

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter ended		Cumulative Quarter ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Rental income	127,474	108,690	374,298	331,095
Other operating income	2,871	2,019	9,130	7,422
Gross revenue	130,345	110,709	383,428	338,517
Quit rent, assessment and insurance	(2,379)	(3,620)	(9,427)	(7,531)
Other property operating expenses	(31,281)	(23,912)	(90,320)	(74,580)
Property operating expenses	(33,660)	(27,532)	(99,747)	(82,111)
Net property income	96,685	83,177	283,681	256,406
Other income	1,006	712	10,740	2,611
Net investment income	97,691	83,889	294,421	259,017
Manager's fee	(7,747)	(6,899)	(23,219)	(20,777)
Trustee's fee	(300)	(274)	(907)	(835)
Finance costs	(21,595)	(17,564)	(64,698)	(50,716)
Other expenses	(3,283)	(2,334)	(4,798)	(3,152)
	(32,925)	(27,071)	(93,622)	(75,480)
Profit before tax	64,766	56,818	200,799	183,537
Income tax expense	-	-	-	-
Profit for the period	64,766	56,818	200,799	183,537
Profit for the period comprise the following:				
Realised	67,714	58,923	201,855	185,352
Unrealised	(2,948)	(2,105)	(1,056)	(1,815)
	64,766	56,818	200,799	183,537
Earnings per unit (sen)				
- realised	2.33	2.00	6.87	6.32
- unrealised	(0.10)	(0.07)	(0.04)	(0.06)
	2.23	1.93	6.83	6.26
Proposed/declared distribution per unit (sen)	2.37	2.13	7.06	6.68

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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period	64,766	56,818	200,799	183,537
Other comprehensive income				
Cash flow hedge - fair value of derivative ¹	(42,526)	19,429	10,692	45,988
Cash flow hedge reserve recycled to profit or loss ²	45,650	(22,300)	(5,150)	(50,750)
Total comprehensive income for the period	67,890	53,947	206,341	178,775

¹ Please refer to Note B15 for details.

² Please refer to Note A14 for details.

Income distribution

	Third Quarter ended		Cumulative Quarter ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	67,714	58,923	201,855	185,352
Add: Surplus cash arising from 25% Manager's fee paid/payable in Units (3Q2015: 50%)	1,936	3,450	5,805	10,389
Total available for income distribution for the period	69,650	62,373	207,660	195,741
Brought forward undistributed income available for distribution	502	441	414	484
Total available for income distribution	70,152	62,814	208,074	196,225
Less: Proposed/declared income distribution	(69,742)	(62,528)	(207,664)	(195,939)
Balance undistributed arising from rounding difference	410	286	410	286

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 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.03.2016 (Unaudited)	As At 30.06.2015 (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	8,344	5,268
Investment properties	6,377,676	6,324,000
	<u>6,386,020</u>	<u>6,329,268</u>
Current assets		
Receivables, deposits and prepayments	27,109	20,174
Derivatives	-	14,358
Cash and bank balances	82,261	66,218
	<u>109,370</u>	<u>100,750</u>
	<u>6,495,390</u>	<u>6,430,018</u>
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,723,996	2,716,456
Undistributed income	1,273,999	1,265,804
Total Unitholders' funds	<u>3,997,995</u>	<u>3,982,260</u>
Non-current liabilities		
Borrowings	1,390,200	1,378,550
Long term liabilities	56,699	75,585
Deferred tax liability	5,896	5,896
Derivatives	32,049	1,513
	<u>1,484,844</u>	<u>1,461,544</u>
Current liabilities		
Trade and other payables	241,529	222,826
Borrowings	771,022	763,388
	<u>1,012,551</u>	<u>986,214</u>
	<u>6,495,390</u>	<u>6,430,018</u>
Number of units in circulation ('000 units)	2,942,684	2,937,777
NET ASSET VALUE ("NAV")		
- Before income distribution	3,997,995	3,982,260
- After income distribution	3,928,253	3,922,036
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.3586	1.3555
- After income distribution ²	1.3349	1.3350

¹ Before the 3Q2016 proposed income distribution of 2.37 sen per unit (4Q2015: 2.05 sen per unit).

² After the 3Q2016 proposed income distribution of 2.37 sen per unit (4Q2015: 2.05 sen per unit).

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
As at 1 July 2015	2,716,456	727	1,265,077	3,982,260
Total comprehensive income				
Profit for the period	-	201,855	(1,056)	200,799
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	10,692	10,692
- Cash flow hedge reserve recycled to profit or loss	-	-	(5,150)	(5,150)
Total comprehensive income, representing the increase in net assets resulting from operations	2,716,456	202,582	1,269,563	4,188,601
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	7,540	-	-	7,540
Distribution to unitholders				
- Income distribution declared and paid in current period	-	(137,922)	-	(137,922)
- Income distribution proposed in prior year but paid in current period	-	(60,224)	-	(60,224)
Increase/(decrease) in net assets resulting from unitholders' transactions	7,540	(198,146)	-	(190,606)
As at 31 March 2016 (Unaudited)	2,723,996	4,436	1,269,563	3,997,995

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

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2016 (UNAUDITED)**

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

¹ Issue of new units comprise the following:

