Interest received	1,400	1,063
Net cash used in investing activities	<u>(151,109)</u>	<u>(40,414)</u>
FINANCING ACTIVITIES		
Issuance of commercial papers	153,800	1,369,000
Drawdown of revolving loans	2,870,800	677,000
Repayment of commercial papers	(124,000)	(1,671,000)
Repayment of revolving loans	(2,746,800)	(324,000)
Interest paid	(34,075)	(30,337)
Distribution paid	(126,279)	(117,401)
Net cash used in financing activities	<u>(6,554)</u>	<u>(96,738)</u>
Net increase/(decrease) in cash and bank balances	10,032	5,239
Cash and bank balances at beginning of year	54,607	58,519
Cash and bank balances at end of period	<u>64,639</u>	<u>63,758</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	64,635	6,319
Deposits placed with licensed financial institutions	4	51,458
Cash and bank balances	<u>64,639</u>	<u>57,777</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 SECOND QUARTER ENDED 31 DECEMBER 2014 (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 31 December 2014 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 2014 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 2014 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 2014.

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 31 December 2014.

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

Sunway REIT has issued 2,259,400 new units at RM1.5253* per unit on 24 November 2014, being 50% payment of the Manager's fee for the quarter ended 30 September 2014. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 25 November 2014.

* Based on the 10-day volume weighted average price ("VWAP") of the units up to 30 September 2014.

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

Sunway REIT's fund size increased from 2,931.0 million units as at 30 September 2014 to 2,933.2 million units with the issuance of new units as mentioned in Note A6.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2014 (UNAUDITED)**

A8. Segmental Reporting

By segment

Segmental results for the quarter ended 31 December 2014 are as follows:

Second Quarter

	Second Quarter ended 31.12.2014					Second Quarter ended 31.12.2013				
	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	81,345	17,436	10,197	5,018	113,996	74,868	19,924	10,771	4,750	110,313
Net property income	58,351	16,720	6,648	5,018	86,737	53,316	19,153	7,206	4,750	84,425
Other income					1,161					648
Trust and other expenses					(7,820)					(7,085)
Finance costs					(16,810)					(15,954)
Profit before tax					63,268					62,034
Income tax expense					-					-
Profit for the period					63,268					62,034

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2014 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 31.12.2014					Cumulative Quarter ended 31.12.2013				
	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	162,513	34,410	20,890	9,995	227,808	145,075	34,201	21,713	9,500	210,489
Net property income	115,772	33,523	13,939	9,995	173,229	104,747	32,634	14,650	9,500	161,531
Other income					1,899					1,186
Trust and other expenses					(15,257)					(13,781)
Finance costs					(33,152)					(31,502)
Profit before tax					126,719					117,434
Income tax expense					-					-
Profit for the period					126,719					117,434

Segmental Reporting (Cont'd)
By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Second Quarter ended			Second Quarter ended			Cumulative Quarter ended			Cumulative Quarter ended		
	31.12.2014	31.12.2013	Change	31.12.2014	31.12.2013	Change	31.12.2014	31.12.2013	Change	31.12.2014	31.12.2013	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	69,756	64,700	7.8%	51,654	47,706	8.3%	138,865	125,005	11.1%	101,929	93,422	9.1%
Sunway Carnival Shopping Mall	10,316	8,874	16.2%	6,682	5,310	25.8%	20,944	17,462	19.9%	13,343	10,815	23.4%
Suncity Ipoh Hypermarket	1,251	1,136	10.1%	1,166	1,054	10.6%	2,501	2,272	10.1%	2,354	2,136	10.2%
Sunway Putra Mall	22	158	-86.1%	(1,151)	(754)	52.7%	203	336	-39.6%	(1,854)	(1,626)	14.0%
	81,345	74,868	8.7%	58,351	53,316	9.4%	162,513	145,075	12.0%	115,772	104,747	10.5%
Hotel												
Sunway Resort Hotel & Spa	9,545	10,914	-12.5%	9,094	10,613	-14.3%	18,610	17,672	5.3%	17,881	17,055	4.8%
Pyramid Tower Hotel	5,100	5,574	-8.5%	5,009	5,479	-8.6%	10,603	10,689	-0.8%	10,419	10,503	-0.8%
Sunway Hotel Seberang Jaya	1,441	1,386	4.0%	1,387	1,334	4.0%	2,662	2,336	14.0%	2,554	2,234	14.3%
Sunway Putra Hotel	1,350	2,050	-34.1%	1,230	1,727	-28.8%	2,535	3,504	-27.7%	2,669	2,842	-6.1%
	17,436	19,924	-12.5%	16,720	19,153	-12.7%	34,410	34,201	0.6%	33,523	32,634	2.7%
Office												
Menara Sunway	4,465	4,320	3.4%	3,189	3,214	-0.8%	8,966	8,648	3.7%	6,355	6,360	-0.1%
Sunway Tower	3,216	4,132	-22.2%	1,981	2,805	-29.4%	6,851	8,332	-17.8%	4,325	5,722	-24.4%
Sunway Putra Tower	2,516	2,319	8.5%	1,478	1,187	24.5%	5,073	4,733	7.2%	3,259	2,568	26.9%
	10,197	10,771	-5.3%	6,648	7,206	-7.7%	20,890	21,713	-3.8%	13,939	14,650	-4.9%
Others												
Sunway Medical Centre	5,018	4,750	5.6%	5,018	4,750	5.6%	9,995	9,500	5.2%	9,995	9,500	5.2%
	5,018	4,750	5.6%	5,018	4,750	5.6%	9,995	9,500	5.2%	9,995	9,500	5.2%
TOTAL PORTFOLIO	113,996	110,313	3.3%	86,737	84,425	2.7%	227,808	210,489	8.2%	173,229	161,531	7.2%

