

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2015 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2015	31.3.2014	31.3.2015	31.3.2014
	RM'000	RM'000	RM'000	RM'000
Rental income	108,690	105,603	331,095	310,923
Other operating income	2,019	2,479	7,422	7,648
Gross revenue	110,709	108,082	338,517	318,571
Quit rent, assessment and insurance	(3,620)	(3,997)	(7,531)	(9,992)
Other property operating expenses	(23,912)	(23,462)	(74,580)	(66,425)
Property operating expenses	(27,532)	(27,459)	(82,111)	(76,417)
Net property income	83,177	80,623	256,406	242,154
Other income	712	457	2,611	1,643
Net investment income	83,889	81,080	259,017	243,797
Manager's fee	(6,899)	(6,385)	(20,777)	(19,275)
Trustee's fee	(274)	(261)	(835)	(795)
Finance costs	(17,564)	(15,681)	(50,716)	(47,183)
Other expenses	(2,334)	(273)	(3,152)	(630)
	(27,071)	(22,600)	(75,480)	(67,883)
Profit before tax	56,818	58,480	183,537	175,914
Income tax expense	-	-	-	-
Profit for the period	56,818	58,480	183,537	175,914
Profit for the period comprise the following:				
Realised	58,923	58,462	185,352	175,862
Unrealised	(2,105)	18	(1,815)	52
	56,818	58,480	183,537	175,914
Earnings per unit (sen)				
- realised	2.00	2.00	6.32	6.02
- unrealised	(0.07)	-	(0.06)	-
	1.93	2.00	6.26	6.02
Proposed/declared distribution per unit (sen)	2.13	2.10	6.68	6.33

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)

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2015	31.3.2014	31.3.2015	31.3.2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period	56,818	58,480	183,537	175,914
Other comprehensive income				
Cash flow hedge - fair value of derivative	19,429	(2,678)	45,988	10,363
Cash flow hedge reserve recycled to profit or loss	(22,300)	1,300	(50,750)	(9,000)
Total comprehensive income for the period	53,947	57,102	178,775	177,277

Income distribution

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2015	31.3.2014	31.3.2015	31.3.2014
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	58,923	58,462	185,352	175,862
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,450	3,192	10,389	9,637
Total available for income distribution for the period	62,373	61,654	195,741	185,499
Brought forward undistributed income available for distribution	441	387	484	169
Total available for income distribution	62,814	62,041	196,225	185,668
Less: Proposed/declared income distribution	(62,528)	(61,453)	(195,939)	(185,080)
Balance undistributed arising from rounding difference	286	588	286	588

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 THIRD QUARTER ENDED 31 MARCH 2015 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.3.2015 (Unaudited)	As At 30.6.2014 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	4,200	3,039
Investment properties	5,846,119	5,520,000
	5,850,319	5,523,039
Current assets		
Receivables, deposits and prepayments	14,691	16,361
Cash and bank balances	77,438	54,607
Derivative	6,927	12,484
	99,056	83,452
	5,949,375	5,606,491
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,713,007	2,702,788
Undistributed income	971,194	985,283
Total Unitholders' funds	3,684,201	3,688,071
Non-current liabilities		
Borrowings	1,370,350	1,000,000
Long term liabilities	70,944	60,279
Derivative	1,865	-
	1,443,159	1,060,279
Current liabilities		
Borrowings	718,283	742,042
Trade and other payables	103,732	116,099
	822,015	858,141
	5,949,375	5,606,491
Number of units in circulation ('000 units)	2,935,569	2,928,715
NET ASSET VALUE ("NAV")		
- Before income distribution	3,684,201	3,688,071
- After income distribution	3,621,673	3,628,618
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.2550	1.2593
- After income distribution ²	1.2337	1.2390

¹ Before the 3Q 2015 proposed income distribution of 2.13 sen per unit (4Q 2014: 2.03 sen per unit).

² After the 3Q 2015 proposed income distribution of 2.13 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 THIRD QUARTER ENDED 31 MARCH 2015 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised	Unrealised	RM'000
As at 1 July 2014	2,702,788	14,087	971,196	3,688,071
Total comprehensive income				
Profit for the period	-	185,352	(1,815)	183,537
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	45,988	45,988
- Cash flow hedge reserve recycled to profit or loss	-	-	(50,750)	(50,750)
Total comprehensive income, representing the increase in net assets resulting from operations	2,702,788	199,439	964,619	3,866,846
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	10,219	-	-	10,219
Distribution to unitholders				
- Income distribution declared and paid in current period	-	(133,411)	-	(133,411)
- Income distribution proposed in prior year but paid in current period	-	(59,453)	-	(59,453)
Increase/(decrease) in net assets resulting from unitholders' transactions	10,219	(192,864)	-	(182,645)
As at 31 March 2015 (Unaudited)	2,713,007	6,575	964,619	3,684,201