	31.03.2016	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager's fee paid in units:		
- at RM1.5953 per unit for the quarter ended 30 June 2015	2,302	3,672
Issuance of new units pursuant to 25% Manager's fee paid in units:		
- at RM1.5178 per unit for the quarter ended 30 September 2015	1,257	1,907
- at RM1.4534 per unit for the quarter ended 31 December 2015	1,349	1,961
Total Manager's fee paid in units	<u>4,908</u>	<u>7,540</u>
	30.06.2015	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager's fee paid in units:		
- at RM1.4461 per unit for the quarter ended 30 June 2014	2,268	3,280
- at RM1.5253 per unit for the quarter ended 30 September 2014	2,260	3,446
- at RM1.5007 per unit for the quarter ended 31 December 2014	2,327	3,493
- at RM1.5627 per unit for the quarter ended 31 March 2015	2,207	3,449
Total Manager's fee paid in units	<u>9,062</u>	<u>13,668</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2016 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	429,822	343,003
Refundable security deposits from customers	7,392	18,495
Cash paid for operating expenses	(179,394)	(129,758)
Net cash generated from operating activities	<u>257,820</u>	<u>231,740</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(3,780)	(1,328)
Acquisition of investment properties	-	(134,000)
Subsequent expenditure of investment properties	(46,695)	(176,112)
Incidental costs on acquisition of investment properties	-	(2,049)
Interest received	2,515	2,291
Net cash used in investing activities	<u>(47,960)</u>	<u>(311,198)</u>
FINANCING ACTIVITIES		
Issuance of commercial papers	3,396,200	297,400
Drawdown of term loan	422,000	50,100
Drawdown of revolving loans	3,587,400	4,707,800
Repayment of commercial papers	(2,997,800)	(255,400)
Repayment of term loan	(360,900)	-
Repayment of revolving loans	(3,976,800)	(4,452,400)
Interest paid	(65,771)	(52,347)
Distribution paid	(198,146)	(192,864)
Net cash (used in)/generated from financing activities	<u>(193,817)</u>	<u>102,289</u>
Net increase in cash and bank balances	16,043	22,831
Cash and bank balances at beginning of year	66,218	54,607
Cash and bank balances at end of period	<u>82,261</u>	<u>77,438</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	25,849	77,434
Deposits placed with licensed financial institutions	56,412	4
Cash and bank balances	<u>82,261</u>	<u>77,438</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 THIRD QUARTER ENDED 31 MARCH 2016 (UNAUDITED)**

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

A1. Corporate Information

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

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

A2. Significant Accounting Policies and Basis of Preparation

The condensed consolidated interim financial statements of the Group for the financial period ended 31 March 2016 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). These condensed consolidated interim financial statements also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

The consolidated financial statements of the Group for the financial year ended 30 June 2015 which were prepared under MFRS are available upon request from the management company's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway 47500, Subang Jaya, Selangor Darul Ehsan.

A3. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statements for the financial year ended 30 June 2015.

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 31 March 2016.

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

Sunway REIT has issued 1,348,900 new units at RM1.4534* per unit on 17 February 2016, being 25% payment of the Manager's fee for the quarter ended 31 December 2015. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 18 February 2016.

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

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

Sunway REIT's fund size increased from 2,941.3 million units as at 31 December 2015 to 2,942.7 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 2016 (UNAUDITED)**

A8. Segmental Reporting

By segment

Segmental results for the quarter ended 31 March 2016 are as follows:

Third Quarter

	Third Quarter ended 31.03.2016					Third Quarter ended 31.03.2015				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	101,751	16,338	6,879	5,377	130,345	84,923	12,111	8,480	5,195	110,709
Net property income	73,302	15,330	2,676	5,377	96,685	62,124	11,086	4,772	5,195	83,177
Other income					1,006					712
Trust and other expenses					(11,330)					(9,507)
Finance costs					(21,595)					(17,564)
Profit before tax					64,766					56,818
Income tax expense					-					-
Profit for the period					64,766					56,818

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2016 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 31.03.2016					Cumulative Quarter ended 31.03.2015				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	286,283	58,670	22,710	15,765	383,428	247,436	46,521	29,370	15,190	338,517
Net property income	201,622	55,755	10,539	15,765	283,681	177,896	44,609	18,711	15,190	256,406
Other income					10,740					2,611
Trust and other expenses					(28,924)					(24,764)
Finance costs					(64,698)					(50,716)
Profit before tax					200,799					183,537
Income tax expense					-					-
Profit for the period					200,799					183,537

A8. Segmental Reporting (Cont'd)
By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Third Quarter			Third Quarter			Cumulative Quarter ended			Cumulative Quarter ended		
	31.03.2016	31.03.2015	Change	31.03.2016	31.03.2015	Change	31.03.2016	31.03.2015	Change	31.03.2016	31.03.2015	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	77,734	72,906	6.6%	59,038	56,451	4.6%	222,089	211,771	4.9%	165,571	158,380	4.5%
Sunway Carnival Shopping Mall	11,615	10,604	9.5%	7,593	6,654	14.1%	32,875	31,548	4.2%	21,192	19,997	6.0%
Suncity Ipoh Hypermarket	1,250	1,250	0.0%	1,165	1,168	-0.3%	3,750	3,751	0.0%	3,531	3,522	0.3%
Sunway Putra Mall	11,152	163	6741.7%	5,506	(2,149)	356.2%	27,569	366	7432.5%	11,328	(4,003)	383.0%
	101,751	84,923	19.8%	73,302	62,124	18.0%	286,283	247,436	15.7%	201,622	177,896	13.3%
Hotel												
Sunway Resort Hotel & Spa	9,230	6,348	45.4%	8,827	5,896	49.7%	32,177	24,958	28.9%	31,038	23,777	30.5%
Sunway Pyramid Hotel East (formerly known as Pyramid Tower East)	2,854	3,596	-20.6%	2,730	3,504	-22.1%	14,664	14,199	3.3%	14,307	13,923	2.8%
Sunway Hotel Seberang Jaya	811	902	-10.1%	758	852	-11.0%	2,627	3,564	-26.3%	2,470	3,406	-27.5%
Sunway Putra Hotel	1,882	693	171.6%	1,507	300	402.3%	5,682	3,228	76.0%	4,575	2,969	54.1%
Sunway Hotel Georgetown *	1,561	572	172.9%	1,508	534	182.4%	3,520	572	515.4%	3,365	534	530.1%
	16,338	12,111	34.9%	15,330	11,086	38.3%	58,670	46,521	26.1%	55,755	44,609	25.0%
Office												
Menara Sunway	3,618	4,454	-18.8%	2,028	3,179	-36.2%	12,301	13,420	-8.3%	8,138	9,534	-14.6%
Sunway Tower	675	2,874	-76.5%	(424)	1,615	-126.3%	2,682	9,725	-72.4%	(800)	5,940	-113.5%
Sunway Putra Tower	902	1,010	-10.7%	37	(111)	-133.3%	2,690	6,083	-55.8%	62	3,148	-98.0%
Wisma Sunway *	1,684	142	1085.9%	1,035	89	1062.9%	5,037	142	3447.2%	3,139	89	3427.0%
	6,879	8,480	-18.9%	2,676	4,772	-43.9%	22,710	29,370	-22.7%	10,539	18,711	-43.7%
Others												
Sunway Medical Centre	5,377	5,195	3.5%	5,377	5,195	3.5%	15,765	15,190	3.8%	15,765	15,190	3.8%
	5,377	5,195	3.5%	5,377	5,195	3.5%	15,765	15,190	3.8%	15,765	15,190	3.8%
TOTAL PORTFOLIO	130,345	110,709	17.7%	96,685	83,177	16.2%	383,428	338,517	13.3%	283,681	256,406	10.6%

* Sunway Hotel Georgetown and Wisma Sunway were acquired on 28 January 2015 and 23 March 2015 respectively.

