

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2015 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
Rental income	111,527	106,224	442,622	417,147
Other operating income	3,410	2,993	10,832	10,641
<b>Gross revenue</b>	<b>114,937</b>	<b>109,217</b>	<b>453,454</b>	<b>427,788</b>
Quit rent, assessment and insurance	(2,000)	(4,006)	(9,531)	(13,998)
Other property operating expenses	(28,517)	(26,388)	(103,097)	(92,813)
<b>Property operating expenses</b>	<b>(30,517)</b>	<b>(30,394)</b>	<b>(112,628)</b>	<b>(106,811)</b>
<b>Net property income</b>	<b>84,420</b>	<b>78,823</b>	<b>340,826</b>	<b>320,977</b>
Other income	833	635	3,444	2,278
Change in fair value of investment properties	306,750	179,122	306,750	179,122
<b>Net investment income</b>	<b>392,003</b>	<b>258,580</b>	<b>651,020</b>	<b>502,377</b>
Manager's fee	(7,344)	(6,559)	(28,121)	(25,834)
Trustee's fee	(325)	(308)	(1,160)	(1,103)
Finance costs	(20,035)	(15,848)	(70,751)	(63,031)
Other expenses	(496)	(655)	(3,648)	(1,285)
	(28,200)	(23,370)	(103,680)	(91,253)
<b>Profit before tax</b>	<b>363,803</b>	<b>235,210</b>	<b>547,340</b>	<b>411,124</b>
Income tax expense	(5,896)	-	(5,896)	-
<b>Profit for the period</b>	<b>357,907</b>	<b>235,210</b>	<b>541,444</b>	<b>411,124</b>
<b>Profit for the period comprise the following:</b>				
Realised	56,680	56,069	242,032	231,931
Unrealised	301,227	179,141	299,412	179,193
	357,907	235,210	541,444	411,124
Earnings per unit (sen)				
- realised	1.93	1.91	8.25	7.93
- unrealised	10.27	6.13	10.21	6.13
	12.20	8.04	18.46	14.06
Proposed/declared distribution per unit (sen)	2.05	2.03	8.73	8.36

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	<b>357,907</b>	<b>235,210</b>	<b>541,444</b>	<b>411,124</b>
<b>Other comprehensive income</b>				
Cash flow hedge - fair value of derivative	7,431	(5,419)	53,419	4,944
Cash flow hedge reserve recycled to profit or loss	(8,200)	5,800	(58,950)	(3,200)
<b>Total comprehensive income for the period</b>	<b>357,138</b>	<b>235,591</b>	<b>535,913</b>	<b>412,868</b>

Income distribution

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	56,680	56,069	242,032	231,931
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,672	3,280	14,061	12,917
Total available for income distribution for the period	60,352	59,349	256,093	244,848
Brought forward undistributed income available for distribution	286	588	484	169
Total available for income distribution	60,638	59,937	256,577	245,017
Less: Proposed/declared income distribution	(60,224)	(59,453)	(256,163)	(244,533)
Balance undistributed arising from rounding difference	414	484	414	484

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2015 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As At 30.6.2015 (Unaudited)	As At 30.6.2014 (Audited)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	5,268	3,039
Investment properties	6,324,000	5,520,000
	<u>6,329,268</u>	<u>5,523,039</u>
<b>Current assets</b>		
Receivables, deposits and prepayments	20,174	16,361
Cash and bank balances	66,218	54,607
Derivative	14,358	12,484
	<u>100,750</u>	<u>83,452</u>
	<u>6,430,018</u>	<u>5,606,491</u>
<b>FINANCED BY:</b>		
<b>Unitholders' funds</b>		
Unitholders' capital	2,716,456	2,702,788
Undistributed income	1,265,804	985,283
Total Unitholders' funds	<u>3,982,260</u>	<u>3,688,071</u>
<b>Non-current liabilities</b>		
Borrowings	1,378,550	1,000,000
Long term liabilities	75,585	60,279
Derivative	1,513	-
Deferred tax liabilities	5,896	-
	<u>1,461,544</u>	<u>1,060,279</u>
<b>Current liabilities</b>		
Borrowings	763,388	742,042
Trade and other payables	222,826	116,099
	<u>986,214</u>	<u>858,141</u>
	<u>6,430,018</u>	<u>5,606,491</u>
Number of units in circulation ('000 units)	2,937,777	2,928,715
<b>NET ASSET VALUE ("NAV")</b>		
- Before income distribution	3,982,260	3,688,071
- After income distribution	3,922,036	3,628,618
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution <sup>1</sup>	1.3555	1.2593
- After income distribution <sup>2</sup>	1.3350	1.2390

<sup>1</sup> Before the 4Q 2015 proposed income distribution of 2.05 sen per unit (4Q 2014: 2.03 sen per unit).

<sup>2</sup> After the 4Q 2015 proposed income distribution of 2.05 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 FOURTH QUARTER ENDED 30 JUNE 2015 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE**

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

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
<b>As at 1 July 2013</b>	2,690,002	26,208	790,259	3,506,469
<b>Total comprehensive income</b>				
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
<b>Unitholders' transactions</b>				
Creation of units <sup>1</sup>				
- 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)
<b>As at 30 June 2014 (Audited)</b>	<b>2,702,788</b>	<b>14,087</b>	<b>971,196</b>	<b>3,688,071</b>