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised	Unrealised	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 (Audited)	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 THIRD QUARTER ENDED 31 MARCH 2015 (UNAUDITED)**

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

¹ Issue of new units comprise the following:

	31.3.2015	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager's fee paid in units:		
- at RM1.4461 per unit for the quarter ended 30 June 2014	2,268	3,280
- at RM1.5253 per unit for the quarter ended 30 September 2014	2,259	3,446
- at RM1.5007 per unit for the quarter ended 31 December 2014	2,327	3,493
Total Manager's fee paid in units	<u>6,854</u>	<u>10,219</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 THIRD QUARTER ENDED 31 MARCH 2015 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.3.2015	31.3.2014
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	343,003	328,941
Refundable security deposits from customers	18,495	8,818
Cash paid for operating expenses	(129,758)	(122,780)
Net cash generated from operating activities	231,740	214,979
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(1,328)	(1,100)
Acquisition of investment properties	(134,000)	-
Subsequent expenditure of investment properties	(176,112)	(65,453)
Incidental costs on acquisition of investment properties	(2,049)	-
Interest received	2,291	1,632
Net cash used in investing activities	(311,198)	(64,921)
FINANCING ACTIVITIES		
Issuance of commercial papers	297,400	2,151,000
Drawdown of term loans	50,100	-
Drawdown of revolving loans	4,707,800	1,068,000
Repayment of commercial papers	(255,400)	(2,455,000)
Repayment of revolving loans	(4,452,400)	(677,000)
Interest paid	(52,347)	(46,312)
Distribution paid	(192,864)	(182,599)
Net cash generated from/(used in) financing activities	102,289	(141,911)
Net increase in cash and bank balances	22,831	8,147
Cash and bank balances at beginning of year	54,607	58,519
Cash and bank balances at end of period	77,438	66,666
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	77,434	9,422
Deposits placed with licensed financial institutions	4	57,244
Cash and bank balances	77,438	66,666

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 THIRD QUARTER ENDED 31 MARCH 2015 (UNAUDITED)**

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

A1. Corporate Information

Sunway Real Estate Investment Trust ("Sunway REIT" or "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed") between Sunway REIT Management Sdn. Bhd. (the "Manager") and RHB Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010.

The condensed consolidated interim financial statements comprise Sunway REIT and its subsidiaries (the "Group").

A2. Significant Accounting Policies and Basis of Preparation

The condensed consolidated interim financial statements of the Group for the financial period ended 31 March 2015 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). These condensed consolidated interim financial statements also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 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 March 2015.

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

Sunway REIT has issued 2,327,300 new units at RM1.5007* per unit on 17 February 2015, being 50% payment of the Manager's fee for the quarter ended 31 December 2014. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 18 February 2015.

* Based on the 10-day volume weighted average price ("VWAP") of the units up to 31 December 2014.

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

Sunway REIT's fund size increased from 2,933.2 million units as at 31 December 2014 to 2,935.6 million units with the issuance of new units as mentioned in Note A6.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2015 (UNAUDITED)**

A8. Segmental Reporting

By segment

Segmental results for the quarter ended 31 March 2015 are as follows:

Third Quarter

	Third Quarter ended 31.03.2015					Third Quarter ended 31.03.2014				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	84,923	12,111	8,480	5,195	110,709	77,574	14,935	10,657	4,916	108,082
Net property income	62,124	11,086	4,772	5,195	83,177	54,919	13,787	7,001	4,916	80,623
Other income					712					457
Trust and other expenses					(9,507)					(6,919)
Finance costs					(17,564)					(15,681)
Profit before tax					56,818					58,480
Income tax expense					-					-
Profit for the period					56,818					58,480

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2015 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 31.03.2015					Cumulative Quarter ended 31.03.2014				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	247,436	46,521	29,370	15,190	338,517	222,649	49,136	32,370	14,416	318,571
Net property income	177,896	44,609	18,711	15,190	256,406	159,666	46,421	21,651	14,416	242,154
Other income					2,611					1,643
Trust and other expenses					(24,764)					(20,700)
Finance costs					(50,716)					(47,183)
Profit before tax					183,537					175,914
Income tax expense					-					-
Profit for the period					183,537					175,914

Segmental Reporting (Cont'd)