**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 achieved gross revenue of RM101.7 million for the current quarter ended 31 March 2016 (3Q2016), an increase of 19.8% or RM16.8 million compared to the preceding year corresponding quarter (3Q2015) mainly attributable to rental commencement from Sunway Putra Mall which re-opened on 28 May 2015.

Sunway Pyramid Shopping Mall registered gross revenue growth of 6.6% or RM4.8 million for 3Q2016 compared to 3Q2015 mainly due to higher average net rent per sq. ft.

Gross revenue for Sunway Carnival Shopping Mall was higher by 9.5% or RM1.0 million for 3Q2016 compared to the preceding year corresponding quarter due to higher average net rent per sq. ft. but substantially offset by lower average occupancy arising from remodelling of the 2nd floor area of approximately 21,000 sq ft (equivalent to 4% of NLA) into food and beverage ("F&B") area which will commence operation in 4Q2016.

Suncity Ipoh Hypermarket maintained its gross revenue of RM1.2 million for the same period.

Sunway Putra Mall achieved gross revenue of RM11.2 million for 3Q2016, with a secured occupancy as at 31 March 2016 of 84.3%.

Property operating expenses of the retail segment for 3Q2016 was RM28.4 million, an increase of 24.8% or RM5.7 million primarily attributable to Sunway Putra Mall, which re-opened on 28 May 2015 after a 2-year closure for major refurbishment and higher A&P expenses from Sunway Pyramid Shopping Mall.

Net property income of the retail segment for 3Q2016 was RM73.3 million, higher by 18.0% or RM11.2 million compared to 3Q2015.

Hotel segment

The hotel segment recorded gross revenue of RM16.3 million for 3Q2016, reflecting a growth of 34.9% or RM4.2 million compared to 3Q2015.

Gross revenue for Sunway Resort Hotel & Spa was higher by 45.4% or RM2.9 million attributable to both higher average daily rate and average occupancy rate mainly contributed by strong leisure market demand particularly from the Middle Eastern market. SPE registered a lower gross revenue of RM0.7 million in 3Q2016 due to both lower average daily rate and average occupancy rate in the current quarter, mainly attributable to softer demand from the corporate segment and progressive closure of the hotel pre-commencement of its refurbishment in April 2016.

Sunway Putra Hotel achieved higher gross revenue by RM1.2 million in 3Q2016 compared to 3Q2015 with the completion of refurbishment of the hotel in 2Q2016.

Gross revenue for Sunway Hotel Seberang Jaya was lower by RM0.1 million in 3Q2016 mainly due to lower average daily rate but mitigated by higher average occupancy rate. The lower average daily rate is part of the tactical strategy employed to achieve better occupancy in view of softer demand from the corporate segment and increased competition from new hotels in Penang.

Sunway Hotel Georgetown registered a full quarter gross revenue of RM1.6 million for 3Q2016 as compared to two months contribution for 3Q2015 upon completion of its acquisition in January 2015.

A8. Segmental Reporting (Cont'd)

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

Hotel segment (Cont'd)

Net property income of the hotel segment for 3Q2016 was RM15.3 million, an increase of 38.3% or RM4.2 million, as compared to 3Q2015.

Note: The hotel properties are under hotel master leases and hence, incurred minimum property operating expenses which comprise mainly quit rent, assessment and insurance. The gross revenue represents the hotel lease rental income.

Office segment

Gross revenue for the office segment declined by 18.9% or RM1.6 million for 3Q2016 compared to 3Q2015 due to lower average occupancy of all office properties, with the exception of Wisma Sunway which commenced contribution from 23 March 2015 onwards upon completion of its acquisition.

Menara Sunway recorded lower gross revenue of RM3.6 million, a decline of 18.8% or RM0.8 million in the current quarter due to non-renewal of a tenant who occupied 46,000 sq. ft. (16% of total NLA). New tenants have been secured for approximately 32,500 sq. ft. (11% of total NLA) to commence in 4Q2016 and the asset manager continues to seek for more replacement tenants for the remaining vacant space.

The lower occupancy at Sunway Tower was attributable to non-renewal by an anchor tenant who occupied 129,000 sq. ft. (48% of total NLA) since July 2015. New tenants for approximately 29,500 sq. ft. (11% of total NLA) have commenced in 3Q2016 and the asset manager is actively seeking for more replacement tenants.

Gross revenue for Sunway Putra Tower was lower by 10.7% or RM0.1 million for 3Q2016 compared to 3Q2015 mainly due to non-renewal of a tenant who occupied approximately 10,700 sq. ft. since June 2015.

Property operating expenses of the office segment for 3Q2016 was RM4.2 million, higher by 13.3% or RM0.5 million compared to 3Q2015, contributed by Wisma Sunway which was acquired in March 2015, and partially mitigated by lower operating expenses at Sunway Tower and Sunway Putra Tower.

Net property income of the office segment for 3Q2016 was RM2.7 million, a decline of 43.9% or RM2.1 million compared to the preceding year corresponding quarter.

Others

Sunway Medical Centre contributed RM5.4 million revenue and net property income for 3Q2016, an increase of 3.5% compared to 3Q2015 mainly due to rental reversion in accordance with the Master Lease Agreement.