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



**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2015 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Cumulative Quarter ended</b>	
	<b>30.6.2015</b>	<b>30.6.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	484,768	442,606
Refundable security deposits from customers	26,473	16,094
Cash paid for operating expenses	(163,697)	(143,844)
Net cash generated from operating activities	<u>347,544</u>	<u>314,856</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(2,328)	(1,829)
Acquisition of investment properties	(134,000)	-
Subsequent expenditure of investment properties	(266,068)	(118,779)
Incidental costs on acquisition of investment properties	(1,967)	-
Interest received	3,340	2,275
Net cash used in investing activities	<u>(401,023)</u>	<u>(118,333)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of commercial papers	542,400	2,976,000
Drawdown of term loans	50,100	-
Drawdown of revolving loans	6,688,000	1,477,000
Repayment of commercial papers	(534,400)	(3,279,000)
Repayment of revolving loans	(6,353,600)	(1,068,000)
Interest paid	(72,018)	(62,383)
Distribution paid	(255,392)	(244,052)
Net cash generated from/(used in) financing activities	<u>65,090</u>	<u>(200,435)</u>
Net increase/(decrease) in cash and bank balances	11,611	(3,912)
Cash and bank balances at beginning of year	54,607	58,519
Cash and bank balances at end of year	<u>66,218</u>	<u>54,607</u>
Cash and bank balances at end of year comprise:		
Cash on hand and at banks	66,218	45,802
Deposits placed with licensed financial institutions	-	8,805
Cash and bank balances	<u>66,218</u>	<u>54,607</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 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 year ended 30 June 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 30 June 2015 except for the following:

	<b>Fourth Quarter ended</b>	
	<b>30.6.2015</b>	<b>30.6.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit after tax	357,907	235,210
Less: Fair value changes <sup>1</sup>	(307,123)	(179,141)
Add: Deferred taxation <sup>2</sup>	5,896	-
<b>Profit after tax, excluding unusual items</b>	<b>56,680</b>	<b>56,069</b>

<sup>1</sup> Mainly comprise change in fair value of investment properties amounting to RM306.8 million (30 June 2014: RM179.1 million), after accounting for capital expenditure of RM361.3 million (YTD 4Q 2014: RM156.9 million) with details explained in Note A13.

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

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

Sunway REIT has issued 2,207,100 new units at RM1.5627\* per unit on 19 May 2015, being 50% payment of the Manager's fee for the quarter ended 31 March 2015. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 20 May 2015.

\* Based on the 10-day volume weighted average price ("VWAP") of the units up to 31 March 2015.

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

Sunway REIT's fund size increased from 2,935.6 million units as at 31 March 2015 to 2,937.8 million units with the issuance of new units as mentioned in Note A6.

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2015 (UNAUDITED)**

**A8. Segmental Reporting**

By segment

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

Fourth Quarter

	Fourth Quarter ended 30.06.2015					Fourth Quarter ended 30.06.2014				
	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
<b>BY BUSINESS SEGMENTS</b>										
REVENUE AND EXPENSES										
Gross revenue	85,228	14,787	9,728	5,194	114,937	78,078	15,494	10,729	4,916	109,217
Net property income	58,987	14,134	6,105	5,194	84,420	53,015	14,390	6,502	4,916	78,823
Other income					833					635
Change in fair value of investment properties					306,750					179,122
Trust and other expenses					(8,165)					(7,522)
Finance costs					(20,035)					(15,848)
Profit before tax					363,803					235,210
Income tax expense					(5,896)					-
Profit for the period					357,907					235,210



**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2015 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 30.06.2015					Cumulative Quarter ended 30.06.2014				
	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
<b>BY BUSINESS SEGMENTS</b>										
REVENUE AND EXPENSES										
Gross revenue	332,664	61,308	39,098	20,384	453,454	300,727	64,630	43,099	19,332	427,788
Net property income	236,883	58,743	24,816	20,384	340,826	212,681	60,811	28,153	19,332	320,977
Other income					3,444					2,278
Change in fair value of investment properties					306,750					179,122
Trust and other expenses					(32,929)					(28,222)
Finance costs					(70,751)					(63,031)
Profit before tax					547,340					411,124
Income tax expense					(5,896)					-
Profit for the period					541,444					411,124

**A8. Segmental Reporting (Cont'd)**
By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Fourth Quarter ended			Fourth Quarter ended			Cumulative Quarter ended			Cumulative Quarter ended		
	30.6.2015	30.6.2014	Change	30.6.2015	30.6.2014	Change	30.6.2015	30.6.2014	Change	30.6.2015	30.6.2014	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
<b>Retail</b>												
Sunway Pyramid Shopping Mall	71,951	66,720	7.8%	54,483	47,782	14.0%	283,722	258,452	9.8%	212,863	190,481	11.8%
Sunway Carnival Shopping Mall	11,111	9,964	11.5%	6,965	5,783	20.4%	42,659	37,022	15.2%	26,962	22,649	19.0%
Suncity Ipoh Hypermarket	1,251	1,213	3.1%	1,158	1,119	3.5%	5,002	4,622	8.2%	4,680	4,310	8.6%
Sunway Putra Mall	915	181	405.5%	(3,619)	(1,669)	116.8%	1,281	631	103.0%	(7,622)	(4,759)	60.2%
	85,228	78,078	9.2%	58,987	53,015	11.3%	332,664	300,727	10.6%	236,883	212,681	11.4%
<b>Hotel</b>												
Sunway Resort Hotel & Spa	7,975	7,846	1.6%	7,814	7,580	3.1%	32,933	33,370	-1.3%	31,591	32,211	-1.9%
Pyramid Tower East (formerly known as Pyramid Tower Hotel)	4,193	5,539	-24.3%	4,101	5,463	-24.9%	18,392	21,278	-13.6%	18,024	20,908	-13.8%
Sunway Hotel Seberang Jaya	494	818	-39.6%	441	765	-42.4%	4,058	4,178	-2.9%	3,847	3,967	-3.0%
Sunway Putra Hotel	1,143	1,291	-11.5%	852	582	46.4%	4,371	5,804	-24.7%	3,821	3,725	2.6%
Sunway Hotel Georgetown	982	-	100.0%	926	-	100.0%	1,554	-	100.0%	1,460	-	100.0%
	14,787	15,494	-4.6%	14,134	14,390	-1.8%	61,308	64,630	-5.1%	58,743	60,811	-3.4%
<b>Office</b>												
Menara Sunway	4,352	4,563	-4.6%	3,010	3,322	-9.4%	17,772	17,741	0.2%	12,544	12,868	-2.5%
Sunway Tower	2,927	3,756	-22.1%	1,395	2,174	-35.8%	12,652	15,922	-20.5%	7,335	10,304	-28.8%
Sunway Putra Tower	782	2,410	-67.6%	637	1,006	-36.7%	6,865	9,436	-27.2%	3,785	4,981	-24.0%
Wisma Sunway	1,667	-	100.0%	1,063	-	100.0%	1,809	-	100.0%	1,152	-	100.0%
	9,728	10,729	-9.3%	6,105	6,502	-6.1%	39,098	43,099	-9.3%	24,816	28,153	-11.9%
<b>Others</b>												
Sunway Medical Centre	5,194	4,916	5.7%	5,194	4,916	5.7%	20,384	19,332	5.4%	20,384	19,332	5.4%
	5,194	4,916	5.7%	5,194	4,916	5.7%	20,384	19,332	5.4%	20,384	19,332	5.4%
<b>TOTAL PORTFOLIO</b>	<b>114,937</b>	<b>109,217</b>	<b>5.2%</b>	<b>84,420</b>	<b>78,823</b>	<b>7.1%</b>	<b>453,454</b>	<b>427,788</b>	<b>6.0%</b>	<b>340,826</b>	<b>320,977</b>	<b>6.2%</b>