**SUNWAY REAL ESTATE INVESTMENT TRUST
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A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

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

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

a) Review of current quarter results

Retail segment

The retail segment registered gross revenue of RM81.3 million for the current quarter ended 31 December 2014 (2Q 2015), higher by 8.7% or RM6.5 million compared to the preceding year corresponding quarter (2Q 2014) primarily contributed by strong performance of both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. Sunway Pyramid Shopping Mall registered strong gross revenue growth of 7.8% or RM5.1 million for 2Q 2015 compared to 2Q 2014 primarily attributable to the double digit rental reversion (for a 3-year term) achieved for the renewal/new tenancies in FYE2014 of 1,033,523 sq.ft. and 263,233 sq.ft for YTD 2Q 2015. The improved revenue of this shopping mall was also due to additional income derived from the opening of Oasis Boulevard 5 (OB5) in December 2013 (2Q 2014) with additional net lettable area (NLA) of 20,362 sq.ft. and reconfigured NLA of 23,432 sq.ft. as well as increase in service and promotion charges with effect from June 2014 (4Q 2014).

Sunway Carnival Shopping Mall continued to achieve robust growth in gross revenue by 16.2% or RM1.4 million, mainly attributable to higher rental pursuant to a double digit rental reversion for a 3-year term in FYE2014 and the increase in service and promotion charges with effect from June 2014. In addition, average occupancy rate was higher at 98.4% for YTD 2Q 2015 compared to 92.8% for YTD 2Q 2014 due to commencement of tenancy for approximately 44,000 sq.ft which was vacant since July 2013.

Suncity Ipoh Hypermarket achieved higher revenue by 10.1% or RM0.1 million due to rental reversion.

Property operating expenses of the retail segment for 2Q 2015 was RM23.0 million, higher by 6.7% or RM1.4 million primarily contributed by Sunway Pyramid Shopping Mall and Sunway Putra Mall. All the properties in the retail segment, except for Suncity Ipoh Hypermarket (a single tenant asset of which utilities expenses are borne by the tenant) were affected by the 17% electricity tariff hike with effect from January 2014 (3Q 2014). In addition, Sunway Pyramid Shopping Mall also incurred higher general maintenance expenses to upkeep the mall and higher provision for doubtful debts during the quarter.

Sunway Putra Mall, on the other hand, incurred higher pre-opening expenses such as staff costs during the quarter under review. The increase in expenses was however, partially off-set by vacancy allowance granted by the local authority.

Net property income of the retail segment for 2Q 2015 was RM58.4 million, an increase of 9.4% or RM5.0 million compared to 2Q 2014 despite higher overall property operating expenses.

Hotel segment

The hotel segment registered gross revenue of RM17.4 million for 2Q 2015, declined by 12.5% or RM2.5 million compared to 2Q 2014 due to weaker performance of all the hotels except for Sunway Hotel Seberang Jaya.

Sunway Hotel Seberang Jaya achieved moderate revenue growth of 4% or RM0.1 million in 2Q 2015 compared to 2Q 2014 resulting from improved average occupancy rate of 75.7% for 2Q 2015 compared to 68.7% for 2Q 2014 and higher average daily rate. Occupancy was lower in 2Q 2014 as the hotel had just started resuming normal business operation upon completion of its refurbishment exercise in 4Q 2013.