Note: Sunway Medical Centre was acquired on 31 December 2012 and leased to Sunway Medical Centre Sdn Bhd on even date on a 10-year master lease agreement at an annual rental of RM19 million and with a 3.5% rental reversion per annum. The lease is based on a triple net basis whereby all the property operating expenses, quit rent, assessment and insurance will be borne by the lessee.

Profit before tax

Finance costs for 3Q2016 was RM21.6 million, higher by 23.0% or RM4.0 million compared to 3Q2015 primarily attributable to a higher principal loan amount to fund capital expenditure and acquisition of Sunway Hotel Georgetown and Wisma Sunway in FY2015, as well as the cessation of interest capitalisation on completion of refurbishment for Sunway Putra Mall in May 2015.

Net profit for 3Q2016 was RM64.8 million (3Q2015: RM56.8 million) comprising realised profit of RM67.7 million (3Q2015: RM58.9 million) and unrealised loss of RM2.9 million (3Q2015: RM2.1 million). The increase in realised profit by 14.9% or RM8.8 million in the current quarter was mainly due to higher net property income from the retail and hotel segment, but partially mitigated by higher finance costs and lower contribution from the office segment. The unrealised loss in 3Q2016 was attributable to fair value loss from the derivative financial instrument as explained in Note B15.

A8. Segmental Reporting (Cont'd)

b) Review of Cumulative Quarter Results

Retail segment

The retail segment recorded gross revenue of RM286.3 million for the cumulative quarter ended 31 March 2016 (YTD 3Q2016), an increase of 15.7% or RM38.8 million compared to the preceding year corresponding cumulative quarter (YTD 3Q2015) primarily contributed by rental commencement from Sunway Putra Mall which re-opened on 28 May 2015 and better performance of Sunway Pyramid Shopping Mall as mentioned in Note A8(a) above.

Property operating expenses of the retail segment for YTD 3Q2016 was RM84.7 million, higher by 21.7% or RM15.1 million largely attributable to Sunway Putra Mall, which re-opened on 28 May 2015 after a 2-year closure for major refurbishment.

Net property income of the retail segment for YTD 3Q2016 was RM201.6 million, an increase of 13.3% or RM23.7 million compared to YTD 3Q2015.

Hotel segment

The hotel segment registered gross revenue of RM58.7 million for YTD 3Q2016, higher by 26.1% or RM12.1 million compared to YTD 3Q2015 contributed by better performance of all the hotels, with the exception of Sunway Hotel Seberang Jaya, and full contribution for the quarter from Sunway Hotel Georgetown which was acquired in January 2015, as mentioned in Note A8(a) above.

Net property income of the hotel segment for YTD 3Q2016 was RM55.8 million, an increase of 25.0% or RM11.1 million, in line with revenue.

Office segment

Gross revenue for the office segment stood at RM22.7 million for YTD 3Q2016, a decrease of 22.7% or RM6.7 million compared to YTD 3Q2015 due to the reasons mentioned in Note A8(a).

Property operating expenses of the office segment for YTD 3Q2016 was RM12.2 million, an increase of 14.2% or RM1.5 million compared to YTD 3Q2015, mainly contributed by Wisma Sunway which was acquired in March 2015.

Correspondingly, net property income of the office segment for YTD 3Q2016 was RM10.5 million, declined by 43.7% or RM8.2 million.

Others

Sunway Medical Centre contributed RM15.8 million of revenue and net property income for YTD 3Q2016, an increase of 3.8% compared to YTD 3Q2015 due to the reason mentioned in Note A8(a).

Profit before tax

Finance costs for YTD 3Q2016 was RM64.7 million, higher by 27.6% or RM14.0 million compared to YTD 3Q2015 mainly due to the reasons mentioned in Note A8(a).

Net profit for YTD 3Q2016 was RM200.8 million (YTD 3Q2015: RM183.5 million) comprising realised profit of RM201.9 million (YTD 3Q2015: RM185.4 million) and unrealised loss of RM1.1 million (YTD 3Q2015: RM1.8 million). Realised profit for YTD 3Q2016 was higher by 8.9% or RM16.5 million compared to YTD 3Q2015 due to the reasons mentioned in Note A8(a) and the recognition of a one-off RM6.2 million court award (please see further explanation in Note B11(2)), under other income in 2Q2016.

The unrealised loss for YTD 3Q2016 was RM1.1 million, lower by RM0.7 million compared to RM1.8 million for YTD 3Q2015 mainly attributable to lower net fair value loss from the derivative financial instrument.

A9. Seasonality of Operations

The quarterly results were not materially affected by seasonal or cyclical factors except for the hotel segment, which will typically enjoy better performance from July to December due to higher leisure and business activities and year end corporate functions.

A10. Profit Before Tax

Included in the profit before tax are the following items:

	Third Quarter ended		Cumulative Quarter ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Interest Income	(1,081)	(942)	(2,735)	(2,528)
Net changes in fair value of long term liabilities	108	(16)	71	(50)
Unrealised foreign exchange (gain)/loss - hedged item	(45,650)	22,300	5,150	50,750
Cash flow hedge reserve recycled to profit or loss	45,650	(22,300)	(5,150)	(50,750)
Net changes in fair value of derivative financial instrument	2,841	2,121	986	1,865
Allowance for impairment of trade receivables	789	159	1,015	1,199
Bad debts written off	52	185	294	560
Depreciation of plant and equipment	384	168	816	435

A11. Income Tax Expense

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 ending 30 June 2016.

Taxation of the Unitholders

Pursuant to Section 109D(2) of Income Tax Act, 1967, where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to unitholders (other than resident corporate investors) will be subject to tax based on a withholding tax mechanism at the following rates:

Unitholders	Withholding tax rate
Individuals & all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	24% for year of assessment 2016

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the prevailing corporate tax rate of 24%.

Further to our announcement dated 28 October 2015 for the tax treatment on Industrial Building Allowance ("IBA") claims for hotel properties and the affected distributions (for the period from 1 January 2013 to 30 June 2015) in respect of resident and non-resident individual unitholders and institutional investors, a letter has been received from Inland Revenue Board of Malaysia on 12 April 2016 confirming that a sum amounting to RM2.17 million will be refunded to the unitholders of the affected distributions. The sum of RM2.17 million will be refunded to the unitholders based on their total unitholdings on the entitlement date for the affected distributions. Please refer to our announcement dated 13 April 2016 for further details.