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2015 (UNAUDITED)**

**A8. Segmental Reporting (Cont'd)**

The Group comprises the following major business segments:

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

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

**a) Review of Current Quarter Results**

Retail segment

The retail segment achieved gross revenue of RM85.2 million for the current quarter ended 30 June 2015 (4Q 2015), higher by 9.2% or RM7.2 million compared to the preceding year corresponding quarter (4Q 2014) primarily contributed by strong performance of both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. Sunway Pyramid Shopping Mall recorded a gross revenue growth of 7.8% or RM5.2 million for 4Q 2015 compared to 4Q 2014 primarily attributable to the higher average net rent per sq. ft., higher average occupancy rate and an increase in service and promotion charges with effect from June 2014 (4Q 2014).

Sunway Carnival Shopping Mall achieved a strong growth in gross revenue by 11.5% or RM1.1 million for 4Q 2015, mainly attributable to higher average net rent per sq. ft. and an increase in service and promotion charges with effect from June 2014. In addition, average occupancy rate was higher at 97.3% for FY2015 compared to 92.0% for FY2014 due to commencement of a tenancy in July 2014 for approximately 44,000 sq.ft which was vacant since July 2013.

Suncity Ipoh Hypermarket recorded a slight increase in gross revenue of 3.1%, or RM0.2 million for 4Q 2015 as compared to the preceding year corresponding quarter.

Sunway Putra Mall had its soft opening on 28 May 2015 and registered gross revenue of RM0.9 million for 4Q 2015, with tenants given a one-month rent free period. The secured occupancy as at 30 June 2015 was 82.4% and will be opening in phases.

Property operating expenses of the retail segment for 4Q 2015 was RM26.2 million, an increase of 4.7% or RM1.2 million mainly contributed by pre-opening and operating expenses for Sunway Putra Mall, but mitigated by lower maintenance expenses from Sunway Pyramid Shopping Mall.

Net property income of the retail segment for 4Q 2015 was RM59.0 million, higher by 11.3% or RM6.0 million compared to 4Q 2014, in line with the increase in revenue.

Hotel segment

The hotel segment recorded gross revenue of RM14.8 million for 4Q 2015, a decline of 4.6% or RM0.7 million compared to 4Q 2014 due to lower performance of all the hotels, excluding Sunway Resort Hotel & Spa (SRHS), and marginally mitigated by new contribution from Sunway Hotel Georgetown.

SRHS achieved a steady performance for 4Q 2015 registering a slight increase of 1.6% in revenue despite softer market conditions. Rental income from the annex building which is tenanted by renowned F&B operators mitigated the lower average occupancy rate of 74.0% (4Q 2014: 77.3%) in the current quarter.

However, revenue for Pyramid Tower East (formerly known as Pyramid Tower Hotel) (PTE) was lower by 24.3% or RM1.3 million for 4Q 2015 compared to 4Q 2014. Both SRHS and PTE's performance for 4Q 2015 were affected by the softer business and consumer sentiment post-implementation of GST, slower economic growth, domestic and global uncertainties as well as the timing of fasting month which commenced in mid June in 2015 (Ramadhan started in late June in the previous financial year) whereby travelling and business meetings were reduced.

## **A8. Segmental Reporting (Cont'd)**

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

#### Hotel segment (Cont'd)

Revenue for Sunway Putra Hotel was affected by the major refurbishment works at the adjoining Sunway Putra Mall, which was only recently completed, and the hotel's own refurbishment.

In the mainland of Penang, revenue from Sunway Hotel Seberang Jaya was lower by 39.6% or RM0.3 million in 4Q 2015 compared to 4Q 2014 on the back of exceptionally soft market demand during the quarter and competition from newly opened hotels. This general slowdown was also attributable to the timing of fasting month as described for SRHS and PTE.

Net property income of the hotel segment for 4Q 2015 was RM14.1 million, slightly lower by 1.8% or RM0.3 million, compared to 4Q 2014. This is in line with revenue but mitigated by lower assessment expense and vacancy allowance granted by the local authority for Sunway Putra Hotel.

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

Gross revenue for the office segment stood at RM9.7 million for 4Q 2015, lower by 9.3% or RM1.0 million compared to 4Q 2014 due to lower average occupancy of all office properties, but mitigated by new contribution from Wisma Sunway.