By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Third Quarter ended			Third Quarter ended			Cumulative Quarter ended			Cumulative Quarter ended		
	31.3.2015	31.3.2014	Change	31.3.2015	31.3.2014	Change	31.3.2015	31.3.2014	Change	31.3.2015	31.3.2014	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	72,906	66,727	9.3%	56,451	49,277	14.6%	211,771	191,732	10.5%	158,380	142,699	11.0%
Sunway Carnival Shopping Mall	10,604	9,596	10.5%	6,654	6,051	10.0%	31,548	27,058	16.6%	19,997	16,866	18.6%
Suncity Ipoh Hypermarket	1,250	1,137	9.9%	1,168	1,055	10.7%	3,751	3,409	10.0%	3,522	3,191	10.4%
Sunway Putra Mall	163	114	43.0%	(2,149)	(1,464)	46.8%	366	450	-18.7%	(4,003)	(3,090)	29.5%
	84,923	77,574	9.5%	62,124	54,919	13.1%	247,436	222,649	11.1%	177,896	159,666	11.4%
Hotel												
Sunway Resort Hotel & Spa	6,348	7,852	-19.2%	5,896	7,576	-22.2%	24,958	25,524	-2.2%	23,777	24,631	-3.5%
Pyramid Tower Hotel	3,596	5,050	-28.8%	3,504	4,942	-29.1%	14,199	15,739	-9.8%	13,923	15,445	-9.9%
Sunway Hotel Seberang Jaya	902	1,024	-11.9%	852	968	-12.0%	3,564	3,360	6.1%	3,406	3,202	6.4%
Sunway Putra Hotel	693	1,009	-31.3%	300	301	-0.3%	3,228	4,513	-28.5%	2,969	3,143	-5.5%
Sunway Hotel Georgetown	572	-	100.0%	534	-	100.0%	572	-	100.0%	534	-	100.0%
	12,111	14,935	-18.9%	11,086	13,787	-19.6%	46,521	49,136	-5.3%	44,609	46,421	-3.9%
Office												
Menara Sunway	4,454	4,530	-1.7%	3,179	3,186	-0.2%	13,420	13,178	1.8%	9,534	9,546	-0.1%
Sunway Tower	2,874	3,834	-25.0%	1,615	2,408	-32.9%	9,725	12,166	-20.1%	5,940	8,130	-26.9%
Sunway Putra Tower	1,010	2,293	-56.0%	(111)	1,407	-107.9%	6,083	7,026	-13.4%	3,148	3,975	-20.8%
Wisma Sunway	142	-	100.0%	89	-	100.0%	142	-	100.0%	89	-	100.0%
	8,480	10,657	-20.4%	4,772	7,001	-31.8%	29,370	32,370	-9.3%	18,711	21,651	-13.6%
Others												
Sunway Medical Centre	5,195	4,916	5.7%	5,195	4,916	5.7%	15,190	14,416	5.4%	15,190	14,416	5.4%
	5,195	4,916	5.7%	5,195	4,916	5.7%	15,190	14,416	5.4%	15,190	14,416	5.4%
TOTAL PORTFOLIO	110,709	108,082	2.4%	83,177	80,623	3.2%	338,517	318,571	6.3%	256,406	242,154	5.9%

**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 RM84.9 million for the current quarter ended 31 March 2015 (3Q 2015), higher by 9.5% or RM7.3 million compared to the preceding year corresponding quarter (3Q 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 9.3% or RM6.2 million for 3Q 2015 compared to 3Q 2014 primarily attributable to the higher average net rent per sq. ft. and higher average occupancy rate. The improved revenue of this shopping mall was also due to an increase in service and promotion charges with effect from June 2014 (4Q 2014).

Similarly, Sunway Carnival Shopping Mall achieved a steady growth in gross revenue by 10.5% or RM1.0 million, mainly attributable to an increase in service and promotion charges with effect from June 2014. In addition, average occupancy rate was higher at 97.7% for YTD 3Q 2015 compared to 92.4% for YTD 3Q 2014 due to commencement of a tenancy in July 2014 for approximately 44,000 sq.ft which was vacant since July 2013.

Suncity Ipoh Hypermarket achieved higher revenue by 9.9% or RM0.1 million due to rental reversion in April 2014.

Property operating expenses of the retail segment for 3Q 2015 was RM22.8 million, marginally higher by 0.6% or RM0.1 million mainly contributed by Sunway Carnival Shopping Mall and pre-opening expenses for Sunway Putra Mall, but mitigated by lower expenses from Sunway Pyramid Shopping Mall.

Net property income of the retail segment for 3Q 2015 was RM62.1 million, an increase of 13.1% or RM7.2 million compared to 3Q 2014, in line with the increase in revenue.

Hotel segment

The hotel segment recorded gross revenue of RM12.1 million for 3Q 2015, lower by 18.9% or RM2.8 million compared to 3Q 2014 due to lower performance of all the hotels, marginally mitigated by new contribution from Sunway Hotel Georgetown.