A12. Income Distribution

For the quarter ended 31 March 2016, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM69.742 million or 2.37 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.81 sen per unit and 0.56 sen per unit respectively. This amount includes surplus cash arising from 25% Manager's fee payable in units of RM1.936 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 16 May 2016 and 31 May 2016 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. There was no valuation performed during the quarter under review.

A14. Borrowings and Debt Securities

	As at 31.03.2016 RM'000	As at 30.06.2015 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial papers	472,400	20,000
Unsecured		
- Revolving loan	300,000	743,400
Total gross short term borrowings	<u>772,400</u>	<u>763,400</u>
Less: Discount on commercial papers	(1,378)	(12)
Total short term borrowings	<u>771,022</u>	<u>763,388</u>
<u>Long term borrowings</u>		
Secured		
- Term loans	390,200	378,550
- Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,390,200</u>	<u>1,378,550</u>
Total borrowings	<u>2,161,222</u>	<u>2,141,938</u>

Included in the long term borrowings for 31 March 2016 is a secured 3-year term loan of USD100 million, hedged with a 2-years cross currency swap contract, upon maturity of the earlier 1-year contract, to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation.

As at 31 March 2016, the cumulative unrealised foreign exchange gain from the translation of the USD100 million loan amounted to RM31.8 million (30.6.2015: loss of RM17.7 million). For 3Q2016 and YTD 3Q2016, the unrealised foreign exchange reflected in the statement of comprehensive income were a gain of RM45.7 million (3Q2015: loss of RM22.3 million) and a loss of RM5.2 million (YTD 3Q2015: RM50.8 million) respectively.

A15. Fair Value Hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1

Quoted market prices in an active market for identical assets or liabilities.

Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3

Valuation techniques for which the lowest input that is significant to the fair value measurement is unobservable.

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 March 2016				
Financial assets				
Investment properties	-	-	6,377,676	6,377,676
Financial liability				
Derivative	-	(32,049)	-	(32,049)
At 30 June 2015				
Financial assets				
Investment properties	-	-	6,324,000	6,324,000
Derivative	-	14,358	-	14,358
Financial liability				
Derivative	-	(1,513)	-	(1,513)

No transfers between any levels of the fair value hierarchy took place during the current quarter and the preceding year corresponding quarter.

A16. Material Event

There were no material events since the end of the last annual reporting period.

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

There were no material events subsequent to the quarter ended 31 March 2016.

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 2016 were as follows:

	As at 31.03.2016 RM'000
Approved and contracted for	99,539
Approved but not contracted for	47,872
	<u>147,411</u>

The capital commitment approved and contracted for is mainly in relation to the refurbishment of Sunway Pyramid Hotel East which commenced in April 2016. The amount approved but not contracted for relates to various minor asset enhancement works for most of the properties.

A19. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 March 2016.

A20. Transactions with Parties Related to the Manager

The following table provides information on the transactions which have been entered into with parties related to the Manager during the period ended 31 March 2016 and 31 March 2015 as well as the balances with the parties related to the Manager as at 31 March 2016 and 30 June 2015:

	Third Quarter ended		Cumulative Quarter ended	
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(33,070)	(28,197)	(106,962)	(94,268)
- Purchases	20,451	189,441	66,033	334,613
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(121)	(145)	(396)	(419)

Included in the purchases from Sunway Berhad Group for 3Q2015 is the acquisition of Sunway Hotel Georgetown and Wisma Sunway amounting to RM134 million.

	As at	As at
	31.03.2016 RM'000	30.06.2015 RM'000
<u>Amount owed by parties related to Manager:</u>		
(a) Sunway Berhad Group	7,506	4,584
(b) Sunway Technology Sdn. Bhd. Group	-	3
<hr/>		
	As at	As at
	31.03.2016 RM'000	30.06.2015 RM'000
<u>Amount owed to parties related to Manager:</u>		
(a) Sunway Berhad Group	17,242	36,670

Part B - Additional Information Pursuant to Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad

B1. Review of Performance

Explanatory comment on the performance of each of the Group's business segment is provided in Note A8.

B2. Maintenance Costs and Major Capital Expenditure

There was no unusual maintenance costs during the quarter under review. Sunway REIT incurred capital expenditure of approximately RM28.5 million for 3Q2016 and RM53.7 million for YTD 3Q2016 mainly involving major refurbishment at Sunway Putra Hotel. □

B3. Material Changes in Quarterly Results

	Current Quarter Ended 31.03.2016 RM'000	Immediate Preceding Quarter Ended 31.12.2015 RM'000
Realised profit	67,714	73,576
Unrealised loss	(2,948)	(2,056)
Profit for the quarter	<u>64,766</u>	<u>71,520</u>

Sunway REIT registered a realised profit of RM67.7 m for 3Q2016, which was RM5.9m or 8.0% lower compared to the immediate preceding quarter (2Q2016) of RM73.6m. Included in the realised profit for 2Q2016 was a one-off other income of RM6.2m being court award for loss of income in relation to the litigation as mentioned in Note B11(2). Excluding this one-off other income, realised profit for 2Q2016 would have been RM67.4m, marginally lower than 3Q2016.

The marginally higher realised profit for 3Q2016 was underpinned by higher contribution from the retail segment but offset by seasonally lower contribution from the hotel segment and weaker performance of the office segment.

Unrealised loss for the current quarter of RM2.9 million was mainly due to fair value loss from the derivative financial instrument.

B4. Commentary on Prospects

Global growth decelerated more than anticipated to 2.4% in CY2015 (CY2014: 2.6%), reflecting the effect of low commodity prices, weaker capital flows and subdued global trade. The global economy is projected to improve at a gradual pace to 2.9% in CY2016 and 3.1% in CY2017, underpinned by modest upturn in global activity, a gradual slowdown and rebalancing in China and a stabilization of commodity prices.

The Malaysian economy moderated to 5.0% in CY2015, from 6.0% in CY2014, on the back of global and domestic headwinds. The growth was supported by domestic demand from the private sector and modest improvement in external demand in the second half of the year. The challenging international economic and financial markets landscape in CY2016 is expected to influence the resiliency of the Malaysian economy.