Menara Sunway recorded lower gross revenue by 4.6% for 4Q 2015 compared to 4Q 2014, with marginally lower average occupancy of 97.1% (4Q 2014: 98.8%).

YTD average occupancy of Sunway Tower and Sunway Putra Tower declined to 66.9% and 52.8% respectively compared to 84.3% and 74.2% respectively in the preceding year. The anchor tenant at Sunway Tower had surrendered 34,000 sq. ft. in 2Q 2015 and another 25,000 in 4Q 2015 whilst the anchor tenant at Sunway Putra Tower, which occupied 143,000 sq. ft., vacated its premises in December 2014. This resulted in revenue from Sunway Tower to be lower by 22.1% or RM0.9 million and for Sunway Putra Tower lower by 67.6% or RM1.6 million in the current quarter.

Property operating expenses of the office segment for 4Q 2015 was RM3.6 million, lower by 14.3% or RM0.6 million compared to 4Q 2014, mainly due to lower occupancy and vacancy allowance granted by the local authority for Kuala Lumpur properties.

Net property income of the office segment for 4Q 2015 was RM6.1 million, a decrease of 6.1% or RM0.4 mil due to lower revenue.

#### Others

Sunway Medical Centre contributed RM5.2 million revenue and net property income for 4Q 2015, an increase of 5.7% compared to 4Q 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.

## **A8. Segmental Reporting (Cont'd)**

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

#### Profit before tax

Finance costs for 4Q 2015 was RM20.0 million, increased by 26.4% or RM4.2 million compared to 4Q 2014 due to additional loan drawn down to fund the ongoing capital expenditure plans and 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 4Q 2015 was RM357.9 million (4Q 2014: RM235.2 million) comprising realised profit of RM56.7 million (4Q 2014: RM56.1 million) and unrealised profit of RM301.2 million (4Q 2014: RM179.1 million). The marginal increase in realised profit of 1.1% or RM0.6 million in the current quarter is mainly attributable to higher net property income from the retail segment but substantially off-set by the hotel and office segment, as well as higher finance costs. The unrealised profit was mainly attributable to fair value gain on investment properties after accounting for capital expenditure incurred.

### **b) Review of Cumulative Quarter Results**

#### Retail segment

The retail segment achieved gross revenue of RM332.7 million for the financial year ended 30 June 2015 (YTD 2015), an increase of 10.6% or RM31.9 million compared to the preceding year (YTD 2014) primarily contributed by the strong 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 2015 was RM95.8 million, higher by 8.8% or RM7.7 million primarily contributed by Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Sunway Putra 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 2015, Sunway Pyramid Shopping Mall also incurred higher fit-out expenses and higher provision for doubtful debts. Further, expenses was also lower in YTD 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 2015.

Sunway Putra Mall, which had its soft opening on 28 May 2015, incurred pre-opening and operating expenses. The increase in expenses of this shopping mall was however, partially off-set 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 2015 was RM236.9 million, higher by 11.4% or RM24.2 million compared to YTD 2014.

#### Hotel segment

The hotel segment registered gross revenue of RM61.3 million for YTD 2015, a decline of 5.1% or RM3.3 million compared to YTD 2014.

The revenue of Sunway Resort Hotel & Spa (SRHS) and Pyramid Tower East (formerly known as Pyramid Tower Hotel) (PTE) were both lower by 1.3% or RM0.4 million, and 13.6% or RM2.9 million respectively, mainly due to extremely soft market conditions for 2H FY2015 which offset the stronger results from 1H FY2015 (as mentioned in Note 8(a)).

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

Sunway Hotel Seberang Jaya recorded a decline in revenue and net property income of 2.9% or RM0.1 million and 3.0% or RM0.1 million respectively, for YTD 2015 compared to YTD 2014, due to reasons similar to those for SRHS and PTE.

Overall, net property income of the hotel segment for YTD 2015 was RM58.7 million, lower by 3.4% or RM2.1 million, in line with revenue but mitigated by the reversal of over-provision for assessment pursuant to confirmation of final increase and vacancy allowance granted by the local authority for Sunway Putra Hotel.

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

The office segment recorded gross revenue of RM39.1 million for YTD 2015, lower by 9.3% or RM4.0 million compared to YTD 2014 due to the reasons mentioned in Note A8(a).

Property operating expenses of the office segment for YTD 2015 was RM14.3 million lower by 4.4% or RM0.7 million compared to YTD 2014 mainly due to lower occupancy, vacancy allowance granted by the local authority and reversal of over-provision for assessment for both Sunway Putra Tower and Sunway Tower pursuant to confirmation of final increase.

Consequently, net property income of the office segment for YTD 2015 was RM24.8 million, declined by 11.9% or RM3.3 million, in line with lower revenue.

Others

Sunway Medical Centre contributed RM20.4 million of revenue and net property income for YTD 2015, an increase of 5.4% compared to YTD 2014 due to the reason mentioned in Note A8(a).

Profit before tax

Finance costs for YTD 2015 was RM70.8 million, increased by 12.2% or RM7.7 million compared to YTD 2014 mainly due to the reasons mentioned in Note A8(a).

Net profit for YTD 2015 was RM541.4 million (YTD 2014: RM411.1 million) comprising realised profit of RM242.0 million (YTD 2014: RM231.9 million) and unrealised profit of RM299.4 million (YTD 2014: RM179.2 million). Realised profit for YTD 2015 had a modest growth of RM10.1 million representing an increase of 4.4% against YTD 2014, due to the reasons mentioned in Note A8(a).

The unrealised profit for YTD 2015 was RM299.4 million, higher by 67.1% compared to RM179.2 million for YTD 2014, substantially attributable to the fair value gain on investment properties after accounting for capital expenditure incurred for YTD 2015 and YTD 2014 of RM361.3 million and RM156.9 million respectively.