Sunway Hotel Georgetown commenced contribution of revenue and net property income of RM0.6 million and RM0.5 million respectively in the current quarter upon completion of its acquisition on 28 January 2015 (3Q 2015).

The revenue of Sunway Resort Hotel & Spa (SRHS) and Pyramid Tower Hotel (PTH) were lower by 19.2% or RM1.5 million and 28.8% or RM1.5 million respectively for 3Q 2015 compared to 3Q 2014.

Revenue from these hotels were primarily affected by the softer business and consumer sentiment ahead of introduction of GST. Rental contribution for both hotels were also lower in the current quarter due to closure of F&B outlets and higher room operating expenses to enhance guests service level. In addition, SRHS and PTH enjoyed higher average occupancy rates in the preceding year due to one-off MICE business and supported by aggressive tactical promotional activities.

A8. Segmental Reporting (Cont'd)
a) Review of Current Quarter Results (Cont'd)

Hotel segment (Cont'd)

The performance of Sunway Putra Hotel continues to be adversely affected by the ongoing major refurbishment works at the adjoining Sunway Putra Mall since May 2013 and the hotel's own refurbishment. Average occupancy rate for the current quarter stood at 22.3% compared to 36.1% in 3Q 2014, on the back of closure of some of the key hotel facilities for refurbishment.

Revenue from Sunway Hotel Seberang Jaya was lower by 11.9% or RM0.1 million in 3Q 2015 compared to 3Q 2014 on the back of exceptionally soft market demand during the quarter and competition from newly opened hotels.

Net property income of the hotel segment for 3Q 2015 was RM11.1 million, lower by 19.6% or RM2.7 million due to lower revenue.

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

Office segment

The office segment recorded gross revenue of RM8.5 million for 3Q 2015, lower by 20.4% or RM2.2 million compared to 3Q 2014 due to lower average occupancy. Menara Sunway recorded a marginally lower gross revenue by 1.7% for 3Q 2015 compared to 3Q 2014, with marginally lower average occupancy of 97.4% (3Q 2014 - 98.8%).

Average occupancy of Sunway Tower and Sunway Putra Tower declined to 67.6% and 60.8% respectively in the current quarter compared to 85.0% and 73.9% respectively in the preceding year corresponding quarter. The anchor tenant at Sunway Tower had surrendered 34,000 sq. ft. in 2Q 2015 whilst the anchor tenant at Sunway Putra Tower, which occupied 143,000 sq. ft., moved out in December 2014. This resulted in revenue from Sunway Tower to be lower by 25.0% or RM1.0 million and for Sunway Putra Tower lower by 56.0% or RM1.3 million in the current quarter.

Wisma Sunway commenced contribution of revenue and net property income of RM0.1 million in the current quarter upon completion of its acquisition on 23 March 2015 (Q3 2015).

Property operating expenses of the office segment for 3Q 2015 was RM3.7 million, in line with 3Q 2014.

Net property income of the office segment for 3Q 2015 was RM4.8 million, declined by 31.8% or RM2.2 mil due to lower revenue.

Others

Sunway Medical Centre contributed RM5.2 million of revenue and net property income for 3Q 2015, an increase of 5.7% compared to 3Q 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 3Q 2015 was RM17.6 million, increased by 12.0% or RM1.9 million compared to 3Q 2014 due to additional loan drawn down to fund the ongoing capital expenditure plans and the acquisition of Sunway Hotel Georgetown and Wisma Sunway. The increase in Overnight Policy Rate (OPR) by 25 bps in July 2014 which resulted in higher interest expense on the floating rate borrowings also contributed to the higher interest expense.

Net profit for 3Q 2015 was RM56.8 million, a decrease of 2.8% or RM1.7 million compared to 3Q 2014 mainly attributable to lower net property income from the hotel and office segment.

A8. Segmental Reporting (Cont'd)
b) Review of Cumulative Quarter Results

Retail segment

The retail segment registered gross revenue of RM247.4 million for the cumulative quarter ended 31 March 2015 (YTD 3Q 2015), higher by 11.1% or RM24.8 million compared to the preceding year corresponding cumulative quarter (YTD 3Q 2014) primarily contributed by the 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 3Q 2015 was RM69.5 million, higher by 10.4% or RM6.6 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 17% electricity tariff hike with effect from January 2014. For YTD 3Q 2015, Sunway Pyramid Shopping Mall also incurred higher general maintenance expenses and higher provision for doubtful debts. Further, expenses was also lower in YTD 3Q 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 3Q 2015.