Bank Negara Malaysia ("BNM") is projecting that the Malaysian economy to expand at a slower pace of 4.0% to 4.5% in CY2016. Domestic demand continues to be the pillar of growth, sustained primarily by private sector spending and continuation in key infrastructure projects led by the public sector. Meanwhile, private consumption growth is expected to be subdued, reflecting largely the continued household adjustments to higher prices and greater uncertainties. On the external front, export is expected to remain resilient in CY2016 supported by well-diversified sources.

Headline inflation is expected to trend higher in CY2016 predominantly due to increases in the prices of several price-administered items and the weak ringgit exchange rate. However, the inflationary pressure will be partially mitigated by the low global energy and commodity prices.

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

B4. Commentary on Prospects (Cont'd)

Notwithstanding the spike in the Consumer Price Index ("CPI") to 4.2% y-o-y in February 2016 (January 2016: 3.5% y-o-y), inflationary pressure is expected to be manageable within the range of 2.5% to 3.5% in CY2016 (2015: 2.1%).

BNM guided that monetary policy in CY2016 focuses on ensuring that monetary conditions remain supportive of sustainable domestic growth. In addition, monetary policy will also take into account of the risk of financial imbalances and ensure sufficient domestic liquidity to support the orderly functioning of the domestic financial markets. On 9 March 2016, BNM has kept the Overnight Policy Rate ("OPR") unchanged at 3.25%. Economists' consensus¹ expects the OPR to be maintained in CY2016.

The Manager revised DPU guidance from flattish to modest growth for FY2016 due to the following:

- (i) New and resumption of income contribution contribution from completion of refurbishment and acquisitions, namely Sunway Putra Mall, Sunway Putra Hotel, Sunway Hotel Georgetown and Wisma Sunway.
- (ii) Strong 3QFY2016 performance by Sunway Resort Hotel & Spa boosted by leisure segment particularly the Middle Eastern market.
- (iii) One-off court award amounting to RM6.189 million which was recognized in 2QFY2016.

The expectation has taken into consideration the loss of income contribution for Sunway Pyramid Hotel East (formerly known as Pyramid Tower East) following the commencement of refurbishment in 4QFY2016.

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

¹ Based on Bloomberg's compilation of economists' estimates.

Review of retail market

On the demand side, notable trend of diminishing retail sales growth in comparison with the previous years on the back of cautious consumer sentiment arising from escalating costs of living (subsidy rationalisation, electricity tariff hikes, GST implementation and Ringgit depreciation) and economy uncertainty.

On the supply side, the estimated scheduled completion of approximately 8.1 million sq.ft. in CY2016 is expected to intensify the competition level in managing occupancy rates and rental rates. For newly opened malls and scheduled to be opened, landlords may compromise on rental rates in order to achieve satisfactory occupancy rates. However, leading shopping malls are expected to remain resilient supported by strong market catchment and experienced retail managers.

The average occupancy rate at Sunway Pyramid Shopping Mall improved marginally to 98.4% for YTD 3QFY2016, from the 98.2% for YTD 2QFY2016. A total of 263,873 sq.ft. of net lettable area ("NLA") was renewed for YTD 3QFY2016 at a single-digit rental reversion rate over the three-year tenancy term.

The average occupancy rate for Sunway Carnival Shopping Mall remained stable at 93.8% for YTD 3QFY2016 versus 94.0% for YTD 2QFY2016 due to remodeling of 2nd floor area of approximately 21,000 sq.ft. (equivalent to 4% of total NLA) into food and beverage ("F&B") area which is targeted to commence operation in 4QFY2016. A total of 93,930 sq.ft. of NLA was renewed at a double-digit rental reversion rate over the three-year tenancy term for YTD 3QFY2016.

Sunway Putra Mall's average occupancy rate was largely unchanged at 84.3% as at 31 March 2016 (31 December 2015: 84.9%). New tenants scheduled for opening in 4QFY2016 include Subway, Rice Garden, Sydney Oyster Restaurant & Bar and Friends of Burger.

The Manager expects the retail segment to register modest growth in FY2016, led by the flagship asset, Sunway Pyramid Shopping Mall and full year income contribution from Sunway Putra Mall.

The Manager is cautious on the growth prospects of the retail segment over the medium-term on possibility of slower than expected recovery in consumer spending should the economic condition deteriorates further. Weak consumer spending may pose pressure on rental reversion prospect.

B4. Commentary on Prospects (Cont'd)

Review of hotel market

Tourist arrivals had been steadily increasing from CY2011 until CY2014. The trend reversed in CY2015 when tourist arrivals dropped by 2.0 million arrivals to 25.7 million (CY2014: 27.4 million). Correspondingly, tourism revenue dropped from RM72.0 billion in CY2014 to RM69.1 billion in CY2015.

The implementation of the e-Visa system effective from 1 March 2016 will be carried out in three phases starting with Chinese nationals residing in Mainland China, followed by the second phase that includes Chinese nationals residing outside Mainland China, and eventually with the final phase, which incorporates other countries such as India, Myanmar, Nepal and Sri Lanka. This initiative is to help accomplish the goal of further expanding and developing the tourism industry.

In addition, Dewan Bandaraya Kuala Lumpur ("DBKL")'s decision in freezing approval for new hotels is a positive measure in curbing excessive supply of hotels in Kuala Lumpur.

Sunway Resort Hotel & Spa has enjoyed higher average occupancy rate of 82.2% in 3QFY2016 compared to 75.6% in 3QFY2015, mainly contributed by strong leisure market demand particularly from the Middle Eastern market.

Meanwhile, the average occupancy rate at Sunway Pyramid Hotel East (formerly known as Pyramid Tower East) has declined to 55.2% in 3QFY2016 compared to 73.8% during the same period in the preceding year. The lower average occupancy was primarily due to softer demand from the corporate segment and progressive closure of the hotel pre-commencement of the refurbishment in April 2016.

Business performance of Sunway Putra Hotel continued to improve following the completion of the refurbishment in December 2015. The average occupancy rates edged up to 58.3% in 3QFY2016 compared to 22.3% in 3QFY2015. The improvement in occupancy during the quarter was primarily boosted by leisure segment following aggressive marketing activities in promoting the rebranded hotel in the market place.