**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:

	<b>Fourth Quarter ended</b>		<b>Cumulative Quarter ended</b>	
	<b>30.6.2015</b>	<b>30.6.2014</b>	<b>30.6.2015</b>	<b>30.6.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest Income	(801)	(614)	(3,329)	(2,207)
Net changes in fair value of long term liabilities	(21)	(19)	(71)	(71)
Unrealised foreign exchange loss/(gain) - hedged item	8,200	(5,800)	58,950	3,200
Cash flow hedge reserve recycled to profit or loss	(8,200)	5,800	(58,950)	(3,200)
Net changes in fair value of derivative financial instrument	(352)	-	1,513	-
Reversal of impairment on trade receivables	(1,819)	(205)	(620)	(328)
Bad debts written off	1,158	11	1,718	32
Depreciation of plant and equipment	247	127	682	355
Loss on disposal of plant and equipment	-	1	-	1

#### A11. Income Tax Expense

Income tax expense comprises the following:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
Deferred taxation	(5,896)	-	(5,896)	-

##### Deferred taxation

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

##### Taxation of the REIT

The tax transparency system under Section 61A of the Malaysian Income Tax Act 1967, exempts the REIT from income tax in a year of assessment if the REIT distributes at least 90% of its total taxable income in the same year of assessment.

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ended 30 June 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 30 June 2015, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM60.224 million or 2.05 sen per unit, comprising taxable and non-taxable/tax exempt amount of 0.79 sen and 1.26 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.672 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 26 August 2015 and 10 September 2015 respectively.

### A13. Valuation of Investment properties

Investment properties are valued by independent registered valuers, Knight Frank and C H Williams Talhar & Wong. The difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. During the current quarter, Sunway REIT recognised a fair value gain on investment properties of RM306.8 million (30 June 2014: RM179.1 million), after accounting for capital expenditure of RM361.3 million (YTD 4Q 2014: RM156.9 million). The details of the appraised values are as follows:

Property	Fair value		Increase/ (Decrease) RM'000
	As at 30.6.2015 * RM'000	As at 30.6.2014 ^ RM'000	
<b>Retail</b>			
Sunway Pyramid Shopping Mall	3,200,000	2,908,000	292,000
Sunway Carnival Shopping Mall	340,000	296,000	44,000
Suncity Ipoh Hypermarket	60,000	56,000	4,000
Sunway Putra Mall	588,000	352,000	236,000
	<u>4,188,000</u>	<u>3,612,000</u>	<u>576,000</u>
<b>Hotel</b>			
Sunway Resort Hotel & Spa	530,000	530,000	-
Pyramid Tower East (formerly known as Pyramid Tower Hotel)	295,000	295,000	-
Sunway Hotel Seberang Jaya	75,000	75,000	-
Sunway Putra Hotel	335,000	258,000	77,000
Sunway Hotel Georgetown	74,000	-	74,000
	<u>1,309,000</u>	<u>1,158,000</u>	<u>151,000</u>
<b>Office</b>			
Menara Sunway	164,000	160,000	4,000
Sunway Tower	166,000	180,000	(14,000)
Sunway Putra Tower	110,000	93,000	17,000
Wisma Sunway	62,000	-	62,000
	<u>502,000</u>	<u>433,000</u>	<u>69,000</u>
<b>Others</b>			
Sunway Medical Centre	325,000	317,000	8,000
	<u>325,000</u>	<u>317,000</u>	<u>8,000</u>
<b>TOTAL PORTFOLIO</b>	<b><u>6,324,000</u></b>	<b><u>5,520,000</u></b>	<b><u>804,000</u></b>
Less: Acquisition during the year #			(135,967)
Less: Capital expenditure			<u>(361,283)</u>
<b>Fair value gain</b>			<b><u>306,750</u></b>

\* Appraised value based on valuation carried out on 30 June 2015.

^ Appraised value based on valuation carried out on 30 June 2014.

# In relation to purchase consideration paid for the acquisition of Sunway Hotel Georgetown and Wisma Sunway, and expenses related to the acquisition.



#### A14. Borrowings and Debt Securities

	As at 30.6.2015 RM'000	As at 30.6.2014 RM'000
<u>Short term borrowings</u>		
Secured		
- Term loans	-	321,050
- Commercial papers	20,000	12,000
Unsecured		
- Revolving loan	743,400	409,000
Total gross short term borrowings	<u>763,400</u>	<u>742,050</u>
Less: Discount on commercial papers	(12)	(8)
Total short term borrowings	<u>763,388</u>	<u>742,042</u>
<u>Long term borrowings</u>		
Secured		
- Term loans	378,550	-
- Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,378,550</u>	<u>1,000,000</u>
Total borrowings	<u>2,141,938</u>	<u>1,742,042</u>

Included in the long term borrowings for 30 June 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.

#### 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
<b>At 30 June 2015</b>				
<b>Financial assets</b>				
Investment properties	-	-	6,324,000	6,324,000
Derivative	-	14,358	-	14,358
<b>Financial liability</b>				
Derivative	-	(1,513)	-	(1,513)
<b>At 30 June 2014</b>				
<b>Financial assets</b>				
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

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

##### 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 RM74.0 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 RM60.0 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 RM134.0 million collectively was arrived at on a willing buyer willing seller basis after taking into consideration the market value of the Properties of RM134.0 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 30 June 2015.

**A18. Capital Commitments**

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

	<b>As at 30.6.2015 RM'000</b>
Approved and contracted for	58,556
Approved but not contracted for	20,775
	<u>79,331</u>

The capital commitment is mainly in relation to the major refurbishment of Sunway Putra Hotel.

**A19. Contingent Liabilities and Assets**

There were no contingent liabilities or contingent assets as at 30 June 2015.