Sunway Putra Mall incurred higher pre-opening expenses such as staff costs for YTD 3Q 2015 compared to YTD 3Q 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 3Q 2015 was RM177.9 million, an increase of 11.4% or RM18.2 million compared to YTD 3Q 2014.

Hotel segment

The hotel segment registered gross revenue of RM46.5 million for YTD 3Q 2015, a decline of 5.3% or RM2.6 million compared to YTD 3Q 2014.

The revenue of Sunway Resort Hotel & Spa (SRHS) and Pyramid Tower Hotel (PTH) were both lower by 2.2% or RM0.6 million, and 9.8% or RM1.5 million respectively due to lower performance reported in 2Q 2015 and 3Q 2015, as mentioned in Note A8(a) above.

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

However, Sunway Hotel Seberang Jaya achieved a modest revenue growth of 6.1% or RM0.2 million for YTD 3Q 2015 compared to YTD 3Q 2014 due to a higher average daily rate and average occupancy rates, post completion of refurbishment in 4Q 2013.

Consequently, net property income of the hotel segment for YTD 3Q 2015 was RM44.6 million, lower by 3.9% or RM1.8 million.

Office segment

The office segment recorded gross revenue of RM29.4 million for YTD 3Q 2015, lower by 9.3% or RM3.0 million compared to YTD 3Q 2014 due to the reason mentioned in Note A8(a).

Property operating expenses of the office segment for YTD 3Q 2015 was RM10.6 million, marginally lower by 0.6% or RM0.1 million compared to YTD 3Q 2014 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 3Q 2015 was RM18.7 million, declined by 13.6% or RM2.9 mil due to lower revenue.

A8. Segmental Reporting (Cont'd)**b) Review of Cumulative Quarter Results (cont'd)**Others

Sunway Medical Centre contributed RM15.2 million of revenue and net property income for YTD 3Q 2015, an increase of 5.4% compared to YTD 3Q 2014 due to the reason mentioned in Note A8(a).

Profit before tax

Finance costs for YTD 3Q 2015 was RM50.7 million, increased by 7.5% or RM3.5 million compared to YTD 3Q 2014 mainly due to the reason mentioned in Note A8(a).

Net profit for YTD 3Q 2015 was RM183.5 million, an increase of 4.3% or RM7.6 million compared to YTD 3Q 2014 primarily 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 and business activities and year end corporate functions.

A10. Profit Before Tax

Included in the profit before tax are the following items:

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Interest Income	(942)	(572)	(2,528)	(1,593)
Net changes in fair value of long term liabilities	(16)	(18)	(50)	(52)
Unrealised foreign exchange loss/(gain) - hedged item	22,300	(1,300)	50,750	9,000
Cash flow hedge reserve recycled to profit or loss	(22,300)	1,300	(50,750)	(9,000)
Fair value loss on interest rate swap	2,121	-	1,865	-
Allowance for/(reversal of) impairment of trade receivables	159	272	1,199	(123)
Bad debts written off	185	-	560	21
Depreciation of plant and equipment	168	118	435	228

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 March 2015, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM62.528 million or 2.13 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.79 sen and 0.34 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.450 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 18 May 2015 and 2 June 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 31.3.2015 RM'000	As at 30.6.2014 RM'000
<u>Short term borrowings</u>		
Secured		
- Term loans	-	321,050
- Commercial papers	54,000	12,000
Unsecured		
- Revolving loan	664,400	409,000
Total gross short term borrowings	<u>718,400</u>	<u>742,050</u>
Less: Discount on commercial papers	(117)	(8)
Total short term borrowings	<u>718,283</u>	<u>742,042</u>
<u>Long term borrowings</u>		
Secured		
- Term loans	370,350	-
- Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,370,350</u>	<u>1,000,000</u>
Total borrowings	<u>2,088,633</u>	<u>1,742,042</u>

Included in the long term borrowings for 31 March 2015 is a secured 3-year term loan of USD100 million (equivalent to RM360.9 million), hedged with a 1-year cross currency swap contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation. This loan is to refinance the 3-year fixed rate term loan which matured on 4 February 2015.

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 March 2015				
Financial assets				
Investment properties	-	-	5,846,119	5,846,119
Derivative	-	6,927	-	6,927
Financial liability				
Derivative	-	(1,865)	-	(1,865)
At 30 June 2014				
Financial assets				
Investment properties	-	-	5,520,000	5,520,000
Derivative	-	12,484	-	12,484

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.; and
- (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) Status of proposal

The Proposed Acquisition of Sunway Hotel Georgetown and Wisma Sunway have been completed on 28 January 2015 and 23 March 2015 respectively.

(d) Method of financing

The Manager funded the Acquisition through its existing debt facility.