The hotel operator has launched tactical marketing strategies in addressing the soft corporate business, weak consumer sentiment, lower tourist arrivals and increasing competition in Penang. Following which, the average occupancy rates in Sunway Hotel Seberang Jaya and Sunway Hotel Georgetown improved to 61.9% in 3QFY2016 (3QFY2015: 55.2%) and 70.7% in 3QFY2016 (3QFY2015: 67.4%) respectively.

Despite the strong growth reported by the hotel segment for YTD 3QFY2016, the Manager maintains a stable growth expectation in FY2016 in view of the closure of Sunway Pyramid Hotel East in 4QFY2016.

Review of office market

The office supply in the Klang Valley has substantially increased over the years. The office stock stood at 108.87 million sq.ft. in 4QCY2015. The incoming supply in the Klang Valley between CY2016 and CY2018 is expected to contribute an additional 14 million sq.ft. of office space. This would further put pressure on occupancy and rental rates.

Without additional stimulus measures by the government to boost the economy and demand for office space, the outlook for the office sector is highly challenging for the next few years.

Menara Sunway reported a lower average occupancy rate of 89.8% for YTD 3QFY2016 compared to 95.1% for YTD 2QFY2015 mainly due non-renewal of tenant who occupied 46,000 sq.ft. (equivalent to 16% of total NLA). The asset manager has secured replacement tenants for approximately 32,500 sq.ft. (equivalent to 11% of total NLA) commencing their tenancies in 4QFY2016 and continues to seek for replacement tenants for the remaining vacant space.

The average occupancy rate for Sunway Tower has declined to 18.9% for YTD 3QFY2016 (YTD 2QFY2016: 20.9%) due to non-renewal by an anchor tenant who occupied 129,700 sq.ft (equivalent to 48% of total NLA) in 1QFY2016. New tenants totaling approximately 29,500 sq.ft. (equivalent to 11% of NLA) have commenced in 3QFY2016. The asset manager is actively seeking for more replacement tenants.

B4. Commentary on Prospects (Cont'd)Review of office market (cont'd)

The average occupancy rate for Sunway Putra Tower was maintained at 26.6% for YTD 3QFY2016. The asset manager is currently exploring with several potential tenants to improve the vacancy.

Wisma Sunway maintained its average occupancy rate at 90.7% for YTD 3QFY2016.

Under a challenging office market condition, the Manager maintains that income contribution from the office segment to be lower in FY2016 on the back of high vacancy rate, anticipated longer time and higher cost to secure new tenancies in an oversupply and weak market environment.

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 31.03.2016	Year ended 30.06.2015
a) Management expense ratio *	0.88%	0.80%
b) Total returns *	9.8%	12.6%
c) Average annual returns (5 years) *	13.7%	17.6%
d) Distribution yield *	5.9%	5.7%
e) NAV per unit (after income distribution)(RM)	1.3349	1.3350

* The performance indicators for the period ended 31 March 2016 was based on annualised results.

- 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.
- d) Based on annualised DPU of 9.37 sen divided by its closing price as at 31 March 2016 of RM1.60 (30 June 2015 - DPU: 8.73 sen; Closing price: RM1.54).
- 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, such proportion which may be varied at the discretion of the Manager.

The applicable proportion, with effect from FY2016, is 75% in the form of cash and 25% in the form of new Units. In the previous financial years, the proportion of Manager's fee was 50% in the form of cash and 50% in the form of new Units.

Total fees accrued to the Manager for the current quarter and cumulative quarter ended 31 March 2016 were RM7.7 million and RM23.2 million respectively compared to the preceding year corresponding quarter and cumulative quarter ended 31 March 2015 of RM6.9 million and RM20.8 million respectively.

B9. Trustee's Fee

Pursuant to the Deed constituting Sunway REIT, the Trustee is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months. The total Trustee's fee for the current quarter and cumulative quarter ended 31 March 2016 were RM0.3 million (2Q2015: RM0.3 million) and RM0.9 million (YTD 2Q2015: RM0.8 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. Sunway Putra (formerly known as Putra Place) - Assessment for Damages (High Court Originating Summons No. 24NCVC-1255-2011, Court of Appeal W-02(NCVC)-1680-2011 and W-02(NCVC)-1773-2011, Federal Court Leave to Appeal 08(f)-425-09-2011) and Rayuan Sivill No. W-03(IM)(NCVC)-8-01/20-15

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

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

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

B11. Material Litigation (Cont'd)

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) (cont'd)

MHSB had proceeded to file an appeal to the judge in chambers on the decision given above. A decision was delivered by the learned judge on 22 December 2014 in favour of the Trustee and the REIT Manager as the appeal was dismissed with costs. MHSB had on 9 January 2015 filed a notice of appeal in the Court of Appeal to appeal against the decision delivered on 22 December 2014. On 25 June 2015, the judge dismissed the appeal with costs, in favour of the Manager and the Trustee. MHSB proceeded to file a leave for appeal at the Federal Court.

The Manager and Trustee have filed a winding up petition against MHSB for non-payment of the damages awarded by the court amounting to RM3,189,071.67 (including costs of RM5,000) and have proceeded with the winding up procedures. MHSB then filed for a stay of the winding up petition, which was heard on 23 October 2015, and the court allowed the stay until the hearing of the leave of appeal in the Federal Court on 3 November 2015. The court also ordered that the RM3.184 million be placed in a joint stakeholders' account within 14 days of the order.

At the Federal Court hearing for the motion for leave to appeal, the judges dismissed the appeal unanimously.

The winding up application hearing was heard on 11 March 2016 and the decision of the court was delivered on 31 March 2016. The court ordered the release of the monies held in the joint stakeholders' account to the REIT Manager within 21 days. On 19 April 2016, the REIT Manager received a cheque for RM3,189,071.67 from MHSB's lawyers. The money has been transferred from the REIT Manager's account to the Sunway REIT collection account.