A8. Segmental Reporting (Cont'd)

a) Review of current quarter results (Cont'd)

Hotel segment (Cont'd)

The revenue of Sunway Resort Hotel & Spa (SRHS) and Pyramid Tower Hotel (PTH) were lower by 12.5% or RM1.4 million and 8.5% or RM0.5 million respectively for 2Q 2015 compared to 2Q 2014. Both SRHS and PTH achieved stronger revenue per available room (revpar) in 2Q 2015 supported by good tourist arrivals, stronger corporate & MICE business and active yield management by the hotels' operator. However, the overall revenue from these two hotels were lower in 2Q 2015 compared to 2Q 2014 primarily attributable to closure of some food & beverage (F&B) outlets since 1Q 2015 for change of F&B concept. Further, these two hotels incurred higher operating expenses due to electricity tariff hike, general maintenance of the buildings and other operating expenses to enhance guests service level.

The performance of Sunway Putra Hotel is still adversely affected by the ongoing major refurbishment works at the adjoining Sunway Putra Mall since May 2013 and the hotel's own refurbishment where average occupancy rate for the current quarter stood at 31.6% (58% based on number of saleable rooms) compared to 51.6% in 2Q 2014 (52% based on number of saleable rooms), representing a reduction of 20%.

Net property income of the hotel segment for 2Q 2015 was RM16.7 million, lower by 12.7% or RM2.4 million due to lower revenue.

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

Office segment

The office segment recorded gross revenue of RM10.2 million for 2Q 2015, lower by 5.3% or RM0.6 million compared to 2Q 2014 due to lower occupancy at Sunway Tower. Menara Sunway recorded a moderate revenue growth of 3.4% or RM0.1 million for 2Q 2015 compared to 2Q 2014 mainly due to higher average rental rate. Likewise, Sunway Putra Tower recorded a higher revenue by 8.5% or RM0.2 million mainly due to higher average occupancy of 76.1% (2Q 2014: 74.9%) and higher average rental rates for new tenancies entered in 4Q 2014. Sunway Tower, however, registered lower gross revenue by 22.2% or RM0.9 million due lower average occupancy at 69.8% (2Q 2014: 87.3%) as an anchor tenant has surrendered 34,000 sq.ft of space during the quarter under review.

Property operating expenses of the office segment for 2Q 2015 was RM3.5 million, in line with 2Q 2014 despite higher electricity tariff since 3Q 2014, mitigated by lower operating expenses due to lower occupancies.

Net property income of the office segment for 2Q 2015 was RM6.6 million, declined by 7.7% or RM0.6 mil due to lower revenue.

Others

Sunway Medical Centre contributed RM5.0 million of revenue and net property income for 2Q 2015, an increase of 5.6% compared to 2Q 2014 due to rental reversion in accordance with the Master Lease Agreement and additional income contribution from completion of the asset enhancement in 1Q 2015.

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 2Q 2015 was RM16.8 million, increased by 5.4% or RM0.9 million compared to 2Q 2014 due to additional loan drawn down to fund the ongoing capital expenditure and increase in Overnight Policy Rate (OPR) by 25 bps in July 2014 which resulted in higher interest expense on the floating rate borrowings.

Net profit for 2Q 2015 was RM63.3 million, an increase of 2.0% or RM1.2 million compared to 2Q 2014 mainly attributable to higher net property income from the retail segment.

A8. Segmental Reporting (Cont'd)

b) Review of cumulative quarter results

Retail segment

The retail segment registered gross revenue of RM162.5 million for the cumulative quarter ended 31 December 2014 (YTD 2Q 2015), higher by 12.0% or RM17.4 million compared to the preceding year corresponding cumulative quarter (YTD 2Q 2014) primarily contributed by solid performance of both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall as mentioned in Note A8(a) above.

Property operating expenses of the retail segment for YTD 2Q 2015 was RM46.7 million, higher by 15.9% or RM6.4 million primarily contributed by Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. All the properties in the retail segment, except for Suncity Ipoh Hypermarket incurred higher utilities expenses due to the electricity tariff hike as mentioned in Note A8(a). For YTD 2Q 2015, Sunway Pyramid Shopping Mall also incurred higher general maintenance expenses to upkeep the mall and higher provision for doubtful debts. Further, expenses was also lower in YTD 2Q 2014 for this shopping mall partly due to recovery of doubtful debts. Sunway Carnival Shopping Mall, on the other hand, made a higher provision for doubtful debts for YTD 2Q 2015.

Sunway Putra Mall incurred higher pre-opening expenses such as staff costs for YTD 2Q 2015 compared to YTD 2Q 2014. The increase in expenses of this shopping mall was however, partially offset by the reversal of over-provision for assessment pursuant to confirmation of final increase and vacancy allowance granted by the local authority.