A16. Material Event (Cont'd)Proposed acquisitions (Cont'd)(e) Financial effects of the Acquisition on Sunway REIT

The Manager believes that the Acquisition will marginally improve the earnings and the DPU to Sunway REIT's unitholders. The 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.

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

There were no material events subsequent to the quarter ended 31 March 2015.

A18. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 31 March 2015 were as follows:

	As at 31.3.2015 RM'000
Approved and contracted for	203,876
Approved but not contracted for	61,674
	<u>265,550</u>

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 March 2015.

A20. Transactions with Parties Related to the Manager

The following table provides information on the transactions which have been entered into with parties related to the Manager during the period ended 31 March 2015 and 31 March 2014 as well as the balances with the parties related to the Manager as at 31 March 2015 and 30 June 2014:

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(28,197)	(29,937)	(94,268)	(92,606)
- Purchases	189,441	29,033	334,613	75,796
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(145)	(136)	(419)	(400)
			As at 31.3.2015 RM'000	As at 30.6.2014 RM'000
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			6,046	4,978
(b) Sunway Technology Sdn. Bhd. Group			5	-
			As at 31.3.2015 RM'000	As at 30.6.2014 RM'000
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			22,008	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 RM58.0 million for 3Q 2015 and RM190.1 million for YTD 3Q 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 31.3.2015 RM'000	Immediate Preceding Quarter Ended 31.12.2014 RM'000
Profit before tax	56,818	63,268

Sunway REIT recorded a profit before tax of RM56.8 million, lower by RM6.5 million or 10.2% compared to the immediate preceding quarter of RM63.3 million mainly due to lower contribution from the hotel and office segment.

The hotel segment's contribution was lower in the current quarter as the first quarter of the calendar year is traditionally a low season for hotel business. The decline in the office segment contribution was due to lower occupancy for the two properties as explained in Note A8(a).

B4. Commentary on Prospects

The International Monetary Fund ("IMF") has revised global growth from 3.8% to 3.5% for CY2015 and 3.8% in CY2016 supported by rebound in the advanced economies. Meanwhile, economic growth in the emerging nations are expected to soften led by China and net oil and commodity exporters.

The Malaysian economy accelerated to 6.0% in CY2014 (CY2013: 4.7%), driven primarily by the continued strength of domestic demand and supported by an improvement in external trades. Net exports turned positive following seven years of negative contribution as Malaysia benefitted from the recovery in the advanced economies and the sustained demand from the regional economies.

According to Bank Negara Malaysia ("BNM"), the Malaysian economy is projected to register a steady growth of 4.5% - 5.5% in CY2015 (CY2014: 6.0%), cushioned by a well-diversified economy, favourable employment market conditions, matured financial markets, strong banking system, ample reserves and a flexible currency.

Household spending is expected to be affected by the implementation of the Goods and Services Tax ("GST") in April and lower earnings in commodity-related sectors, its impact will, however, be partially offset by Government measures to assist targeted groups and the additional disposable incomes from lower fuel prices.

BNM has lowered its inflation expectations to average between 2% - 3% in CY2015 (CY2014: 3.2%), from 2.5% - 3.5% previously despite implementation of GST. The lower expectation was due to already low oil prices and lower utility costs.

Monetary policy in CY2015 will focus on ensuring steady growth of the Malaysian economy amid contained risks to inflation. BNM has signaled that the central bank will monitor the nation's growth direction and interest rate direction will remain accommodative for CY2015. Based on consensus forecast¹ as at 13 April 2015, Overnight Policy Rate ("OPR") is projected to remain unchanged at 3.25% in CY2015.

¹ Based on Bloomberg's economists consensus

B4. Commentary on Prospects (Cont'd)

The Manager expects modest growth in distribution per unit ("DPU") in FY2015 with the re-opening of Sunway Putra Mall in May 2015.

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

Review of retail market

A recent report by Retail Group Malaysia ("RGM") revealed that retail sales for 4Q CY2014 contracted by 0.8% y-o-y compared with 3.9% growth achieved a year ago. For the full year CY2014, retail sales grew by 3.4%, the lowest since 2009, despite the presence of more brands in the market. RGM has revised downwards CY2015 retail sales growth forecast from 5.5% to 4.9% amidst weakening consumer sentiment following introduction of GST. The Manager believes that this remains an aggressive target.

The incoming stream of new retail malls in the Klang Valley may potentially lead to higher vacancy rates. Under the competitive operating environment, it is the survival of the fittest where leading regional malls possess the competitive advantage in attracting both international retailers and domestic retailers as well as supported by experienced retail mall management team, robust promotional activities and distinctive tenancy mix.