**A20. Transactions with Parties Related to the Manager**

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

	<b>Fourth Quarter ended</b>		<b>Cumulative Quarter ended</b>	
	<b>30.6.2015 RM'000</b>	<b>30.6.2014 RM'000</b>	<b>30.6.2015 RM'000</b>	<b>30.6.2014 RM'000</b>
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(30,676)	(30,951)	(124,944)	(123,557)
- Purchases	79,040	50,234	413,653	126,030
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(156)	(142)	(575)	(542)
			<b>As at 30.6.2015 RM'000</b>	<b>As at 30.6.2014 RM'000</b>
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			4,584	4,978
(b) Sunway Technology Sdn. Bhd. Group			3	-
			<b>As at 30.6.2015 RM'000</b>	<b>As at 30.6.2014 RM'000</b>
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			36,670	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 RM171.2 million for 4Q 2015 and RM361.3 million for YTD 4Q 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**

	<b>Current Quarter Ended 30.6.2015 RM'000</b>	<b>Immediate Preceding Quarter Ended 31.03.2015 RM'000</b>
Realised profit	56,680	58,923
Unrealised profit/(loss)	301,227	(2,105)
Profit for the quarter	<u>357,907</u>	<u>56,818</u>

Sunway REIT recorded a realised profit of RM56.7 million, lower by RM2.2 million or 3.8% compared to the immediate preceding quarter of RM58.9 million mainly due to higher finance costs. The finance costs in respect of the capital expenditure for Sunway Putra Mall are no longer capitalised in 4Q 2015 upon completion of the refurbishment.

Unrealised profit for the current quarter stood at RM301.2 million, mainly arising from fair value gain on investment properties of RM306.8 million less deferred taxation of RM5.9 million, as explained in Note A5.

**B4. Commentary on Prospects**

The global economy expanded modestly in first quarter of CY2015 supported by gradual acceleration in the advanced economy. However, downside risk to growth has heightened arising from recent development in Europe and China. The International Monetary Fund ("IMF") has revised global growth further from 3.5% to 3.3% for CY2015 on the back of slowdown in emerging market and developing economies. In 2016, growth is expected to strengthen to 3.8%.

The Malaysian economy expanded by 5.6% in the first quarter of CY2015 (4Q2015: 5.7%), underpinned by mainly the private sector demand. Despite the strong start in the first quarter of CY2015, economic growth is expected to moderate in the second quarter of CY2015 following the front loading activities prior to the implementation of Goods and Services Tax ("GST") in April 2015 and softer consumer and business sentiment. Bank Negara Malaysia ("BNM") projected a steady GDP growth of 4.5% - 5.5% for CY2015 (CY2014: 6.0%).

Headline inflation continued to be on an uptrend and accelerated to 2.5% y-o-y in June 2015. However, first half CY2015 inflation remains benign at 1.4% y-o-y. Going forward, headline inflation is expected to inch up to reflect impact of GST and recent adjustments to domestic fuel prices. BNM's inflation expectation is between 2.0% to 3.0% in CY2015 due to the low inflation in the first quarter of CY2015 (CY2014:3.2%).

At the recent Monetary Policy Committee (MPC) meeting on 9 July 2015, Bank Negara Malaysia (BNM) has decided to maintain the Overnight Policy Rate (OPR) at 3.25%. BNM recognized the heightened risks to global growth and to assess the implications on macroeconomic stability to the Malaysian economy in ensuring that the monetary policy stance is consistent with the sustainability of the growth prospects.

Source: Based on International Monetary Fund and Bank Negara Malaysia.

#### **B4. Commentary on Prospects (Cont'd)**

The Manager will reduce the payment of Manager's fees in the form of new units, from 50% to 25% in the next financial year, and shall cease payment of Manager's fees in the form of new units in FY2017. As a result, DPU going forward shall reduce correspondingly. The Manager made the decision after taking into consideration, amongst others, the implication arising from the implementation of the Goods and Services Tax effective from 1 April 2015, to optimise the income distribution to unitholders and to achieve a positive impact on future DPU growth rate.

Taking the above into consideration, the Manager expects stable growth in distribution per unit ("DPU") in FY2016 following the reopening of Sunway Putra Mall, completion of refurbishment of Sunway Putra Hotel and resilient performance from the retail segment.

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

##### Review of retail market

Retail Group Malaysia (RGM) has made a third downward revision in its retail sales forecast for Malaysia for CY2015 from 4.9% to 4.0%. RGM expects consumers to be conscious on retail consumption due to the higher cost of living, inflated retail prices arising from a weaker MYR and escalating cost of business (for imported goods) in the second half of CY2015.

The high incoming supply of new retail space over the next 18 months (up to end CY2016), totaling circa 7.0 million sq.ft. is expected to further dilute the retail market share. With the prevailing weak consumer sentiment amid a slowing economy, competition in the retail industry, amongst retailers and retail malls is expected to heighten.

Whilst rental and occupancy rates of prime, established regional and neighbourhood malls are expected to hold steady, less popular and newly completed malls will likely face more challenges in retaining and attracting tenants as well as improving their occupancy rates.

Average occupancy rate in Sunway Pyramid Shopping Mall improved marginally to 98.1% for FY2015, from 97.8% during the same period in the preceding year. A total of 435,061 sq.ft. of net lettable area ("NLA") was renewed for FY2015 at double-digit rental reversion rate over the three-year tenancy term.

Sunway Carnival Shopping Mall recorded higher average occupancy rate of 97.3% for FY2015 compared to 92.0% for FY2014 due to tenancy commencement of a supermarket occupying approximately 44,000 sq.ft. in July 2014. A total of 96,853 sq.ft. of NLA was renewed at a double-digit rental reversion rate over the three-year tenancy term.