Net property income of the retail segment for YTD 2Q 2015 was RM115.8 million, an increase of 10.5% or RM11.0 million compared to YTD 2Q 2014 despite higher overall property operating expenses.

Hotel segment

The hotel segment registered gross revenue of RM34.4 million for YTD 2Q 2015, in line with YTD 2Q 2014 despite weaker performance of Sunway Putra Hotel as mentioned in Note A8(a).

The revenue of Sunway Resort Hotel & Spa (SRHS) was higher by 5.3% or RM0.9 million, contributed by strong corporate and MICE business as well as higher number of Middle-Eastern tourists arrival in 1Q 2015 and active yield management by the hotel's operator. Further, last year's performance was adversely affected by a slowdown in the electrical and electronics (E&E) sector which the hotel predominantly serve. Despite Pyramid Tower Hotel (PTH) adopted the same business strategy as SRHS and achieved higher revpar, the YTD 2Q 2015 lease rental was marginally lower compared to YTD 2Q 2014 primarily due to closure of its only food & beverage outlet in 1Q 2015 and higher operating expenses as mentioned in Note A8(a) above.

Sunway Hotel Seberang Jaya achieved strong revenue growth of 14.0% or RM0.3 million for YTD 2Q 2015 compared to YTD 2Q 2014 resulting from improved average occupancy rate as mentioned in Note A8(a).

The performance of Sunway Putra Hotel is still adversely affected by the ongoing major refurbishment works as mentioned in Note A8(a).

Net property income of the hotel segment for YTD 2Q 2015 was RM33.5 million, higher by 2.7% or RM0.9 million mainly due to reversal of over-provision for assessment for Sunway Putra Hotel pursuant to confirmation of final increase and vacancy allowance granted by the local authority for this hotel.

Office segment

The office segment recorded gross revenue of RM20.9 million for YTD 2Q 2015, lower by 3.8% or RM0.8 million compared to YTD 2Q 2014 due to the reason mentioned in Note A8(a).

Property operating expenses of the office segment for YTD 2Q 2015 was RM7.0 million, marginally lower by 1.6% or RM0.1 million compared to YTD 2Q 2014 despite affected by the electricity tariff hike mainly due to reversal of over-provision for assessment for both Sunway Putra Tower and Sunway Tower pursuant to confirmation of final increase.

Net property income of the office segment for YTD 2Q 2015 was RM13.9 million, declined by 4.9% or RM0.7 mil due to lower revenue.

A8. Segmental Reporting (Cont'd)**b) Review of cumulative quarter results (cont'd)**Others

Sunway Medical Centre contributed RM10.0 million of revenue and net property income for YTD 2Q 2015, an increase of 5.2% compared to YTD 2Q 2014 due to the reason mentioned in Note A8(a).

Profit before tax

Finance costs for YTD 2Q 2015 was RM33.2 million, increased by 5.2% or RM1.7 million compared to YTD 2Q 2014 mainly due to the reason mentioned in Note A8(a).

Net profit for YTD 2Q 2015 was RM126.7 million, an increase of 7.9% or RM9.3 million compared to YTD 2Q 2014 mainly attributable to higher net property income from the retail segment.

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 business and year end corporate functions.

A10. Profit Before Tax

Included in the profit before tax are the following items:

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Interest Income	(888)	(511)	(1,586)	(1,021)
Net changes in fair value of long term liabilities	(18)	(18)	(34)	(34)
Unrealised foreign exchange loss/(gain) - hedged item	22,350	2,400	28,450	10,300
Cash flow hedge reserve recycled to profit or loss	(22,350)	(2,400)	(28,450)	(10,300)
Fair value gain on interest rate swap	(256)	-	(256)	-
Allowance for/(reversal of) impairment of trade receivables	630	(93)	1,415	(374)
Depreciation of plant and equipment	141	58	267	110

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 2015.

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 31 December 2014, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM66.585 million or 2.27 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.90 sen and 0.37 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.493 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 16 February 2015 and 3 March 2015 respectively.