Average occupancy rate in Sunway Pyramid Shopping Mall improved marginally to 98.1% for year-to-date ("YTD") 3Q2015, from 97.8% during the same period in the preceding year. A total of 338,826 sq.ft. of net lettable area ("NLA") was renewed for YTD 3Q2015 at double-digit rental reversion rate over the three-year tenancy term.

Sunway Carnival Shopping Mall recorded higher average occupancy rate of 97.7% for YTD 3Q2015 compared to 92.4% for YTD 3Q2014 due to tenancy commencement of a tenant occupying approximately 44,000 sq.ft. in July 2014. A total of 41,564 sq.ft. of NLA was renewed at a double-digit rental reversion rate over the three-year tenancy term.

The refurbishment of Sunway Putra Mall was completed in February 2015. As at 31 March 2015, total tenancy secured was above 75% of NLA. The mall is scheduled for re-opening in May 2015.

Notwithstanding the competitive operating environment, The Manager expects the retail assets to register healthy growth in FY2015 supported by Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall.

Going forward, the Manager is cautious on retail sentiment in the short term following the recent implementation of GST. Over the medium to long term, retail sentiment is expected to strengthen supported by favourable employment market conditions and business confidence.

Review of hotel market

Tourist arrivals for CY2014 recorded a single-digit growth of 6.7% to 27.4 million tourists, primarily contributed by ASEAN and Middle East nations. This was below The Tourism and Culture Minister's target of 28.0 million for CY2014.

Moving into 2015, weakening of Malaysian Ringgit is favourable in boosting tourism activities in the country. Despite the favourable foreign exchange factor, there may be dilution in market share for existing hotels in view of opening of new hotels in the country and a stream of new supply scheduled for opening in 2015 and 2016.

Sunway Resort Hotel & Spa registered a lower average occupancy rate of 75.6% in 3Q2015 compared to 82.1% during the same quarter in the preceding year. The lower average occupancy rate was attributable to softer business and consumer sentiment ahead of introduction of GST. In addition, the hotel enjoyed higher average occupancy rate in the preceding year due to one-off MICE businesses and supported by aggressive tactical promotional activities.

Similar to the main hotel, Pyramid Tower Hotel experienced a decline in average occupancy rate from 82.8% in 3Q2014 to 73.8% in 3Q2015 for the same explanation given above. Rental contribution was lower due to closure of F&B outlets in both hotels and higher room operating expenses to enhance guests service level.

B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

The average occupancy rate for Sunway Putra Hotel continued to be adversely affected by the ongoing refurbishment at the hotel and adjoining Sunway Putra Mall. The average occupancy rate declined to 22.3% in 3Q2015 compared to 36.1% in 3Q2014 on the back of closure of some of the key hotel facilities for refurbishment. To date, the ballroom, coffee house and 307 rooms (total number of rooms: 618 rooms) have been refurbished. Business performance of Sunway Putra Hotel is expected to improve gradually upon progressive completion of the full hotel refurbishment in 4Q CY2015.

In the mainland of Penang, Sunway Hotel Seberang Jaya registered lower average occupancy rate of 55.2% in 3Q2015 compared to 63.2% in 3Q2014 on the back of exceptionally soft market demand during the quarter and competition from newly opened hotels. This was however mitigated by higher average daily rate post completion of the refurbishment of the hotel in 4Q2013.

Over on the island, the acquisition of Sunway Hotel Georgetown was completed on 28 January 2015 and the average occupancy rate for 3Q2015 stood at 67.4%. The information for 3Q 2015 is for the month of February 2015 and March 2015 following the completion of acquisition of the hotel on 28 January 2015.

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

Review of office market

Klang Valley is expected to have a cumulative supply of approximately 100 million sq.ft. by end of CY2015, with an estimated 4.8 million sq.ft. of office space slated for completion this year.

The widening gap between supply and demand will continue to exert tremendous pressures on rental and occupancy rates as developers and landlords compete to secure and retain tenants for both the existing office buildings and new office buildings. The tenants' market phenomenon is expected to persist until an equilibrium is achieved.

Average occupancy rate in Menara Sunway dipped marginally from 98.8% for YTD 3Q2014 to 97.4% for YTD 3Q2015 due to non-renewal of a tenant in July 2014.

Following the progressive termination of an anchor tenant, the average occupancy rate for Sunway Tower stood at 67.6% for YTD 3Q2015 (YTD 3Q2014: 85.0%). The average occupancy rate is expected to decline to approximately 50% in 4Q 2015 on the back of an additional 37,719 sq. ft. to be surrendered in end-May 2015 (deferred from March 2015 as reported in the previous quarter). The asset manager is actively seeking prospective tenants to fill the vacancy.