Sunway Putra Mall had its soft opening on 28 May 2015 and the secured occupancy as at 30 June 2015 was 82.4% and will be opening in phases.

The Manager is cautious on the overall prospects of the retail segment in view of the reasons mentioned above. That said, the Manager expects modest growth for the retail assets for FY2016 in view that Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall are market leaders in the townships where the assets operate. In addition, new income contribution from Sunway Putra Mall and its gradual improvement in occupancy is expected to contribute positively to the retail segment.

##### Review of hotel market

In the first quarter of CY2015, tourist arrivals stood at 6.5 million, representing a decline of 8.6% y-o-y compared to the same period during Visit Malaysia Year in CY2014. The ASEAN region continued to be largest contributor of tourist arrivals with circa 73.5% share (4.8 million) followed by the medium and long haul markets with 18.9% (1.2 million) and 7.6% (0.5 million) share respectively.

Despite the weak MYR, recent external headwinds in the Europe and China coupled with softening global economic outlook and domestic uncertainties is expected to lead to cautious business and tourist sentiment which will affect the hospitality segment.

#### **B4. Commentary on Prospects (Cont'd)**

##### Review of hotel market (cont'd)

Sunway Resort Hotel & Spa registered a decline in average occupancy rate from 77.3% in 4QFY2014 to 74.0% in 4QFY2015, arising from softer business and consumer sentiment post introduction of GST, slower economic outlook as well as global and domestic uncertainties. This general slow down was also partially attributable to the timing of fasting month which commenced in mid-June 2015 (Ramadhan started in late June in the previous financial year) resulted in lower leisure travelling and business activities. For FY2015, average occupancy dipped marginally to 78.0%, from 78.8% in FY2014.

Pyramid Tower East (formerly known as Pyramid Tower Hotel)'s average occupancy rate fell to 75.3% in 4QFY2015, compared to 82.2% in 4QFY2014 for the same reasons mentioned above. The average occupancy rate for Pyramid Tower East dipped by 1 percentage point to 81.4% for FY2015 (FY2014: 82.4%).

Sunway Putra Hotel continued to be adversely affected by the final stages of refurbishment of the hotel. The average occupancy rate slid further to 25.2% in 4QFY2015 versus 38.8% in 4QFY2014. As a result, full year average occupancy rate slipped to 28.8% in FY2015 (FY2014: 42.6%). As at 4QFY2015, 366 guest rooms out of 618 guest rooms and all public areas were refurbished. Upon full completion, the number of guest rooms will increase to 650 guest rooms as a result of reconfiguration of bigger guest rooms into smaller guest rooms which enjoy higher demand. In addition, Level 34 and 35 have been converted into club lounge and meeting facilities respectively. The full completion is targeted in 2QFY2016.

In the mainland of Penang, Sunway Hotel Seberang Jaya's average occupancy rate declined to 69.7% in 4QFY2015 versus 81.5% in 4QFY2014 for the same reasons as Sunway Resort Hotel & Spa. In addition, it was also affected by competition from new hotels in Penang. Despite the lower 4QFY2015 average occupancy rate, the hotel registered an improvement in average occupancy rate of 69.6% for FY2015 (FY2014: 67.8%).

On the Penang Island, Sunway Hotel Georgetown registered a lower average occupancy rate of 70.2% in 4QFY2015 compared to 82.0%<sup>1</sup> in 4QFY2014 for the same reasons mentioned above. Average occupancy rate stood at 69.1%<sup>2</sup> for FY2015 (FY2014: 76.0%<sup>1</sup>).

The Manager expects income contribution for the hospitality sector to register stable growth in FY2016 due to expected better contribution from the refurbished Sunway Putra Hotel and a full year income contribution from Sunway Hotel Georgetown.

<sup>1</sup> The historical information (FY2014) is provided by the vendor.

<sup>2</sup> Information for FY2015 is from February 2015 to June 2015 following the completion of the acquisition of the hotel on 28 January 2015. The lower average occupancy rate is due to seasonally lower period.

##### Review of office market

Klang Valley's total existing office stock stood at 107.86 million sq.ft. as at 1QCY2015. An additional supply of 5.89 million sq.ft. is expected to enter the market by end CY2015.

Prime location and good grade dual compliant (MSC status and GBI certified) office buildings are anticipated to perform well due to limited supply of such space, achieving competitive rental rates while maintaining high occupancy levels as they continue to attract multinationals (MNCs) and large corporations.

The overall occupancy and rentals levels of purpose built office space, are expected to face further pressure amid weaker business confidence and widening gap between supply and demand, as companies put their relocation and expansion plans on hold.

Menara Sunway registered a marginal dip in average occupancy rate to 97.1% for FY2015 compared to 98.8% in FY2014 due to non-renewal of a tenant in July 2014.

#### B4. Commentary on Prospects (Cont'd)

##### Review of office market (cont'd)

The average occupancy rate for Sunway Tower stood at 66.9% for FY2015 (FY2014 : 84.3%) following the progressive release of a total of 59,000 sq.ft. by an anchor tenant during the financial year. The average occupancy for this asset is expected to decline further to approximately 12% in the next financial year as the anchor tenant whose tenancy expired in June 2015 will be giving up the balance 115,494 sq.ft on a progressive basis. The asset manager is actively seeking for replacement tenants.

Average occupancy rate for Sunway Putra Tower stood at 52.8% for FY2015 compared to 74.2% in FY2014 due to termination of an anchor tenant in December 2014. The asset manager is actively seeking for replacement tenants. This provides an opportunity to further diversify tenancy mix and 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.

Wisma Sunway registered a higher average occupancy rate of 89.8% for FY2015<sup>1</sup> compared to 85.1%<sup>2</sup> in FY2014.

The Manager remains cautious on the office segment in view of the challenging operating environment with main priority in reducing the vacancy rates which include upgrading of the assets to meet tenants' requirements and remain competitive in pricing strategy.