A13. Valuation of Investment properties

Investment properties are valued by an independent registered valuer and 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 31.12.2014 RM'000	As at 30.6.2014 RM'000
<u>Short term borrowings</u>		
Secured		
- Term loans	349,500	321,050
- Commercial papers	41,800	12,000
Unsecured		
- Revolving loan	533,000	409,000
Total gross short term borrowings	<u>924,300</u>	<u>742,050</u>
Less: Discount on commercial papers	(33)	(8)
Total short term borrowings	<u>924,267</u>	<u>742,042</u>
<u>Long term borrowings</u>		
Secured		
- Unrated medium term notes	<u>1,000,000</u>	<u>1,000,000</u>
Total long term borrowings	<u>1,000,000</u>	<u>1,000,000</u>
Total borrowings	<u>1,924,267</u>	<u>1,742,042</u>

Included in the short term borrowings for 31 December 2014 is a secured 3-year fixed rate term loan of USD100 million (equivalent to RM310.8 million), hedged with a cross currency swap contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the period of the foreign currency borrowing.

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 31 December 2014				
Investment properties	-	-	5,520,000	5,520,000
Derivative	-	39,299	-	39,299
At 30 June 2014				
Investment properties	-	-	5,520,000	5,520,000
Derivative	-	39,299	-	39,299

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

Proposed acquisitions

(a) Introduction

On 8 December 2014, the Board of Directors of Sunway REIT Management Sdn Bhd, the manager for Sunway REIT ("Manager"), announced that RHB Trustees Berhad, as Trustee for Sunway REIT ("Trustee"), has on even date entered into the following agreements with subsidiaries of Sunway Berhad ("Sunway"):

- (i) A sale and purchase agreement with Sunway Biz Hotel Sdn Bhd (formerly known as Sunway Hotel (Penang) Sdn Bhd) ("SBH") to acquire 2 pieces of freehold land together with a 16-storey building comprising a 250-room hotel erected thereon known as "Sunway Hotel Georgetown" ("Sunway Hotel Georgetown Property") located in Penang for a purchase consideration of RM74 million;
- (ii) A master lease agreement ("MLA") with Sunway REIT Management Sdn Bhd, as the Manager for Sunway REIT and SBH, as the Lessee for the leaseback of Sunway Hotel Georgetown Property for a lease period of 10 years with an option to renew for a further term of 10 years commencing from the expiry of the Principal Lease Period on the same terms and conditions.;
- (iii) A sale and purchase agreement with SunwayMas Sdn Bhd and Daksina Harta Sdn Bhd to acquire all the individual strata titles for various floors/storeys of all that office building known as "Wisma Sunway" located in Shah Alam, Selangor ("Wisma Sunway Property") for a purchase consideration of RM60 million.

The Sunway Hotel Georgetown Property and Wisma Sunway Property shall collectively be referred to as the "Properties" and the transactions referred to in paragraphs (i) and (iii) above shall be referred to as the "Proposed Acquisition".

(b) Basis of determining the purchase consideration

The Purchase Consideration for the Properties of RM134 million collectively was arrived at on a willing buyer willing seller basis after taking into consideration the market value of the Properties of RM134 million as appraised by Knight Frank Malaysia Sdn Bhd, being the independent registered valuer appointed by the Trustee on behalf of Sunway REIT.

(c) Method financing

The Manager intends to fully fund the Proposed Acquisition through its existing debt facility.

(d) Financial effects of the Proposed Acquisition on Sunway REIT

The Manager believes that the Proposed Acquisition will marginally improve the earnings and the DPU to Sunway REIT's unitholders. The Proposed Acquisition is also consistent with the Manager's acquisition growth strategies of pursuing acquisition opportunities that are earnings accretive and will provide long-term growth in DPU and/or NAV per unit.

(d) Status of proposal

The status of the Proposed Acquisition is as per Note B10.

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

There were no material events subsequent to the quarter ended 31 December 2014.

A18. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 31 December 2014 were as follows:

	As at 31.12.2014 RM'000
Approved and contracted for	260,796
Approved but not contracted for	61,820
	322,616

The capital commitments are mainly in relation to the major refurbishment of Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower and car park linkages & annex building at Sunway Resort Hotel & Spa.

A19. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 December 2014.

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 31 December 2014 and 31 December 2013 as well as the balances with the parties related to the Manager as at 31 December 2014 and 30 June 2013:

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(33,540)	(34,379)	(66,071)	(62,669)
- Purchases	93,637	23,314	145,172	46,763
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(136)	(132)	(274)	(264)
			As at 31.12.2014 RM'000	As at 30.6.2014 RM'000
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			19,369	4,978
			As at 31.12.2014 RM'000	As at 30.6.2014 RM'000
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			23,049	38,403

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 RM93.2 million for 2Q 2015 and RM132.1 million for YTD 2Q 2015 mainly involving major refurbishment at Sunway Putra (formerly known as Sunway Putra Place), car park linkages & annex building at Sunway Resort Hotel & Spa and enhancement works at Sunway Medical Centre.