Pursuant to the departure of an anchor tenant in December 2014, average occupancy rate at Sunway Putra Tower stood at 60.8% for YTD 3Q2015 compared to 73.9% in the corresponding period in the preceding year. This provides an opportunity to further diversify tenancy mix to reduce tenant concentration risk and to seek more private sector tenants in line with the Manager's strategy. Notwithstanding this, the Manager's priority is to fill the vacancy.

The acquisition of Wisma Sunway was completed on 23 March 2015 and the average occupancy rate stood at 89.8% for YTD 3Q2015. The information for the average occupancy rate is for the month of March 2015 following the completion of acquisition of the office on 23 March 2015.

Despite the setback and lower income contribution from the office segment, the Manager does not expect a material adverse impact on the DPU for FY2015.

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 31.03.2015	Year ended 30.06.2014
a) Management expense ratio *	0.84%	0.78%
b) Total returns *	14.7%	-0.7%
c) Average annual returns *	18.0%	18.8%
d) Distribution yield *	5.7%	5.8%
e) NAV per unit (after income distribution)(RM)	1.2337	1.2390

* The performance indicators for the period ended 31 March 2015 was based on annualised results.

- 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 (Period ended 31.03.2015 - 5 years; Period ended 30.06.2014 - 4 years)
- d) Based on annualised DPU of 8.90 sen divided by its closing price as at 31 March 2015 of RM1.57 (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.

B8. Manager's Fee (Cont'd)

Total fees accrued to the Manager for the current quarter and cumulative quarter ended 31 March 2015 were RM8.239 million and RM22.117 million respectively compared to the preceding year corresponding quarter and cumulative quarter ended 31 March 2014 of RM6.385 million and RM19.275 million respectively. Included in the Manager's fee for the current quarter ended 31 March 2015 was the acquisition fee of RM1.34 million payable to the Manager on the acquisition of Sunway Hotel Georgetown and Wisma Sunway. The acquisition fee was capitalised as part of the acquisition costs during the quarter under review.

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 March 2015 were RM0.274 million and RM0.835 million respectively compared to the preceding year corresponding quarter and cumulative quarter ended 31 March 2014 of RM0.261 million and RM0.795 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.

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. The hearing date of the appeal is fixed on 25 June 2015.

B11. Material Litigation (Cont'd)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 31.3.2015	Immediate preceding quarter ended 31.12.2014	% change
Number of units in issue (units)	2,935,569,800	2,933,242,500	0.1%
Realised net income (RM'000)	58,923	62,994	-6.5%
Realised earnings per unit (EPU) (sen)	2.00	2.15	-7.0%
Income distribution (RM'000)	62,528	66,585	-6.1%
Distribution per unit (DPU) (sen)	2.13	2.27	-6.2%
Net Asset Value (NAV) (RM'000)	3,621,673	3,626,761	-0.1%
NAV per unit (After income distribution) (RM)	1.2337	1.2364	-0.2%
Market price per unit (RM)	1.57	1.52	3.3%

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 31.3.2015	As at 30.6.2014	As at 31.3.2015	As at 30.6.2014
	RM'000	RM'000	RM'000	RM'000
Interest rate swap				
- Less than 3 years	500,000	-	(1,865)	-
Cross currency swap contract				
- Less than 1 year	360,900	310,800	6,927	12,484
	860,900	310,800	5,062	12,484

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments (Cont'd)Interest rate swap contracts

During the quarter under review, Sunway REIT had entered into several interest rate swap ("IRS") contracts totaling RM300 million to manage its exposure of the floating rate borrowings and cumulative IRS contracts to-date amounted to RM500 million. The IRS contracts were entered into to mitigate the risk of increase in interest rate over the hedging period on the floating rate borrowings. The fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as unrealised item as it does not qualify as a cash flow hedge.

Cross currency swap contract

In the financial year ended 30 June 2012, Sunway REIT entered into a 3-year 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.

During the current quarter, the 3-year cross currency swap contract entered into in FY2012 had matured and Sunway REIT had entered into a new 1-year cross currency swap to continue managing its exposure in foreign currency risk arising from foreign currency borrowings.

B16. Risks and Policies of Derivatives

The Group entered into new Interest Rate Swap contracts and Cross Currency Swap contract during the quarter ended 31 March 2015 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 March 2015 into realised and unrealised profits/undistributed income is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Period ended 31.3.2015 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	6,578	14,090
- unrealised	964,619	971,196
	<u>971,197</u>	<u>985,286</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>971,194</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 March 2015 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 29 April 2015.

BY ORDER OF THE BOARD

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

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

Bandar Sunway
Date: 29 April 2015