The Manager expects income contribution from the office segment to be lower in FY2016 due to the high vacancy rate arising from the oversupply situation in the office market.

<sup>1</sup> Information for FY2015 is from March 2015 to June 2015 following the completion of the acquisition of the office on 23 March 2015.

<sup>2</sup> The historical information (FY2014) is provided by the vendor.

#### B5. Investment Objectives

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

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

#### B6. Performance Benchmark

Performance indicators	Period ended 30.06.2015	Year ended 30.06.2014
a) Management expense ratio	0.80%	0.78%
b) Total returns	12.6%	-0.7%
c) Average annual returns	17.6%	18.8%
d) Distribution yield	5.7%	5.8%
e) NAV per unit (after income distribution)(RM)	1.3350	1.2390

- a) The ratio of expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus annualised distribution yield for the year.
- c) Average annual return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years (Period ended 30.06.2015 - 5 years; Period ended 30.06.2014 - 4 years)
- d) Based on DPU of 8.73 sen divided by its closing price as at 30 June 2015 of RM1.54 (30 June 2014 - DPU: 8.36 sen; Closing price as at 30 June 2014: 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.

The Manager will reduce the payment of Manager's fees in the form of new Units, from 50% to 25% in the next financial year, and shall cease payment of Manager's fees in the form of new Units in FY2017. As a result, DPU going forward shall reduce correspondingly. The Manager made the decision after taking into consideration, amongst others, the implication arising from the implementation of the Goods and Services Tax effective from 1 April 2015, to optimise the income distribution to unitholders and to achieve a positive impact on future DPU growth rate.

Total fees accrued to the Manager for the current quarter and cumulative quarter ended 30 June 2015 were RM8.6 million (Total base and performance fee of RM7.3 million and acquisition fee of RM1.3 million) and RM 29.4 million ((Total base and performance fee of RM28.1 million and acquisition fee of RM1.3 million) respectively compared to the preceding year corresponding quarter and cumulative quarter ended 30 June 2014 of RM6.6 million and RM25.8 million respectively. The acquisition fee of RM1.3 million was paid to the Manager for the acquisition of Sunway Hotel Georgetown and Wisma Sunway and this fee was capitalised as part of the acquisition costs during the period under review.

**B9. Trustee Fee**

Pursuant to the Deed constituting Sunway REIT, the Trustee is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months. The total Trustee's fee for the current quarter and cumulative quarter ended 30 June 2015 were RM0.3 million and RM1.1 million respectively, similar to the fees for the preceding year corresponding quarter and cumulative quarter ended 30 June 2014.

**B10. Status of Corporate Proposals**

There was no corporate proposal that has been announced but not completed as at the date of this report.



## **B11. Material Litigation**

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

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

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

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

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

On 25 June 2015, the judge dismissed the appeal with costs, in favour of the Manager and the Trustee. The Manager and Trustee have filed a winding up petition against MHSB for non-payment of the damages awarded by the court amounting to RM3,189,071.67 (including costs of RM5,000) and have proceeded with the winding up procedures.

On 29 July 2015, the lawyers for the Trustee and the Manager informed that MHSB has filed a Notice of Motion to the Federal Court for leave to appeal the decision of the Court of Appeal delivered on 25 June 2015.

The judge fixed 14 August 2015 for case management and 18 August 2015 for hearing of the winding up petition.

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

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

On 2 August 2013, the Kuala Lumpur High Court decided that MHSB 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 MHSB'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.

**B11. Material Litigation (Cont'd)**

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

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

**B12. Soft commission**

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

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

	Current quarter ended 30.6.2015	Immediate preceding quarter ended 31.03.2015	% change
Number of units in issue (units)	2,937,776,900	2,935,569,800	0.1%
Realised net income (RM'000)	56,680	58,923	-3.8%
Realised earnings per unit (EPU) (sen)	1.93	2.00	-3.5%
Income distribution(RM'000)	60,224	62,528	-3.7%
Distribution per unit (DPU)(sen)	2.05	2.13	-3.8%
Net Asset Value (NAV) (RM'000)	3,922,036	3,621,673	8.3%
NAV per unit (After income distribution) (RM)	1.3350	1.2337	8.2%
Market price per unit (RM)	1.54	1.57	-1.9%

**B14. Income Distribution**

Please refer to Note A12 for details .

**B15. Disclosure of Nature of Outstanding Derivative Financial Instruments**

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

Type of Derivatives	Contract/Notional Value		Fair value at reporting date	
	As at 30.6.2015	As at 30.6.2014	As at 30.6.2015	As at 30.6.2014
	RM'000	RM'000	RM'000	RM'000
<b>Interest rate swap</b>				
- Less than 3 years	500,000	-	(1,513)	-
<b>Cross currency swap contract</b>				
- Less than 1 year	360,900	310,800	14,358	12,484
	860,900	310,800	12,845	12,484

## B15. Disclosure of Nature of Outstanding Derivative Financial Instruments (Cont'd)

### Interest rate swap contracts

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

### Cross currency swap contract

Sunway REIT has entered into a 1-year cross currency swap contract in February 2015, upon maturity of the previous 3-year cross currency swap, to manage its exposure in foreign currency risk arising from foreign currency borrowings, which was entered to minimize borrowing cost. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognized directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the income statement. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the income statement.

## B16. Risks and Policies of Derivatives

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

The overall risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 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 30 June 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.

	<b>Period ended 30.6.2015 RM'000</b>	<b>As at end of previous financial year RM'000</b>
Total retained profits/undistributed income		
- realised	730	14,090
- unrealised	1,265,077	971,196
	<u>1,265,807</u>	<u>985,286</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>1,265,804</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 30 June 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 11 August 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: 11 August 2015**