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

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

On 2 August 2013, the Kuala Lumpur High Court decided that a joint stakeholder account be opened and RM6,189,000 be deposited in the joint stakeholder account and the amount is to be released pending the outcome of the case on assessment of damages mentioned in Note B11(1) above and committal proceedings.

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

MHSB filed for an appeal at the Court of Appeal on 20 July 2015 against the order made on 14 July 2015 and a stay of the said Order. However, the money in the joint stakeholder account was released to the REIT Manager on 28 July 2015 based on the said Order. The hearing for the stay application for the release of the money to the REIT Manager was dismissed on 20 August 2015. On 3 September 2015, the Court of Appeal judges fixed the hearing for the appeal on 12 November 2015.

The Court of Appeal dismissed the appeal and there was no appeal filed to the Federal Court within the appeal period. This case is now closed.

B11. Material Litigation (Cont'd)

3. Sunway Putra (formerly known as Putra Place) - Striking out statement of claim on chattels and movable items
(Kuala Lumpur High Court Civil Suit No. 22NCVC-523-09/2015)

Metroplex Holdings Sdn Bhd ("MHSB") had filed writ summons and a statement of claim dated 28 September 2015 claiming for various chattels and movable items (e.g. furniture and office equipment, decorations, cutlery, kitchen equipment, bar equipment, concierge and reception tables, blinds and curtains) which were allegedly acquired and owned by MHSB but not removed by MHSB when the Manager took possession of the hotel at Sunway Putra on 27 September 2011. MHSB has in its statement of claim alleged that the various chattels and moveable items were worth in excess of RM80 million as at September 2011.

A striking out application dated 24 November 2015 was filed by the Manager to strike out the said writ summons and statement of claim on the grounds that the claim by MHSB was scandalous, frivolous or vexatious and/or an abuse of the process of the court.

On 1 April 2016, the Manager was informed that the High Court of Malaya at Kuala Lumpur had on 31 March 2016, dismissed the striking out application. The Learned High Court Judge dismissed the Manager's application on the grounds that there are triable issues in the pleadings and that MHSB should be given an opportunity to prove its claim. The matter is now fixed for case management on 4 May 2016 for further directions from the High Court of Malaya in Kuala Lumpur in respect of the trial. The Manager is seeking further legal advice on the above matter.

If the eventual outcome of this case is not in the Manager's favour, it would not have any impact on the distribution per unit and immaterial impact on the total asset value of Sunway REIT.

B12. Soft commission

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

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

	Current quarter ended 31.03.2016	Immediate preceding quarter ended 31.12.2015	% change
Number of units in issue (units)	2,942,684,200	2,941,335,300	0.0%
Realised net income (RM'000)	67,714	73,576	-8.0%
Realised earnings per unit (EPU) (sen)	2.33	2.48	-6.0%
Income distribution(RM'000)	69,742	75,592	-7.7%
Distribution per unit (DPU)(sen)	2.37	2.57	-7.8%
Net Asset Value (NAV) (After income distribution) (RM'000)	3,928,253	3,928,144	0.0%
NAV per unit (After income distribution) (RM)	1.3349	1.3355	0.0%
Market price per unit (RM)	1.60	1.46	9.6%

B14. Income Distribution

Please refer to Note A12 for details .

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract/Notional Value		Fair value at reporting date	
	As at 31.03.2016	As at 30.06.2015	As at 31.03.2016	As at 30.06.2015
	RM'000	RM'000	RM'000	RM'000
a) Interest rate swap - Less than 3 years	1,072,000	500,000	(2,499)	(1,513)
b) Cross currency swap - Less than 2 years (30.6.2015: Less than 1 year)	422,000	360,900	(29,550)	14,358
	1,494,000	860,900	(32,049)	12,845

a) Interest rate swap

During the previous financial year, Sunway REIT had entered into several interest rate swap ("IRS") contracts to manage its exposure of the floating rate borrowings and in the current quarter, an additional RM572 million of IRS contracts were entered into. The cumulative IRS contracts to-date amounted to RM1.1 billion. The IRS contracts were entered into to mitigate the risk of increase in interest rate over the hedging period on the floating rate borrowings. The fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as unrealised item as it does not qualify as a cash flow hedge.

The fair value of the IRS recognised in the income statement for 3Q2016 and YTD 3Q2016 amounted to a loss of RM2.8 million (3Q2015: RM2.1 million) and RM1.0 million (YTD 3Q2015: RM1.9 million) respectively. This brings the cumulative total fair value loss of the IRS to RM2.5 million as at 31 March 2016 and reflected as a derivative liability in the balance sheet.

b) Cross currency swap

Sunway REIT had entered into a 1-year cross currency swap ("CCS") contract in February 2015, upon maturity of the previous 3-year CCS, to manage its exposure in foreign currency risk arising from foreign currency borrowings, which was entered to minimize borrowing cost. In February 2016, upon maturity of the 1-year CCS, Sunway REIT had entered into a 2-years CCS to hedge against the foreign currency exposure for the remaining period of the foreign currency borrowings. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

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

The fair value of the CCS recognised in the statement of comprehensive income for 3Q2016 and YTD 3Q2016 amounted to a loss of RM42.5 million (3Q2015: gain of RM19.4 million) and a gain of RM10.7 million (YTD 3Q2015: RM46.0 million) respectively. This brings the cumulative total fair value loss of the CCS to RM29.6 million as at 31 March 2016 and reflected as a derivative liability in the balance sheet.

B16. Risks and Policies of Derivatives

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

The overall risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 2015 except the IRS contracts do not qualify as cash flow hedge and consequently, the fair value gains or losses on remeasuring the fair value of the IRS contracts are recognised immediately in the income statement as an unrealised item.

B17. Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

Please refer to Note A10 for details.

B18. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the retained profits/undistributed income of the Group as at 31 March 2016 into realised and unrealised profits/undistributed income is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Period ended 31.03.2016 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	4,439	730
- unrealised	1,269,563	1,265,077
	<u>1,274,002</u>	<u>1,265,807</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>1,273,999</u>	<u>1,265,804</u>

B19. Directors' Declaration

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 31 March 2016 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 27 April 2016.

BY ORDER OF THE BOARD

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

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

Bandar Sunway
Date: 27 April 2016