B3. Material Changes in Quarterly Results

	Current Quarter Ended 31.12.2014 RM'000	Immediate Preceding Quarter Ended 30.9.2014 RM'000
Profit before tax	63,268	63,451

Sunway REIT recorded a profit before tax of RM63.3 million, marginally lower by RM0.2 million or 0.3% compared to the immediate preceding quarter of RM63.5 million mainly due to decline in office segment contribution and higher interest expense pursuant to loan drawdown to fund the ongoing capital expenditure.

B4. Commentary on Prospects

The global economy is projected to register modest growth of 3.5%¹ in CY2015, underpinned by firm growth trajectory in the U.S. However, persistent weakness in the Eurozone, China and Japan may pose a downside risk to global growth.

The pace of growth for the Malaysian economy has moderated to 5.6% year-on-year in 3Q CY2014 (1H CY2014: 6.4% year-on-year). Bank Negara Malaysia ("BNM") has revised the Gross Domestic Products ("GDP") growth from 5.0% - 6.0% to 4.5% - 5.5% in CY2015 (2014 GDP forecast: 5.5% to 6.0%), amidst heightened uncertainties on the external front and domestic headwinds; implication on government's income arising from the acute decline on crude oil prices and potential softening of domestic demand upon implementation of Goods and Services Tax ("GST") in April 2015.

Following a period of low inflationary regime, the trend has reversed in CY2014 subsequent to the subsidy rationalization measures undertaken by the government. Inflation rate is expected to increase to 3.3% in CY2014 and 4.0% to 5.0% in 2015 arising from the imminent implementation of GST.

BNM's Monetary Policy stance for CY2015 premises on prioritizing economic growth over inflation. In view of the potential downside risk emanating from falling crude oil prices and potential over-reaction of consumers towards imposition of GST, BNM is likely to be watchful of the economic strength with a gradual upward bias on the Overnight Policy Rate ("OPR").

Based on consensus forecast² as at 8 January 2015, OPR is projected to increase by 25bps to 3.50% in CY2015.

The Manager expects modest growth in distribution per unit ("DPU") in FY2015 with Sunway Putra Mall expected to be reopened in 4QFY2015.

The Manager is committed to distribute 100% of its distributable net income for FY2015.

¹ Based on International Monetary Fund's forecast as at 20 January 2015

² Based on Bloomberg's compilation of economists forecast

B4. Commentary on Prospects (Cont'd)

Review of retail market

Retail Group Malaysia ("RGM") has forecasted retail sales growth of 6.5% in 4Q CY2014. Retail sales are expected to increase in the domestic sector in 4Q CY2014, partially driven by an expected increase in consumer spending, in anticipation of the impending implementation of the GST in April 2015. RGM forecasts retail sales to grow by 6.0% in CY2014 and 5.5% in CY2015 (CY2013: +4.5%).

The performance of the retail sector is expected to be moderate in CY2015, as consumer sentiment is anticipated to remain cautious on the back of an expected increase in prices and cost of living.

The average occupancy rates in the City Centre and Suburbs may dwindle in the coming months, as considerable amounts of new supply enters the market. The main challenge for retailers and mall owners/managers is the growing competition as more new malls enter the market, resulting in a market share dilution for retailers. A total of approximately 2.4 million sq.ft. net lettable area is slated for completion during the 1H2015. The shopping centres scheduled for completion are Sunway Putra Mall, Atria Shopping Gallery, Evolve Concept Mall@Pacific Place, The Place@One City, M Square Shopping Mall@Millenia City and GLO Damansara. Performance of leading regional malls are expected to generally hold up supported by their retail tenancy mix, promotions and strong mall management team.

Sunway Pyramid Shopping Mall continued to enjoy high occupancy. For the first six months of 2015, the average occupancy rate for Sunway Carnival Shopping Mall has improved to 98.4% for YTD 2Q2015 compared to 92.8% for the corresponding period in the preceding year. The improved occupancy was primarily attributable to tenancy commencement of a tenant occupying approximately 44,000 sq.ft. which was vacant since July 2013.

The construction progress of the refurbishment of Sunway Putra Mall is on target as per the refurbishment schedule. As at 31 December 2014, the refurbishment works have achieved 95% completion with target re-opening in 4Q2015. Total tenancy secured is above 70% of NLA as at 31 December 2014.

The Manager expects the retail assets to register healthy growth in FY2015 supported by Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. Meanwhile, Sunway Putra Mall is expected to commence operation in 4Q2015 and contribute to the portfolio thereafter.

Going forward, the Manager is cautious on possibility of weakening consumer confidence post implementation of GST in April 2015. Consumer spending may be adversely affected by over-reaction in the short-term consumption patterns before normalizing over the longer term horizon.

Review of hotel market

Tourist arrivals for the first 8-month of CY2014 recorded a double-digit growth of 10.3% year-on-year to 18.4 million, primarily contributed by ASEAN and Middle East nations. On an annualized basis, this is on track to meet The Tourism and Culture Minister's target of 28.0 million for CY2014. The Ministry is targeting 5.0% growth in tourist arrivals in CY2015 to 29.4 million.

Sunway Resort Hotel & Spa has registered a minor decrease in average occupancy rate of 81.1% in 2Q2015 compared to 83.5% in 2Q2014. The higher occupancy rate in 2Q2014 was attributable to aggressive tactical promotional activities undertaken. Meanwhile, Pyramid Tower Hotel's average occupancy rate rose to 92.0% in 2Q2015 versus 88.5% in 2Q2014. The higher average occupancy rate was largely attributable to large group business secured coupled with stronger tourist arrivals.

Both the hotels have enjoyed higher revenue per available room ("revpar") on the back of good tourist arrivals, stronger corporate and MICE business as well as continuous active revenue yield management initiatives. Despite higher occupancy rates, rental contribution was lower due to closure of F&B outlets in both the hotels and higher operating expenses arising from electricity tariff hike, general maintenance of the buildings and other operating expenses to enhance guests service level.

The average occupancy rate for Sunway Putra Hotel slipped to 31.6% in 2Q2015 (58.0% based on number of saleable rooms) compared to 51.6% in 2Q2014 (52.0% based on number of saleable rooms), due to ongoing major refurbishment at the adjoining Sunway Putra Mall and the hotel's ongoing refurbishment. To date, refurbishment of the ballroom and coffee house are completed as well as 307 rooms of the 618 rooms have been refurbished. Business performance of Sunway Putra Hotel is expected to improve gradually upon progressive completion of the hotel refurbishment work. The full completion is expected to be in 4Q CY2015.

B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

The average occupancy rate for Sunway Hotel Seberang Jaya is maintained above the pre-refurbishment levels of 70%. In 2Q2015, the hotel registered an average occupancy rate of 75.7% compared to 68.7% during the same period in the preceding year.

The Manager expects income contribution to be maintained for the hospitality sector in FY2015 as mentioned above.

Review of office market

With the constant incoming office supply, with a total of 3.74 million sq.ft and 1.78 million sq.ft. of office space expected to be completed in CY2015 and CY2016 respectively. This is expected to adversely impact the older office buildings in terms of occupancy and rental rates. In view of this, tenants will continue to be in a better position to negotiate favourable tenancy terms.

Menara Sunway recorded a marginally lower average occupancy rate of 97.4% for YTD 2Q2015 compared to 98.6% for YTD 2Q2014 due to non-renewal of a tenancy.

The average occupancy rate for Sunway Tower has decreased from 87.3% for YTD 2Q2014 to 69.8% for YTD 2Q2015 as the anchor tenant has surrendered and will be surrendering the balance of the total of 72,000 sq. ft. NLA on a progressive basis up to March 2015. The asset manager is actively seeking replacement tenants for the vacancy and this presents an opportunity for us to improve the tenancy mix to be less reliant on the anchor tenant.

Sunway Putra Tower registered slightly higher average occupancy rate of 76.1% for YTD 2Q2015 versus 74.9% for YTD 2Q2014. That said, the average occupancy rate is expected to decrease to approximately 30% in the next quarter due to termination of an anchor tenant occupying 143,000 sq. ft. at the end of 2014. The asset manager is actively seeking for replacement tenants to fill the vacancy. The departure of this anchor tenant offers an opportunity to the asset manager to further diversify the tenancy mix to private sector tenants and to mitigate tenancy concentration risk.

In tandem with the developments in Sunway Tower and Sunway Putra Tower, the Manager expects lower income contribution from the office segment for FY2015. On the portfolio level, we do not expect a material adverse impact on our FY2015 DPU.

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 31.12.2014	Year ended 30.6.2014
a) Management expense ratio *	0.83%	0.78%
b) Total returns *	11.5%	-0.7%
c) Average annual returns *	17.3%	18.8%
d) Distribution yield *	5.9%	5.8%
e) NAV per unit (after income distribution)(RM)	1.2364	1.2390

*The performance indicators for the period ended 31 December 2014 was based on annualised results.

B6. Performance Benchmark (Cont'd)

- a) The ratio of annualised expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus annualised distribution yield for the year.
- c) Average annual return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on annualised DPU of 9.03 sen divided by its closing price as at 31 December 2014 of RM1.52 (30 June 2014 - DPU: 8.36 sen; Closing price as at 30 June 2013: RM1.44).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

- active asset management strategy
- acquisition growth strategy
- capital and risk management strategy

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

B8. Manager's fee

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

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

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, with the initial applicable proportion to be 50% in the form of cash and 50% in the form of new Units, such proportion which may be varied at the discretion of the Manager.

Total fees accrued to the Manager for the current quarter and cumulative quarter ended 31 December 2014 were RM6.985 million and RM13.878 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 31 December 2013 of RM6.561 million and RM12.89 million respectively.

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 quarter and cumulative quarter ended 31 December 2014 were RM0.281 million and RM0.561 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 31 December 2013 of RM0.267 million and RM0.534 million respectively.

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.

The Proposed Acquisition of Sunway Georgetown Hotel has been completed on 28 January 2015 and Wisma Sunway is expected to be completed in first quarter financial year 2016.

B11. Material Litigation

1. High Court Originating Summons No. 24NCVC-1255-2011, Court of Appeal W-02(NCVC)-1680-2011 and W-02(NCVC)-1773-2011 and Federal Court Leave to Appeal 08(f)-425-09-2011

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 damages are subject to an assessment of damages to be undertaken by the High Court.

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

The hearings for the assessment of damages were held on 15 and 16 May 2014 and the matter was heard for decision 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 Metroplex's unlawful possession of Sunway Putra (formerly known as Sunway Putra Place). No costs were awarded by the court.

Metroplex had proceeded to file an appeal to the judge in chambers on the decision given above. The hearing of the appeal was fixed on 27 November 2014 and was thereafter postponed and heard on 8 December 2014. 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.

2. High Court Originating Summons No. 28NCC-994-12/2012, Court of Appeal Civil No. W-02(IM)(MCC)-622-03/2013

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 ("Metroplex") pursuant to one of the High Court Orders dated 28 June 2011 where Metroplex 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 Metroplex should not be wound up as it is still solvent. Pursuant to the High Court order, a joint stakeholder account was opened and approximately RM6,189,000 was 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. On 13 December 2013, the judge for the committal proceedings (who was the judge who delivered the Orders) clarified that the amount owing to Sunway is the "net value" which amounts to RM6,189,000. As the joint stakeholder account was set up pursuant to the winding up court order, the judge opined that the parties should return to the winding up court to facilitate the release of the amount deposited in the joint stakeholder account from Metroplex's solicitors. Sunway REIT's lawyers will proceed to file the application for the release of the money in the joint stakeholders' account when a full determination of the case on assessment of damages (case mentioned in Note B11(1) above) has been delivered by the court.

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 31.12.2014	Immediate preceding quarter ended 30.9.2014	% change
Number of units in issue (units)	2,933,242,500	2,930,983,100	0.1%
Realised net income (RM'000)	62,994	63,435	-0.7%
Realised earnings per unit (EPU) (sen)	2.15	2.17	-0.9%
Income distribution (RM'000)	66,585	66,826	-0.4%
Distribution per unit (DPU) (sen)	2.27	2.28	-0.4%
Net Asset Value (NAV) (RM'000)	3,626,761	3,627,847	0.0%
NAV per unit (After income distribution) (RM)	1.2364	1.2378	-0.1%
Market price per unit (RM)	1.52	1.53	-0.7%

B14. Income Distribution

Please refer to Note A12 for details .

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract/ Notional Value		Fair value recognised in balance sheet	
	As at 31.12.2014	As at 30.6.2014	As at 31.12.2014	As at 30.6.2014
	RM'000	RM'000	RM'000	RM'000
Interest rate swap				
- Less than 3 years	200,000	-	-	-
Cross currency swap contract				
- Less than 1 year	310,800	310,800	39,299	7,540
	510,800	310,800	39,299	7,540

Interest rate swap contracts

During the quarter under review, Sunway REIT had entered into several interest rate swap ("IRS") contracts totaling RM200 million to manage its exposure of the floating rate borrowings. 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.

Cross currency swap contract

In the financial year ended 30 June 2012, Sunway REIT entered into a cross currency swap contract 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.

B16. Risks and Policies of Derivatives

The Group entered into new Interest Rate Swap contracts during the quarter ended 31 December 2014 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 2014 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 31 December 2014 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 31.12.2014 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	14,240	14,090
- unrealised	969,595	971,196
	<u>983,835</u>	<u>985,286</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>983,832</u>	<u>985,283</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 31 December 2014 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 28 January 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

Petaling Jaya
Date: 28 January 2015